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, 2017

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)

7 MOTA GUR STREET, PETACH TIKVA 4952801, ISRAEL
(Address of principal executive offices)

RON HADASSI
Tel: +972-3-608-6000
Fax: +972-3-608-6050
7 MOTA GUR STREET, PETACH TIKVA 4952801, 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:	Name of each exchange on which registered:
ORDINARY SHARES, NO PAR VALUE	**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: 9,190,808 ordinary shares, no par value per share, as of December 31, 2017.

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, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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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INTRODUCTION

To date we operate primarily in the following fields of business:

Medical Industries – through our indirect holdings in two companies which operates in the field of life science: (i) InSightec Ltd. ("**InSightec**") - InSightec operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; (ii) Gamida Ltd. ("**Gamida**") – Gamida operates in the field of research, development and manufacture of products designated for certain cancer diseases.

Plots in India – we have holdings in plots of land in India which are designated for sale (and which were initially designated for residential projects).

Plots in Eastern Europe initially designated for development of commercial centers - plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("**PC**") whose business strategy is to no longer develop commercial centers but to dispose its real estate assets at optimal market conditions.

References in this annual report to Elbit Imaging Ltd. and its subsidiaries are referred to herein as "EI," "Elbit," the "Company," "our," "we" or "us".

Special Explanatory Note

Share and share price information in this annual report have been adjusted to reflect the 1-for-3 reverse share split effected by us on June 28, 2016.

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, PROJECTED CASH FLOW, INITIATION, TIMING, PROGRESS AND RESULTS OF RESEARCH, MANUFACTURING, PRECLINICAL STUDIES, CLINICAL TRIALS, AND OTHER RESEARCH AND DEVELOPMENT EFFORTS OF INSIGHTEC AND/OR GAMIDA, 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 2017 has been translated from various foreign currencies to the U.S. dollar ("**$**" or "**U.S. dollar**"), as of December 31, 2017, in accordance with the following exchange rates:

Currency	$1.00 as of December 31, 2017
1 New Israeli Shekel (NIS)	0.2884
1 Euro	1.1978
1 Great British Pound (GBP)	1.3504
1 Hungarian Forint (HUF)	0.0032
1 Czech Republic Koruny (CZK)	0.0392
1 Romanian LEI (RON)	0.2145
1 Polish Zloty (PLN)	0.2393
1 Indian Rupee (INR)	0.0131
1 Crore (10 million INR)	130,913

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 3.523 to the U.S. dollar on April 23, 2018. The exchange rate has fluctuated during the six month period beginning October 2017 through April 23, 2018 from a high of NIS 3.55 to the U.S. dollar to a low of NIS 3.388 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 2017, through April 23, 2018 as published by the Bank of Israel, were as follows:

	HIGH	LOW
MONTH	1 U.S. dollar =NIS	1 U.S. dollar =NIS
October 2017	3.542	3.491
November 2017	3.544	3.499
December 2017	3.550	3.467
January 2018	3.535	3.388
February 2018	3.681	3.427
March 2018	3.514	3.431
April 2018 (until April 23 , 2018)	3.503	3.537

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

PERIOD	AVERAGE EXCHANGE RATE
January 1, 2013 - December 31, 2013	3.609 NIS/$1
January 1, 2014 - December 31, 2014	3.577 NIS/$1
January 1, 2015 – December 31, 2015	3.885 NIS/$1
January 1, 2016 – December 31, 2016	3.841 NIS/$1
January 1, 2017 – December 31, 2017	3.599 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 are derived from our 2017 consolidated financial statements and are set forth below in table format. Our 2017 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 2017 consolidated financial statements were audited by Ernst and Young Israel – Kost Forer Gabbay and Kasierer ("**Ernst and Young Israel**"), a firm of certified public accountants in Israel and a member of Ernst and Young Global. See "Item 16F - CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT" for more information regarding the appointment of our new independent auditors. The consolidated financial statements for all years prior to 2016 presented in this filing were audited by Brightman Almagor Zohar and Co., a Member Firm of Deloitte Touche Tohmatsu. Our selected consolidated financial data are presented in NIS. A convenience translation to U.S. dollars is presented for 2017 only.

The selected financial data for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 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 of USD, except share and per share data)

	2017 Convenience translation ($'000)	2017 (NIS'000)	2016	2015	2014	2013
			(NIS'000)			
Income revenues and gains						
Revenues						
Revenues from sale of commercial centers	225,794	782,829	126,019	200,078	201,571	8,614
Total revenues	**225,794**	**782,829**	**126,019**	**200,078**	**201,571**	**8,614**
Gains and other						
Rental income from commercial centers	9,229	31,997	66,417	83,849	113,661	129,748
Gains from sale of investees	-	-	-	6,712	11,301	-
Gains from changes of shareholding in investees	-	-	-	-	-	-
Total gains	**9,229**	**31,997**	**66,417**	**90,561**	**124,962**	**129,748**
Total income revenues and gains	235,023	814,826	**192,436**	**290,0639**	**326,533**	**138,362**
Expenses and losses						
Commercial centers	232,369	805,623	159,806	290,360	291,864	124,737
General and administrative expenses	4,306	14,930	10,257	16,678	39,785	60,643
Share in losses of associates, net	5,827	20,202	54,313	42,925	17,298	339,030
Financial expenses	32,390	112,296	124,354	207,721	207,729	306,929
Financial income	(522)	(1,811)	(1,056)	(2,154)	(6,317)	(3,930)
Change in fair value of financial instruments measured at fair value through profit and loss	-	-	(2,707)	2,568	71,432	68,407
Financial gain from debt restructuring	-	-	-	-	(1,616,628)	-
Write-down, charges and other expenses, net	29,166	101,120	162,318	99,292	544,371	784,075
	303,536	1,052,360	509,397	657,390	(450,465)	1,679,891
Profit (loss) before income taxes	(68,513)	(237,534)	(316,961)	(366,751)	776,998	(1,541,530)
Income taxes (tax benefits)	3,243	11,244	3,020	4,402	(2,287)	(30,937
Profit (loss) from continuing operations	(71,756)	(248,778)	(319,981)	(371,153)	779,285	(1,510,593)
Profit(loss) from discontinued operations, net	(44,102)	(152,903)	7,913	56,231	5,072	(54,418)
Profit (loss) for the year	(115,858)	(401,681)	(312,068)	(314,922)	784,357	(1,565,010
Attributable to:						
Equity holders of the Company	(97,500)	(338,034)	(194,830)	(186,150)	1,008,999	(1,155,645)
Non-controlling interest	(18,358)	(63,647)	(117,238)	(128,772)	(224,642)	(409,365)
	(115,858)	(401,681)	(312,068)	(314,922)	784,357	(1,565,010)
Earnings per share - (in NIS)						
Basic earnings (loss) per share:						
From continuing operations	(5.80)	(20.14)	(22.05)	(21.73)	126.81	(2,675.22)
From discontinued operations	(4.80)	(16.64)	0.85	1.48	0.64	(109.69)
	(10.60)	(36.78)	(21.20)	(20.25)	127.45	(2,784.91)
Diluted earnings (loss) per share:						
From continuing operations	(5.80)	(20.14)	(22.05)	(21.73)	126.81	(2,675.22)
From discontinued operations	(4.80)	(16.64)	0.85	1.43	0.64	(109.69)
	(10.60)	(36.78)	(21.20)	(20.25)	127.45	(2,784.91)

SELECTED BALANCE SHEET DATA IN ACCORDANCE WITH IFRS

	2017 Convenience translation ($'000)	2017 (NIS'000)	2016 (NIS'000)	2015 (NIS'000)	2014 (NIS'000)	2013 (NIS'000)
Current Assets	139,445	483,456	178,592	217,544	488,702	694,348
Non-current Assets	153,998	533,913	2,082,617	2,486,008	3,172,611	3,870,096
Total	293,443	1,017,371	2,261,209	2,703,552	3,661,313	4,564,444
Current Liabilities	244,266	846,874	1,209,627	806,251	358,985	4,794,477
Non-current Liabilities	92,092	319,282	1,002,967	1,593,237	2,589,091	178,597
Shareholders' equity Attributable to:						
Equity holders of the company	(56,082)	(194,435)	(88,489)	19,287	231,979	(1,032,637)
Non-controlling interest	13,167	45,651	137,103	284,777	481,258	624,007
Total	293,443	1,017,371	2,261,209	2,703,552	3,661,313	4,564,444

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, 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.

RISKS RELATING TO OUR MEDICAL COMPANIES IN GENERAL

Our medical companies are subject to extensive governmental regulation, which can be costly and subject their business to disruption, delays and potential penalties.

Our medical companies are subject to extensive regulation by the US Federal and Drug Administrative ("**FDA**") and various other U.S. federal and state authorities and the European Medicines Agency and other foreign regulatory authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain approvals for future products or new indications and uses, could result in delayed realization of product revenues, reduction in revenues and substantial additional costs. In addition, no assurance can be given that our medical companies will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and post marketing reporting, including adverse event reports and field alerts due to manufacturing quality concerns. Our medical companies' facilities are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities, and they must incur expense and expend effort to ensure compliance with these complex regulations. Failure to comply with all applicable regulatory requirements may subject our medical companies to operating restrictions and criminal prosecution, monetary penalties and other disciplinary actions, including, sanctions, warning letters, product seizures, recalls, fines, injunctions, suspension, shutdown of production, revocation of approvals or the inability to obtain future approvals, or exclusion from future participation in government healthcare programs. Any of these events could disrupt our medical business.

There is uncertainty regarding reaching the phase of commercial sales

Gamida is primarily involved in research and development stages of its products. InSightec's ExAblate system has obtained regulatory approvals for certain applications (including FDA and CE approval) which are sold to customers, and InSightec's research and development activities focus on additional applications to its existing products.

A company wishing to develop a medical product and receive approval to market it must pass through a series of trials catalogued according to various phases, and each of them may end in failure. In such circumstances, InSightec's and Gamida's research and development activities do not carry with them a certainty of succeeding and reaching the phase of commercial sales of their products. Furthermore, it is not possible to predict the results of the later-phase trials based on the results of the preclinical trials and the first clinical trials carried out in the same product. Furthermore, a large part of the costs is invested in research and development expenses before the company begins to derive revenue from the sales of the products in development. A failure in one of the trial phases may cause the loss of the entire investments. Furthermore, there is no certainty regarding the price that may be received for the products under development when they begin to be marketed.

Our medical companies need considerable funds for research and development in order to be successful

InSightec invests significant resources into the research and development of new applications for its existing products, and a significant part of Gamida's operations is in the research and development field. So long as InSightec and Gamida continue with their product development processes, their development costs will remain high, as will their need for considerable funds, and Insightec a will not generate revenues for its new applications, and Gamida will not generate revenues from its products. Both InSightec and Gamida are dependent on the success of their respective research and development process, and if its research and development efforts, including clinical trials, fail in part or in whole, or significantly deviate from their objectives in terms of the development time or development costs, it could have a material adverse effect on Insightec and/or Gamida, as the case may be.

The clinical trials may not be successful and may be delayed or discontinued

The continued development of the products/applications being developed by InSightec and Gamida is conditioned on the conduct of clinical trials and the success of these trials at each of the regulatory phases. The conduct of clinical trials depends on a range of factors, including the ability to recruit a satisfactory number of both ill and healthy candidates. The necessity to receive the consent of clinical research entities for the trials, approvals for the conduct of the trials, as well as the possibility for unpredicted side effects may negatively impact the success of our medical companies' successful completion of their clinical trials. All these may delay, or even cause a discontinuation of, the clinical trials, and lead to a postponement of the approvals and permits, as described above. Moreover, it is not possible to know when the clinical trials will be completed, if at all.

Our medical companies may experience difficulties and delays in recruiting candidates for clinical trials

Continued development of InSightec's and Gamida's products/applications and completion of the clinical trials depend, among other factors, on the recruitment of appropriate candidates for the aforementioned trials. A lower than expected rate and/or delay of the recruitment of trial candidates may be caused by a variety of factors, such as the low prevalence of patients fitting the trial criteria, competition between the companies for candidate participation in trials, changes in the candidates' willingness to volunteer for the trial, and a lack of budgets.

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

Our medical companies' activities 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 treatment or the negligence or improper usage of such equipment by the medical staff performing the treatment. Any such claims could result in harm to our business and results of operations.

Our medical companies may be unable to adequately protect or enforce their rights to intellectual property, causing them to lose valuable rights.

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. 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.

Violation of a third party's rights

Claims by competitors and other third parties that InSightec's or Gamida's products allegedly infringe the patent rights of others (e.g. if InSightec's and/or Gamida's employees or service providers have violated, or are violating, the intellectual property rights held, in the past or present, by their other employers) 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.

Lack of coverage by government entities and/or insurance companies for the products' costs

The payment mechanisms currently used in the USA and Europe and some other countries, according to which the cost of patient care is covered by government bodies and/or insurance companies, may affect InSightec's and Gamida's sales potential. Should insurance coverage for the costs of InSightec's and Gamida's products not be approved, this may lead to a reduction in these products' sales potential.

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 InSightec is unable to obtain reimbursement on a national basis for treatments using the ExAblate, or if there are changes in reimbursement policies of private healthcare or governmental payors affecting the reimbursement for treatment procedures using the ExAblate, it could have a material adverse effect on InSightec.

For more information regarding reimbursement for InSightec's products see "Item 4B – Business Overview – Insightec – Insurance Coverage".

Our medical companies are dependent on professional and skilled manpower

InSightec's and Gamida's success depends, among other factors, on the continued services of key personnel in the development, production, management and business development fields. The supply of professional and skilled manpower in InSightec's and Gamida's field of activity in Israel is small. Should InSightec and Gamida not be able to hire or retain the aforementioned employees, this could cause a delay in the development and production of their products.

Grants and benefits from government entities and limits on realization of holdings

InSightec and Gamida benefit from the budgets of government entities, such as the Israeli Innovation Authority. These grants and benefits impose limitations on the activities of recipient companies (e.g. restrictions on production outside Israel and a prohibition on sales of knowledge to foreign entities). Moreover, limitations exist on the possibility to sell InSightec's and Gamida's operations to foreign investors, which may limit the options for realizations of the Company's holdings in InSightec and/or Gamida. A violation of the limitations may subject InSightec and Gamida to a range of penalties, including financial and criminal penalties. Furthermore, changes in the budgets of the aforementioned government entities that may prevent or reduce the grants and/or benefits that InSightec and Gamida may receive in the future may substantially impact their operations and results. Moreover, foreign investments are affected, among other factors, by the preservation of foreign investment incentives by Israeli regulators, including tax incentives. In the event that the aforementioned incentives for foreign investments are discontinued and/or limited, this may negatively affect foreign investments in InSightec and Gamida, and therefore negatively affect their business results and the company's business results.

Limits on the realization of InSightec and Gamida holdings

InSightec and Gamida sometimes enter into agreements which impose restrictions on the holdings of parties to the agreement or on third parties, including the company, related to their holdings in InSightec and Gamida, such as refusal rights and tag along rights. The aforementioned restrictions may limit the company's ability to realize its holdings in InSightec and/or Gamida and even deter potential investors from entering into investment agreements with the Company in regards to InSightec and Gamida.

Developments in the pharmaceutical and medical research fields

The development of competing drug treatments in InSightec's and Gamida's fields of research and development may reduce or obviate entirely the need for their products.

Changes enabling the circumvention of InSightec's and/or Gamida's intellectual property

It is possible that, after development is completed and a patent is registered in InSightec's and/or Gamida's name, third parties may succeed in developing alternative products that will include a technological change that will enable them to circumvent InSightec's and/or Gamida's patent-protected rights. In such a case, it is possible that third parties may succeed in developing products competing with InSightec's and/or Gamida's without violating the patent-protected rights, which may increase competition for InSightec's and/or Gamida's products and reduce their expected profits.

Violation of rights that are protected by patents, or will be protected in the future by patents

It is possible that, after development is completed and a patent is registered in InSightec's and Gamida's name, third parties may act to produce InSightec's and Gamida's products while violating the patent-protected rights. In light of this, the production of InSightec's and Gamida's products in violation of their patent-protected rights may harm them, and cause a decline in the prices of their products and reduce their expected profits.

Risks inherent in marketing medical products

Certain risks are inherent in marketing medical products and/or medicine, such as side effects for a drug (when referring to Gamida's products) and other patient reactions to the drug, which in some cases are unpredicted. The realization of the aforementioned risks may delay the continued development activities, and impact InSightec's and Gamida's continued operations and product development.

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 its research and development expenses, 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.

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 INSIGHTEC

Demand for InSightec products

As of the date of this annual report, and in light of InSightec's annual sales volume, there is no certainty that the demand for InSightec products will remain stable or grow. Furthermore, there is currently no certainty with regards to the rate of growth in the gynecology, oncology, and neurology markets, at which the current InSightec products are targeted. Increased demand for InSightec products depends also on the success of the marketing efforts, including overcoming various obstacles, with regard to which there is no certainty.

Technological compatibility

As of the date of this annual report, ExAblate is compatible only with certain Magnetic Resonance Imaging (MRI) systems of GE Healthcare, a division of the General Electric Company ("**GE**") and MRI systems of Siemens Healthcare GmbH ("**Siemens**"), which may limit InSightec's potential market.

In light of the above, we depend on collaboration with GE and Siemens to ensure the compatibility of the ExAblate with new models of GE and Siemens MRI systems and upgrades to existing GE MRI systems. If InSightec is unable to receive information regarding new models of the GE and Siemens MRI systems or upgrades to existing GE and Siemens MRI systems, and coordinate corresponding upgrades to the ExAblate to ensure continued compatibility with new and existing GE and Siemens MRI systems, its ability to generate sales of its system will be adversely affected. A termination of the cooperation with MRI manufacturers may cause a delay in the sale of InSightec products and a need for additional funding in order to make its products compatible with the MRI systems of other manufacturers.

InSightec is dependent on GE

As at the date of this report, InSightec has regulatory authorizations to integrate systems manufactured by it only into MRI beds manufactured by GE. InSightec is in the process of obtaining authorizations to integrate the systems manufactured by Siemens. However, at this stage, prior to having obtained the authorizations as stated, InSightec is dependent upon GE.

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 which may be adversely affected. As of the date of this annual report, and to InSightec's best knowledge, no incidents that may lead to a product recall by the relevant authorities have been reported.

Incorporation of third-party software components in InSightec products

Third-party software components are found in InSightec's products which are subject to use limitations in accordance with their user license. Should InSightec fail to use the product in accordance with the license and the limitations established therein, InSightec may be sued for violations of the component developer's copyrights and/or may be required to hand over sensitive internal information to the public, which would benefit InSightec's competitors and harm its protected confidential data. Any demand to reveal InSightec's source code or exposure of InSightec to copyright violations would significantly damage its competitiveness and business outcomes.

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 system has negative side effects on patients, physicians may not adopt or may 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.

RISKS RELATING TO GAMIDA

Gamida is dependent on the completion of the development of its products in the field of stem cell proliferation

Gamida develops unique products using unique technologies for the proliferation of stem cells. There is no certainty that the development activities will conclude successfully nor is there any certainty that the clinical trials conducted by Gamida will conclude successfully and accordingly that Gamida's products will be found to be effective and safe for use.

Gamida's is dependent on manufacturing sites

The manufacturing capability of Gamida depends upon the manufacturing site that it owns and the manufacturing site of its subcontractor. As of the date of this report, the manufacturing of NiCord for all the clinical trials conducted by Gamida is carried out at all of these manufacturing sites. Physical or other damage to the manufacturing sites, and mainly the manufacturing site of the subcontractor, that requires its unexpected closing, could materially adversely affect Gamida.

RISKS RELATING TO REAL ESTATE IN GENERAL

We and PC essentially ceased significant business development activities in the real estate sector, particularly in the fields of plots in India and commercial centers, which may have a material adverse effect on our operations and cash flow.

As a result of certain constraints imposed on us and PC within the framework of our respective Debt Restructurings, as well as other circumstances, such as 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. PC currently does not develop commercial centers and most of the plots purchased by PC in the past are designated for sale and not for development. Rather, we and PC are currently focused on enhancing parts of our backlog projects and selling them at favorable market conditions. In addition, we did not commence new cycles of entrepreneurship-development-improvement-realization, and focused only on our backlog projects with no new pipeline. Since we are highly dependent on the realization of our current assets as a source of cash flow to serve our debts, this change in corporate strategy and focus may adversely affect our operations, and may cause material adverse effects on our ability to generate future cash flow in order to meet our and PC's obligations.

The fair value of our real estate assets may be harmed by certain factors that may entail impairment losses not previously recorded, which would affect our financial results.

Certain circumstances may affect the fair value of our real estate assets, including, among other things: (i) the absence of or modifications to permits or approvals required for the development of the plots, (ii) delays in completion of development works beyond the anticipated target, (iii) pending lawsuits that may affect our operations, whether or not we are a party thereto, (iv) full or partial eminent domain proceedings (with or without compensation) regarding such real estate assets; and (v) findings indicating soil or water contamination or the existence of historical or geological antiquities that may require us to absorb significant cleaning, purification or preservation costs; (vi) sale done under time constrains which prevents us from making a sale in optimal conditions. 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.

Real estate investments are relatively illiquid.

Substantially all of our portfolio's total consolidated assets consist of investments in undeveloped real estate properties. 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 any of the undeveloped assets to third parties will involve other difficulties compared to the selling of operational real estate assets, such as the lack of financing for development, the risk of not obtaining the building permits and approvals 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, 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. Finally, attempting to sell any of our investments in real properties at an accelerated pace due to cash flow needs may result in receiving a 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 within the desired time period and may receive less consideration than the book value of the property in our consolidated financial statements.

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

If and to the extent that we will engage in the development of any of our real estate assets (rather than sale it AS IS), 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 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. 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.

RISKS RELATING TO THE CASA RADIO PROJECT IN ROMANIA

PC's Casa Radio project in Romania may be subject to governmental expropriation or monetary sanctions.

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. Additionally, there may be other regulatory risks relating to the Romanian government's right to expropriate the rights to the Casa Radio Site in Bucharest or that they will impose sanctions on PC with respect to the property, See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Casa Radio Project in Bucharest, Romania" for more information regarding the Casa Radio Site. Furthermore, these rights are subject to termination under certain circumstances by the Romanian government, such as in the event of a delay in the project timetable, and any termination prior to the expiration of such rights may have a material adverse effect on our business cash flow and our results of operations.

RISKS RELATING TO OUR PLOTS IN INDIA

We may have difficulties exercising a full separation from our partner in connection with our project in Bangalore, India which may significantly affect our ability to dispose of such asset and complete our strategy relating to our plots in India

Our strategy with respect to our plots in India is to dispose of such assets under the most optimal market conditions. Due to regulatory, physical and other limitations to develop our project in Bangalore, India, on December 2, 2015, we announced that Elbit Plaza India Real Estate Holdings Limited (in which we hold a 50% stake with PC) ("**EPI**") signed an agreement to sell 100% of its interest in a special purpose vehicle which holds a plot in Bangalore, India to a local Investor which should had been closed on September 30, 2016.The Local investor has failed to close the transaction in the agreed time line. As a result of this breach, the local investor was required to carry out an agreed upon separation mechanism in such manner that EPI will have full title over the plot. Such mechanism include mainly the execution of certain title documents transferring and duly registering the 10% undivided interest in the plot that are being held by the local Partner in EPI's favor. Since the separation mechanism has not been executed by the Local investor, EPI forfeited from the escrow agent, the transfer deeds for land plots covering approximately 8.3 acres which had been provided to us as guarantees under the agreement.

On June 19, 2017, we announced that EPI has signed a revised agreement for the sale of the plot in Bangalore. As part of the agreement, part of the consideration will be paid by the Purchaser in installments until the Final Closing. The final closing was set to take place on September 1, 2018. All other existing securities granted to EPI under the previous agreement will remain in place until the Final Closing.

On January 19, 2018 we announced that the purchaser announced that the remaining payments under the revised agreement will not be made due to certain change proposed by the Indian authorities that could potentially impact the development of the site.

On February 21, 2018 the Company announced that despite the purchaser's January 2018 announcement, the Purchaser paid the January installment in the amount of INR 5 Crores (circa €0.62 million).

In March 2018, an amended revised agreement was signed and the Purchaser and EPI have agreed that the total purchase price shall be increased to INR 350 Crores (approximately €45.8 million). Following the signing of the revised agreement, the Purchaser paid EPI an additional INR 10 Crores (approximately €1.3 million) further to the INR 45 Crores (approximately €5.9 million) that were already paid during the recent year. An additional INR 83 Crores (approximately €10.8 million) will be paid by the Purchaser in unequal monthly installments until the final closing. The final closing will take place on August 31, 2019 when the final installment of approximately INR 212 Crores (approximately €27.8 million) will be paid to EPI against the transfer of the outstanding share capital of the SPV.

If the Purchaser defaults before the final closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreements will remain in place until the final closing. However, it should be noted that, in case of a breach by the Purchaser of the new agreement, we will still should achieve full separation from the local partner, which might be a long and tedious process and we are not certain that we will be able to achieve it. In case such separation would not be achieved it may cause a significant impairment to the value of the property and may cause significant difficulties to find another third party buyer to this plot taking into account that there is no clean title on the property. This may have a material adverse effect on our operations, cash flow and in turn, our ability to repay our debts in timely manner.

Even if we are able to properly execute the separation mechanism (in particular with respect to the transfer of the local partner's 10% undivided interest in our favor) and/or exercise the guarantees placed by the local investor, there is no guarantee that we will be able to dispose of the land in the Bangalore project to a third party on efficient economic terms due to proprietary claims to certain parts of the Bangalore project, and other third party holdings on parts of the land within the Bangalore project thus making the holdings in the land a non-contiguous property. In addition, legal and regulatory restrictions placed by local authorities can materially impede our ability to dispose of the land on optimal commercial terms which may materially adversely affect our ability to dispose of the land to third parties which may jeopardize our business strategy, planning and operations, and could cause severe delays in disposition of the plots and could have a material adverse effect on our operations, cash flow and in turn, our ability to repay our debts in timely manner.

Our ability to generate short term cash flow from our Chennai project in the short term is limited

Our strategy in respect of our projects in India is to liquidate our assets at the most commercially optimal prices. However, we have entered into a Joint Development Agreement ("**JDA**") transaction with a local developer in order to develop our project in Chennai, India. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Joint Development Agreement with respect to our Plot in Chennai, India". As per the terms of the JDA, we are entitled to receive an agreed upon percentage of the proceeds from sales to third parties of villas and plots developed by the local developer.

As of the date of this current report, the commencement of the project is still subject to obtaining an access road to the project which as of the date of this filling has not yet been obtained, and the Company is examining its options.

In addition, our ability to sell the project to other third party developers is limited since new developers would likely to ask that we terminate our JDA with the local developer, which is possible only under certain events detailed in the JDA.

Additionally, we are fully dependent on the local developer's skills and efforts to complete the Chennai, India project in the most efficient way. If the local developer will not duly perform its obligations we may experience a delay in our expected cash flow, and may need to terminate the JDA and seek alternative exit strategies from the Chennai, India project which may not be on optimal terms.

We rely on our local joint development partner's performance, financial capability and reputation in our project in Chennai. Any significant decline in the reputation of the local joint development partner's capabilities or the existence of conflicts of interest could adversely affect our results of operation and cash flow.

Our project in Chennai, India is subject to a JDA with a local partner. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Joint Development Agreement with respect to our Plot in Chennai, India". The Chennai, India project is to be developed by the local partner who is responsible for the construction of the Chennai, India project at its own costs, as well as marketing the Chennai, India project to third party buyers. Any significant decline in the financial capabilities of the local partner might cause delays in the construction and marketing of the Chennai, India project by the local partner in the expected timeline. In addition, any significant decline in the reputation of the local partner could cause delays in the marketing of the project to third party buyers. Since the local partner has another project in Chennai in close proximity to our Chennai, India project, there may be a conflict of interest in the construction and marketing of our Chennai, India project since the local partner may have other business interests that are inconsistent with ours.

Consequently, disputes or disagreements with the local partner could result in interruption to the business operations of our project and may materially impact our financial condition, cash flow, and results of operations.

Our plots located in India are subject to a highly regulated legal regime which is burdensome for foreigner investors

Our plots are located in India, and are subject to the Indian Foreign Exchange Management 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 Act and the consolidated Foreign Direct Investment ("**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 latest release with respect to the FDI Policy was a Consolidated FDI Policy circular issued by the DIPP, with effect from August 28, 2017. These regulations forbid the sale of undeveloped land in view of blocking speculative real-estate investments by foreigners, and require a minimum lock-in period of 3 years for each tranche of an investment. Additional regulations promulgated under the FDI Policy and the Reserve Bank of India ("**RBI**") subject the repatriation of capital to strict regulatory procedures and time-consuming bureaucratic processes. Failure to comply with the requirements of the FDI Policy or RBI regulations 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 and/or repatriation restrictions may result in the imposition of penalties and the inability to dispose of our projects. Such limitations block or limit 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 for the disposition of the plots and could have a material adverse effect on our operations, cash flow and in turn, our ability to repay our debts in timely manner. For additional information regarding the relevant regulation to our business in India see "Item 4B – Business Overview – Governmental Regulation."

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, such records 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.

The new order issued by the National Green Tribunal and the proposed Master Plan may significantly limit the ability of a prospective purchaser to develop the land in the most efficient way and may significantly affect our ability to dispose of such asset and complete our strategy relating to our plots in Bangalore.

On May 4, 2016, the National Green Tribunal ("**NGT**") issued a new order in which it directed that specified areas surrounding bodies of water are to be treated as "no construction zones". See "Item 4B – Business Overview – Governmental Regulation – Plots in India – National Green Tribunal – New Order".

Our project in Bangalore is in proximity to the Varthur Lake and has several water drains crossing it, and may therefore be subject to the NGT order. Consequently, a third party prospective buyer may claim that the new NGT order may cause significant limitations on the development of the project which in turn may limit our ability to dispose of this property at its fair market value or at all. Such issues may have a material adverse effect on our cash flow position and the value of this property in our consolidated financial statements.

On February 2018 the Company was informed about the preparation of a new master plan in the State of Karnataka, India ("**Master Plan**") which effects major portions of the Varthur Land. Under the Master Plan a major portion of the Varthur Land is classified as "buffer/valley/open space/park". This could change if an objection filed is considered and accepted, and this may significantly affect our ability to dispose of such asset and complete our strategy relating to our plots in Bangalore. For additional information see "Item 4B – Business Overview – Governmental Regulation – Plots in India – Master Plan".

Our Partner has filed objections to the Master Plan to seek the re-classification of the proposed zoning of the buffer zone and the zoning of areas within the buffer zone.

We may have difficulties disposing our projects in India which may significantly affect our ability to complete our strategy relating to our plots in India

Due to regulatory and legal restrictions in India which make it difficult to register the transfer of ownership rights in our Indian projects, our ability to secure full title to our projects in India may be significantly restricted.

There are ongoing court cases with respect to third party proprietary claims to certain parcels of land within our projects in India which further impede our ability to dispose of the asset. Physical and geographical limitations, such as the lack of an access road leading to the Chennai project territory, NGT order claims, theft of sand and destruction of property, and third party holdings throughout our Indian project territory (which we are unable to purchase from such third parties at all or on reasonable market terms) may also impede our ability to dispose of projects on optimal commercial terms.

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

If and to the extent that we will engage in the development of any of our real estate assets (rather than sale it AS IS), we require up-front expenditures for land development and construction costs for our existing plots in India which are designated for sale. Accordingly, we require certain amounts of cash and financing for our operations in India. 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 in the credit rating of PC, might have a material adverse effect on our ability to raise capital.

GENERAL RISKS

Most of our assets (including those of our subsidiaries) are managed in foreign currencies while our liabilities (including those of our subsidiaries) are denominated in NIS.

We are impacted by exchange rate fluctuations as a significant part of our cash flow is dependent on our assets and investments which are acquired and managed in foreign currencies (mainly EUR, US Dollar and Rupee) while our debts (mainly our Notes, Elbit Medical Notes and PC Notes) are mainly incurred in NIS. As a result of this currency discrepancy, the proceeds from the realization of our assets and investments may significantly fluctuate and we may be adversely affected by such discrepancy. Currently we do not have any material hedges against exchange rate fluctuations. If a devaluation of the foreign currency against the NIS will occur when we will realize these assets and investments our cash flow may be significantly harmed and it may cause us not to serve our indebtedness in full and on timely manner. In addition such exchange rate fluctuations will affect our shareholders equity and our net asset value in the event we will have currency exchange losses that are attributed to the profit and loss or directly to our shareholders equity in accordance with accounting standard.

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

Our business objective is to create value with our assets and, as a result, following the realization of such assets, 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 or inability to realize our assets could harm our cash flow and our ability to serve our indebtedness.

Difficulties in realizing our assets may be attributed to a number of factors, including: (i) regarding our medical companies - The conditions for realizing the holdings have not yet matured, with an emphasis on the existence of significant improvement potential; (ii) regarding our real estate business - delays in obtaining permits and licenses from municipal and planning authorities, a tougher approach and stricter demands by banks and financial institutions for the financing of potential purchasers and other factors beyond our control. We are dependent on realizing a significant part of our assets in order to serve our debts in a timely manner. There is no assurance that we, Elbit Medical and PC will succeed in the realization of our assets in synchronization with the maturity date of our debts, which may lead us to an event of default under our various notes (the "**EI Notes**") and/or the Elbit Medical notes (the "**Elbit Medical Notes**") and/or PC's notes (the "**PC Notes**").

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 the markets in which we operate can harm our business. Such adverse economic conditions may result in economic factors including 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 particular, adverse economic conditions may have the following consequences on our business: (i) 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 (ii) decrease in asset values that are deemed to be permanent, which may result in impairment losses and possible noncompliance with certain financial covenants in credit and loan agreements to which we are a party, (iii) 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 our projects and engage with co-investors, 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 and/or to potential buyers of our assets, 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.

We are highly leveraged.

We are highly leveraged and have significant debt service obligations. As of the balance sheet date our consolidated debt toward note holders amount to NIS 1083 million ($312 million), out of which a corporate -level debt (i.e.: debts of the Company on a standalone balance sheet) amounted to NIS 572 million (approximately $165 million).

As a result of our substantial indebtedness: (i) we could be more vulnerable to general adverse economic and industry conditions; (ii) we may find it more difficult to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements; (iii) we may not be able to refinance our outstanding indebtedness, and (iv) we may have limited flexibility in planning for, or reacting to, changes in our business and in the industry.

We cannot guarantee that our projected cash flow will actually materialize in a manner that will allow us to serve our debt in a timely manner 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.

Our ability to satisfy our obligations under certain notes 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 increases, it may have the opposite effect where the value of underlying assets falls. Any fall in the value of any of our assets, may significantly reduce the value of our equity investment in the entity which holds such asset, meaning that we may not make a profit, may incur a loss on the sale or impairment of any such asset and/or increase the likelihood of breaching certain financial covenants and trigger potential cross defaults. 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 and cash flow.

We have and in the future may be exposed to liabilities under the Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, and any determination that we or any of our subsidiaries has violated the Foreign Corrupt Practices Act or similar worldwide laws could have a material adverse effect on our business.

We are subject to compliance with various laws and regulations, including the Foreign Corrupt Practices Act (the "**FCPA**") and similar worldwide anti-corruption laws, including Sections 290-295 of the Israeli Penal Code, which generally prohibit companies and their intermediaries from engaging in bribery or making other improper payments to foreign officials for the purpose of obtaining or retaining business or gaining an unfair business advantage. The FCPA also requires proper record keeping and characterization of such payments in our reports filed with the SEC.

While our employees and agents are required to comply with these laws, we operate in many parts of the world that have experienced governmental and commercial corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our commitment to legal compliance and corporate ethics, we cannot ensure that our policies and procedures will always protect us from intentional, reckless or negligent acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in financial penalties, debarment from government contracts, third party claims and other consequences that may have a material adverse effect on our business, financial condition or results of operations.

On March 12, 2018 the Company announced that the Securities and Exchange Commission ("**SEC**") approved an offer of settlement that was submitted to it by the Company regarding concerns of a violations of the books and records and internal accounting controls provisions of the FCPA. For additional information See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Approval of an Offer of Settlement with the SEC in the matter of Alleged Violations of FCPA".

Under the terms of the Notes we have limited flexibility in distributing dividends due to prepayment obligations.

The Notes include mandatory prepayment provisions in the event we pay a dividend or make any other distribution before the full redemption of the 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. 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 no controlling shareholders who are able to influence the composition of our Board of Directors.

Our largest shareholders include affiliates of York Capital Management Global Advisers LLC and affiliates of Davidson Kempner Capital Management LLC who beneficially own an aggregate of approximately 19.6% and 14.3% respectively, of our outstanding ordinary shares. To our knowledge, these shareholders are not party to a shareholders' agreement between them or with any other shareholders. As a result, we have no controlling shareholder able to influence the composition of our Board of Directors. Consequently, following the next annual general meeting of our shareholders, a Board of Directors comprised of new individuals may be elected. Such new Board of Directors may have significantly different corporate strategies than our current Board of Directors, which may cause a material change in our operations and financial results.

The market price of our ordinary shares may suffer from fluctuation and may decline significantly.

There are a number of different major groups of shareholders with different and possibly opposing interests who may at any time sell their shares in the Company. 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. Our ordinary shares are generally freely tradable, and the potential sales of such shares could cause the market price of our ordinary shares to decline significantly. This might also 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.

We are restricted from receiving dividends from Elbit Medical, PC and other subsidiaries.

The Elbit Medical Notes and the PC Notes include certain limitations on the distribution of dividends as well as subordination provisions, which would significantly limit our ability to generate cash flow from Elbit Medical and 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 in timely manner.

If Elbit Medical or PC fail to comply with the provisions of the Elbit Medical Notes or the PC Notes, respectively, they may enter into liquidation or we may lose our control over Elbit Medical or PC

Both Elbit Medical and PC have a considerable amount of debt to serve in the coming year to the Elbit Medical Noteholders and the PC Noteholders. If Elbit Medical or PC will not be able to meet its obligations under the Elbit Medical or PC Notes the applicable party will enter into a default under its Notes and there is no obligation or assurance that we will be able to further support Elbit Medical or PC. Such defaults may lead to creditors realizing liens imposed on the assets of Elbit Medical and PC. In addition, PC's audited financial statements for the year ended December 31, 2017 includes a going concern note. Such default may result in massive dilution of our holdings causing us to lose our control over PC or the liquidation of PC, which would result in the loss of our investment in PC. Furthermore, PC is already in default under its Notes and its Noteholders may decide to exercise their rights to exercise the liens they have on PC's assets.

Our EI Notes and PC Notes are subject to changes in the consumer price index which may have a negative impact on our earnings, balance sheet and cash flows.

The principal and interest of most of our and PC debt instruments are 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.

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 overtime and working conditions. A determination that we 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.

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 results of operations and our cash flow. 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, after applying certain look through rules, 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.

Changes to the U.S. federal tax laws, including the recent enactment of certain tax reform measures, could have an impact on a shareholder's investment in the Company.

U.S. federal income tax laws and the administrative interpretations of those laws may be amended at any time, potentially with retroactive effect. On December 22, 2017, P.L. 115-97 was signed into law making significant changes to U.S. federal tax laws. The impact of these provisions on the Company's operations and on its investors is uncertain, and may not become evident for some period of time. Prospective investors are urged to consult their tax advisors regarding the effect of these changes to the U.S. federal tax laws on an investment in our shares.

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

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 the timely filing of our Annual Report on Form 20-F with the Securities and Exchange Commission, in accordance with the requirement of the SEC.

For example, in May 2017, the Company received a notice from NASDAQ that it was not in compliance with Rule 5250(c)(1) because it failed to timely file the Form 20-F for the period ending December 31, 2016. The delay in filing the Form 20-F was the result of a disclaimer contained in the report of the auditor of Plaza Centers N.V. (an indirect subsidiary (45%) of the Company) in PC's annual financial statements for 2016. As a result of this disclaimer, the Company's auditor notified the Company that it was unable to provide an audit opinion regarding the Company's financial statements for 2016. After the Company submitted a plan to regain compliance and other information, among others, NASDAQ ultimately granted the Company an extension until November 13, 2017 to file its annual report on Form 20-F and thereby regain compliance with the Rule 5250(c)(1). The Company filed its annual report on Form 20-F on November 13, 2017.

If a delisting were to occur, and our shares did not thereafter qualify for trading on the Nasdaq Global Market or the Nasdaq Capital Market, trading in our shares in the United States may be conducted, if available, on the Over the Counter Bulletin Board or another medium. In the event of such delisting, an investor may find it significantly more difficult to dispose of, or to obtain accurate quotations as to the value of, our shares, and our ability to raise future capital through the sale of our shares could be adversely affected. Moreover, we would be unable to use the SEC's "short form" Form F-3 to register the offering and sale of securities, even for limited primary offerings. In addition, in the event of such delisting, we may be required to comply with enhanced reporting obligations under the Israeli securities laws, in addition to the reporting obligations under the U.S. securities laws, which could require additional management attention, increase our legal and accounting expenses and raise our exposure to sanctions for possible violations of Israeli securities laws.

In addition, if a delisting or suspension from the NASDAQ were to occur, the Company's shares and Notes likely would be suspended or delisted from TASE.

If PC and Elbit Medical Technologies Ltd. do not satisfy the applicable stock exchange conditions 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", on the main list of the Warsaw Stock Exchange under the symbol "PLZ", and on the Tel Aviv Stock Exchange under the symbol "PLAZ". The shares of our subsidiary Elbit Medical Technologies Ltd. are listed on the Tel-Aviv Stock Exchange under the symbol "EMTC". If PC or Elbit Medical Technologies Ltd. do 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.

If the convertible notes issued by Elbit Medical are converted into ordinary shares of Elbit Medical, our holdings in Elbit Medical will be diluted.

On February 19, 2018, we announced that Elbit Medical completed a public offering of notes with a principal amount of NIS 180 million convertible into ordinary shares of Elbit Medical. The notes bear annual interest at 5% in the first two years and 10% in the remaining period and are convertible at any time until the maturity date of the notes, March 1, 2022, at a price per Elbit Medical ordinary share equal to NIS 1.47 in notes. In the event the entire principal amount of the convertible notes is converted into Elbit Medical ordinary shares, our holdings in Elbit Medical will be diluted and assuming no additional ordinary shares are issued by Elbit Medical, our holdings in Elbit Medical will be reduced to 58% of the issued share capital of Elbit Medical. In addition, the price per ordinary share of Elbit Medical may decline as a result of the issuance of a significant number of shares.

If Elbit Medical defaults in its obligations to the holders of its convertible notes, the holders may foreclose on Elbit Medical's holdings in InSightec and Gamida.

As described above, on February 19, 2018, we announced that Elbit Medical completed a public offering of notes with a principal amount of NIS 180 million convertible into ordinary shares of Elbit Medical. The notes bear annual interest at 5% in the first two years and 10% in the remaining period and are convertible into Elbit Medical ordinary share. The trust agreement of the notes includes certain limitations, including on the ability of Elbit Medical to distribute dividends and raise additional debt. In addition, the notes are secured by a pledge on a portion of Elbit Medical's holdings in InSightec and Gamida in a "value to loan" ratio of 200%. In the event Elbit Medical defaults in its obligations to the holders of its convertible notes, the holders may foreclose on Elbit Medical's holdings in Insightec and Gamida, which would have a material adverse effect on our business.

Our Ordinary Shares are traded on different markets and this may result in price variations.

Our ordinary shares are traded on the Tel Aviv Stock Exchange and on the Nasdaq Stock Market. Trading in our ordinary shares on these markets will be made in different currencies (NIS on the Tel Aviv Stock Exchange and USD on the Nasdaq) and will take place at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ due to these and other factors. Any decrease in the price of our ordinary shares on any of these markets could cause a decrease in the trading price of our ordinary shares on the other market.

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 Medical, 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, and the Islamic State of Iraq and Levant (ISIL), a violent jihadist group, is involved in hostilities in Iraq and Syria and have been growing in influence. Although ISIL's activities have not directly affected the political and economic conditions in Israel, ISIL's stated purpose is to take control of the Middle East, including Israel. 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.

Furthermore, our 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 or acquisition involving 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 involving us, which could depress our share price.

RISKS RELATING TO EASTERN EUROPE

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 subject us 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. These risks could be harmful to us and are very difficult to quantify or predict. 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 properties 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. 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. 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 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.

We may be faced with restitution claims by former land owners in respect of project sites acquired by some countries by expropriation

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

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.

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 3 Shimshon Street, Petach Tikva 4952801, Israel. You may reach us by telephone at (972-3) 608-6000 or by fax at (972-3) 608-6050.

For a summary of our recent acquisitions, dispositions and other activities and of our capital expenditures and divestitures during the years 2015, 2016 and 2017, and that are currently in progress, see "Item 5 – Operating and Financial Review and Prospects – Overview."

Recent Events

InSightec's Medical Updates

See "Item 4B – Business Overview – Medical Companies – Insightec – Clinical and Regulatory Development in InSightec's Products".

Gamida Medical Updates

See "Item 4B – Business Overview – Medical Companies- Gamida – Clinical and Regulatory Development".

Approval of an offer of Settlement with the SEC in the matter of Alleged Violations of FCPA

On March 12, 2018, we announced that the SEC approved an offer of settlement that was submitted to it by the Company regarding concerns of a violations of the books and records and internal accounting controls provisions of the FCPA, as follows:

In March 2016, PC announced that its board of directors became aware of certain issues with respect to certain agreements that were executed in the past by PC in connection with the Casa Radio Project in Romania that may indicate potential violation of the requirements of the FCPA, including the books and records provisions of the FCPA.

In addition, in April 2017, the Company's board of directors and PC's board of directors became aware of certain issues with respect to an agency and commission agreement from 2011 regarding the sale in 2012 of property in the U.S. jointly owned by PC and the Company. The characteristics of the said agreements could raise red flags that this agreements may be a potential violation of the requirements of the FCPA, including the books and records provisions of the FCPA.

Upon the discovery of each of the cases described above, the Company appointed an internal committees to examine these events and at the same time updated the SEC.

The internal committees has concluded their examination of these matters and submitted their recommendations to the Company's board of directors. The Company's board of directors fully adopted the committee's recommendations, and is working to implement them. Following discussions with the SEC regarding the potential violation of the requirements of the FCPA, the Company submitted an Offer of Settlement ("**Offer**").

Solely for the purpose of the proceedings brought by or on behalf of the SEC and without admitting or denying the findings in the Offer (except as to the SEC's jurisdiction over it and the subject matter of these proceedings, which are admitted) the Company consented to the entry of an order containing the SEC's findings.

The SEC has determined to accept the Offer and ordered that:

- Pursuant to Section 21C of the Securities Exchange Act of 1934 ("**Exchange Act**"), the Company cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

- The Company paid a civil money penalty in the amount of $500,000 to the SEC for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).

In determining to accept the Offer, the SEC considered remedial acts that the Company promptly undertook, its self-reporting, and its cooperation afforded to the SEC staff, including having conducted a thorough internal investigation, voluntarily providing detailed reports to the staff, fully responding to the staff's requests for additional information in a timely manner, and providing translations of certain documents.

On March 29, 2018 we announced that further to our announcement regarding a settlement with the SEC involving concerns of violations of the books and records and internal accounting controls provisions of the Foreign Corrupt Practices Act of 1977), that a shareholder of the Company (the "**Plaintiff**") has filed a motion with the Financial Department of the District Court in Tel-Aviv, Israel against the Company (the "**Claim**") requesting the court to instruct the Company to disclose to the Plaintiff documents in connection with the events underlying the settlement.

The Company is currently examining the Claim with its legal advisors and intend to respond in due time. The Company is unable to estimate what will be the outcome of the Claim and/or how it will evolve.

Issuance of a New Series of Notes by Elbit Medical and Payment of Debt from Elbit Medical to the Company

On February 19, 2018, the Company announced that Elbit Medical completed a public offering of notes convertible into ordinary shares of Elbit Medical and secured by a pledge on a portion of Elbit Medical's holdings in InSightec and Gamida.

The main terms of the Notes are: (i) the total amount raised was NIS 180 million; (ii) the maturity date is March 1, 2022; (iii) the notes bear annual interest of 5% in the first two years and 10% in the remaining period, payable twice a year - in March and September; (iv) each NIS1.47 par value in notes are convertible into one Elbit Medical ordinary share; (v) the trust agreement of the notes includes certain limitations, including on the ability of Elbit Medical to distribute dividends and raise additional debt; and (vi) the Notes are secured by a pledge on a portion of Elbit Medical's holdings in InSightec and Gamida in a "value to loan" ratio of 200%.

The use of proceeds from the Notes were as follows: (a) payment of all expenses in connection with the issuance of the notes (approximately NIS6 (approximately US$ 1.7 million)); (b) NIS18 million (approximately $ 5 million) to be deposited with the trustee and used for interest payments due on the notes for the first two years; (c) NIS 4 million (approximately $ 1 million) for ongoing operational expenses; and (d) the remaining proceeds will be used to repay Elbit Medical's intercompany debt to the Company in the amount of approximately NIS 154 million (approximately $ 43 million). The balance of Elbit Medical's debt to the Company, in the total amount of approximately NIS2 million (approximately USD 580 thousand) will be converted to approximately NIS2 million par value Notes. The Notes were not registered under the U.S. Securities Act of 1933.

On March 9, 2018 the Company announced that following the completion of the offering of Elbit Medical Notes, Elbit Medical had transferred approximately NIS 151 million (approximately $ 43.7 million) to the Company as an early repayment on account of its debt to the Company. The balance of Elbit Medical's debt to the Company, in the total amount of approximately NIS 2 million (approximately $ 580 thousand) will be converted into approximately NIS 2 million of par value notes.

Agreement to sell a Plot in Bangalore, India

On June 19, 2017 we announced that Elbit Plaza India Real Estate Holdings Limited ("**EPI**") signed a revised agreement in relation to the sale of a 100% interest in a special purpose vehicle which holds a site in Bangalore, India to third party purchaser. The purchaser and EPI agreed that the purchase price will be amended to INR 338 Crores (approximately €44.2 million and approximately $47 million) instead of the INR 321 Crores (approximately €42 million and approximately $47 million) agreed to in the previous agreement signed in December 2015. As part of the revised agreement, INR 110 Crores (approximately €14.4 million and approximately $15 million) will be paid by the Purchaser in installments until September 1, 2018, when the final installment of INR 228 Crores (approximately Euro 29.8 million) will be paid to EPI. If the purchaser defaults prior to such date, EPI will be entitled to forfeit certain amounts paid by the purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreement, signed in December 2015, will remain in place until the final closing.

On January 19, 2018 we announced that the purchaser announced that the remaining payments under the revised agreement will not be made due to certain change proposed by the Indian authorities that could potentially impact the development of the plot.

On February 21, 2018 we announced that despite the purchaser's January 2018 announcement, the purchaser paid the January installment in the amount of INR 5 Crores (approximately €0.62 million).

On March 22, 2018 an amended revised agreement was signed and the Purchaser and EPI have agreed that the total purchase price shall be increased to INR 350 Crores (approximately €45.8 million). Following the signing of the revised agreement the Purchaser paid EPI an additional INR 11 Crores (approximately €1.3 million) further to the INR 45 Crores (approximately €5.9 million) that were already paid during the recent year. An additional INR 82 Crores (approximately €10.8 million) will be paid by the Purchaser in unequal monthly installments until the final closing. The final closing is scheduled to take place on August 31, 2019 when the final installment of approximately INR 212 Crores (approximately €27.8 million) will be paid to EPI against the transfer of the outstanding share capital of the SPV.

If the Purchaser defaults before the final closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreements will remain in place until the final closing.

InSightec Equity Round

See "Item 4B – Business Overview – Medical Companies – Insightec –Preferred stock investment round E".

Gadish Settlement

On September 27, 2017, we announced that the district court in Israel approved in principle a settlement with the plaintiffs in a November 1999 claim initiated against us and certain other third parties, including former directors of the Company and Elscint Ltd. (our former subsidiary), in connection with the change of control in our Company and in Elscint 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) (Gadish et al v. Elscint et al). This lawsuit was later certified in part as a class action.

According to the settlement, the plaintiffs will receive compensation in the total amount of NIS 50 million (approximately $14 million). The Company is expected to pay NIS 4.65 million (approximately $ 1.3 million) of the said amount.

On January 17, 2018 the Company announced that the court has given its final approval of the settlement.

However, one of the plaintiffs initiated a motion for leave to appeal against the settlement claiming, rather superficially, that the settlement agreement is a result of a conspiracy in which the defendants "bought" the plaintiffs in order to dismiss their claim.

On April 20, 2018 The Supreme Court decided that the appellant is exempted from paying court fees but obligated to pay a 5,000 NIS deposit until May 6, 2018. Failing to pay the deposit could lead to striking out the appeal.

On that same day - April 20, 2018 - the District Court's decided that the compensation for the plaintiffs will be held by the Plaintiff's attorney in escrow and will not be distributed until it is clear that: (a) the appellant did not initiate an appellate procedure; or (b) an appellate procedure, if filed, and it ended without significantly changing the settlement agreement.

For further information with regards to the class action, please see Note 13A.(1) of our Annual Consolidated Financial Statements as of December 31, 2017.

Settlement between PC and its Israeli Noteholders

On September 27, 2017, we announced that PC announced that a dispute has arisen between PC's Israeli (Series A) bondholders and PC's Israeli (Series B) bondholders (the "**Bondholders**") as to the allocation of funds received from sale of PC's real estate assets. Therefore PC announced that it intends to repay to its bondholders in Poland and the Bondholders (during October 2017), an aggregate amount of approximately €18,800,000 million, representing 75% of the funds Plaza received in the last quarter from sale of real estate assets.

On December 14, 2017, we announced that PC announced that the Israeli court has instructed that the mandatory repayment amounts due to the Bondholders should be allocated according to the ratios set out in PC's restructuring plan. The court has also acknowledged that PC is not an interested party in this bondholder dispute and has granted PC a protective order from any claims in this respect.

On December 21, 2017, we announced that PC announced that the Israeli (Series A) bondholders triggered the immediate repayment of the entire outstanding debt under the Series A trust deed.

On January 11, 2018, the Company announced that PC announced that a settlement agreement has been reached and approved between the Bondholders regarding the allocation of funds to be repaid by PC among the Bondholders. As part of the settlement agreement, the (Series A) Bondholders have agreed to withdraw their demand for immediate repayment which resulted from a dispute between the Bondholders as to the allocation of funds received from the sale of PC's real estate assets.

Sale of our holdings in the Radisson complex in Bucharest, Romania

In December 2017, we signed an amendment to the trust deed of (Series H) and (Series I) note according to which the collateral relating to Elscint Holding and Investment NV ("**EH**") was canceled, and in return the Company undertook to use 75% of the net proceeds from the future sale of the Radisson Hotel Complex in Bucharest, Romania for an early repayment of Series H notes. In addition, the Company undertook to pledge the repayment of the vendor loan (which will be given to the purchaser) in favor of (Series H) and (Series I) bondholders.

On December 19, 2017, we announced that we completed the sale of our holdings in a SPV that held the Radisson Hotel Complex in Bucharest, Romania based on a property value of Euro 169.2 million so that the net proceeds received by the SPV was approximately Euro 81 million.

The following amounts were deducted from the net proceeds (as a result of which the SPV received total cash of approximately Euro 61.4 million): (i) the repayment of our outstanding loan to Bank Hapoalim Ltd. in the amount of approximately Euro 11.6 million (the "**Loan**"); (ii) €8 million used to finance a vendor loan which has been provided by the SPV to the purchaser for a period of three years, bearing interest at a rate of 5% per annum.

In accordance with the provisions of the Amended Trust Deed of our Series H and Series I notes, we used 75% of the net proceeds from the sale thereof for an early repayment of our Series H notes on January 5, 2018 in the total amount of NIS 240 million.

Completing the sale of plots in Timisoara and Constanta, Romania, by PC

On August 7, 2017, we announced that PC has completed the sale of a plot totaling approximately 32,000 sqm in Timisoara, Romania, for €7.25 million (approximately $7.65 million) and a plot totaling approximately 30,000 sqm in Constanta, Romania, for €1.3 million (approximately $1.37 million).

Investment in Gamida

On July 10, 2017, we announced that an approximately $40 million private financing investment round in Gamida has been completed (the "**Investment**"). The investment was led by Shavit Capital Fund joined by the pharmaceutical company Novartis and additional investors, including VMS Investment Group, Israel Biotech Fund, IHCV and Clal Biotechnology Industries (the "**Investors**"). Following the Investment, preferred shares were allotted to the Investors, based on $120 million pre-money valuation to Gamida (the "**Allotted Shares**"). In addition, the investors received options to preferred shares in the amount of 60% of the Allotted Shares. The exercise price of the options is 120% of the shares price which have been paid on the Investment closing date. The options will expire 5 years after the Investment closing date. Elbit Medical didn't take part in the Investment. Following the closing of the Investment, Elbit Medical holds approximately 17.87% of the share capital in Gamida (13.63% on a fully diluted basis). As of the date herein, there is no certainty that the Investors will exercise their options. Gamida informed the Company that the Investment proceeds will be used to (i) complete Nicord©'s Phase III clinical trial; (ii) to prepare for product commercialization by expanding its in-house manufacturing capacity; (iii) expanding Gamida's presence in the US; (iv) continuing to develop additional pipeline products.

Sale of Torun Plaza

On 21 November, 2017 one of PC's subsidiaries has completed the sale of Torun Plaza shopping and entertainment center in Poland to a private investment fund.

PC has received circa EUR 28.3 million. This net cash is after the deduction of the bank loan (circa EUR 43.3 million), and other working capital adjustments in accordance with the balance sheet of the SPV holding the Project. The above-mentioned sums do not include the earn-out payments in an amount of EUR 0.35 million, reduced by NAV adjustment of EUR 0.2 million. PC recorded revenue of EUR 71.6 million from the disposal and a loss of circa EUR 1.5 million (not including the earn-out payment mentioned).

Sale of Land plot in Budapest, Hungary

On October 2, 2017, PC's subsidiary concluded a transaction with an international investor, NEPI Rockcastle (the "**Buyer**"), regarding the termination of land use rights and a preliminary easement agreement which created certain easement rights over the Arena Plaza plot registered in favor of a PC's subsidiary. In consideration for termination of the land use rights and the preliminary easement agreement, PC's subsidiary received the net sum of EUR 2.5 million (NIS 10.4 million) and recorded revenue in the amount of EUR 2.5 million (NIS 10.4 million)

Sale of Belgrade Plaza commercial center

On March 2, 2017 we announced that PC has completed the sale of Belgrade Plaza commercial center to BIG Shopping Centers Ltd. (the "**Purchaser**"). The commercial center was opened in April 2017 and PC remained responsible for the development and leasing of the asset until the opening. Upon the completion of the transaction PC has received an initial advance payment of approximately €31.7 million ($33 million) from the Purchaser for the sale of 100% of the SPV, further payments of EUR 13.35 ($ 16 million) million has been received during September 2017.

Additional payments are contingent upon certain operational targets and milestones being met. The purchaser has provided a guarantee to secure these future payments. The final agreed value of Belgrade Plaza, will be calculated based on a general cap rate of 8.25% on the sustainable NOI after 12 months of operation, which PC estimates will be approximately €6.2-6.5 million per annum. Parts of the NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price.

Sale of Suwałki Plaza commercial center

On February 1, 2017, we announced that PC completed the sale of Suwałki Plaza shopping and entertainment center in Poland to an investment fund for € 42.3 million (approximately $45 million). PC received approximately €17 million (approximately $18 million) net cash, after the repayment of the bank loan, and other working capital adjustments

Acquiring bank loan for PC's plot in Brasov, Romania

On December 6, 2016, we announced that PC has acquired a bank loan of approximately €10 Million (approximately $10.5 million), which is held against PC's plot in Brasov, Romania, for the total consideration of €1.35 million (approximately $1.42 million). The transaction represents a discount of approximately 86.5% on the outstanding bank loan and the lender has transferred all the collateral granted with respect of the loan to PC, while also releasing PC from its recourse loan. As part of the terms of the transaction, the Lender has been granted a purchase option for a term of three years, to acquire the plot for €1.1 million.

Klepierre Settlement

On December 6 , 2016, we announced, that we and Klepierre S.A. ("**Klepierre**") reached a settlement relating to the International Court of Arbitration's ruling on July 7, 2016, with respect to a transaction agreement between the parties, according to which PC is liable for an indemnification claim totaling approximately €2 million (approximately $2.1 million), including costs arising from the legal process. Since Klepierre is deemed a creditor under PC's ongoing Restructuring Plan, payment of the principal amount due by PC under the indemnification claim is deferred to July 2018. However, due to our guarantee under the original transaction and according to Dutch law, we were obliged to pay the amount determined by the International Court of Arbitration. The settlement states, inter alia, that we will pay €1.2 million (approximately $1.3 million) to Klepierre and Klepierre shall release all of its claims against us, and our fully owned subsidiary, Elbit Ultrasound (Luxembourg) B.V./S.À.R.L. (who was also guarantor to PC) and PC.

Sale of Riga Plaza Center

On September 15, 2016 we announced that PC completed the sale of Riga Plaza shopping and entertainment center in Riga, Latvia, to a global investment fund. The agreement reflects a value for the business of €93.4 million (reflecting 100%) (approximately $99 million). Following a price adjustment mechanism and costs incurred in respect of the completion of the sale, PC received €17.8 million (approximately $19 million) in cash after repayment of banks loan (representing PC's share of the sale of the business), with an additional €0.7 million (approximately $0.74 million) expected to be received within 24 months of the closing of the transaction.

Debt repayment agreement and Sale of Zgorzelec Plaza Commercial Center

On September 14, 2016 we announced that PC completed the sale of the shares in Zgorzelec Plaza commercial Center in Poland. PC had previously signed a Debt Repayment Agreement ("**DRA**") with the financing bank (the "**Bank**") of Zgorzelec Plaza commercial Center in Poland, which provides that, among other things, PC will make a payment of €1.1 million (approximately $1.16 million) (in escrow) to the Bank and the Bank will deposit (in escrow) Release Letters for: (i) releasing a mortgage in favour of the Bank from a plot of land of PC in the city of Leszno, Poland; (ii) releasing of a recourse right obligation (of €1.1 million) under the corporate guarantee of PC and an additional subsidiary of PC; (iii) subordination agreement; and (iv) submission for enforcement on the loan. A share purchase agreement was signed between PC and an appointed shareholder nominated by the Bank, after which the remainder of the DRA process was completed, including delivery of Release Letters to PC, and removing a mortgage over an asset of PC in Leszno, Poland (valued at €0.8 million). PC recognized an accounting profit of approximately €9.2 million, stemming from the release of €23 million of the outstanding (and partially recourse) loan (including accrued interest thereof), against an outstanding asset valued at €12.7 million (approximately $13.4 million) and other working capital adjustments.

Notes buy-back plans

Notes	Date of approval of the plan	Maximum amount approved for the buyback	Amount of notes repurchased (in par value)	Actual amount used for the buyback
(Series H)	October 12, 2015	NIS 50 million	56 million	NIS 50 million
(Series H)	February 1, 2016	NIS 40 million	43 million	NIS 40 million
(Series H)	June 1, 2016	NIS 40 million	34 million	NIS 36 million
(Series H)	August 18, 2016	NIS 50 million	15 million	NIS 15 million
(Series I)	February 28, 2018	NIS 50 million	42 million	NIS 49 million
(Series H)	March 15, 2018	NIS 57.6 million	7 million	NIS 7 million

Since the issuance of the Notes (in February 2014) until the date of this annual report, the Company has published 5 programs for the repurchase of up to NIS 237.6 million of Series H notes. As of the date of this report the Company has purchased par value NIS 155 million Series H notes for a total cash considerations of NIS 148 million.

Non-Exclusive Cooperation Agreement with Siemens

See "Item 4B – Business Overview – Medical Companies – Insightec – Cooperation agreement with Siemens".

Joint Development Agreement with respect to our Plot in Chennai, India

On August 2, 2016, we announced that a subsidiary of EPI ("**SPV**") signed a Joint Development Agreement ("**JDA**") relating to the plot in Chennai, India project, owned 100% by EPI. Under the terms of the JDA, the SPV will confer the property development rights to a reputable local developer (the "**Developer**") who will carry full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices. Development will commence subject to the obtainment of the required governmental/municipal approvals and permits, and it is intended that 67% of the land will be allocated for the sale of plotted developments (whereby a plot is sold with the infrastructure in place for the development of a residential unit by the end purchaser), while the remainder will comprise residential units fully constructed for sale. The SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units. In order to secure its obligation, the Developer will pay a total refundable deposit of INR 35.5 Crores (approximately €4.8 million), with INR 10 Crores (approximately €1.35 million) paid following the signing and registration of the JDA, INR 17 Crores (approximately €2.3 million) payable when planning permission for the first phase of the development project is obtained (the "**Project Commencement Date**"), and the remaining INR 8.5 Crores (approximately €1.15 million) payable six months after the Project Commencement Date.

Termination of lease agreement - plot in Tiberius, Israel.

On August 1, 2016, we announced that we received from the Israeli Land Administration ("**ILA**") an amount of approximately NIS 7 million (approximately $1.8 million) (in addition to the amount of approximately NIS 13 million, which related to the release of bank guarantees discussed below) following the termination of our lease agreement with respect to a plot near Tiberius, Israel. The lease agreement was signed on July 2007, with the ILA, according to which, we leased a plot of approximately 44,600 square meters near Tiberius, Israel for a term of 49 years (through 2056). Following the termination of the lease agreement, the ILA released two bank guarantees in the aggregated amount of approximately NIS 13 million, (approximately $3 million) which have been provided to the ILA in order to secure our undertakings under the lease agreement. In addition, on December 1, 2016 we announced that the LA reimbursed to us a gross amount of approximately NIS 27 million (approximately $7 million) with respect to development fees paid by us on account of the plot.

Sale of Plot and Related Real Estate in Belgrade, Serbia

On June 29, 2016, we announced that PC completed the sale of its wholly owned subsidiary, which holds the "MUP" plot and related real estate in Belgrade, Serbia, for €15.75 million (approximately $16.2 million) that were paid in several installments until October 2017. MUP is a prominent development site at the location of the former Federal Ministry of Internal Affairs, at the entrance to Belgrade's old town and on the city's main thoroughfare.

Reverse Share Split

On June 28, 2016, our shareholders authorized a reverse share split at a ratio of one-to-three in order to increase the per share trading price of our ordinary shares to satisfy NASDAQ's 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. For more information, see "Item 3 – Risk Factors – General Risks – If we do not satisfy the NASDAQ requirements for continued listing, our ordinary shares could be delisted from NASDAQ."

Sale of Plot in Lodz, Poland

On June 28, 2016, we announced that PC signed an agreement for the sale of a 20,700 square meter plot of land in Lodz, Poland, to a residential developer, for €2.4 million (approximately $2.5 million). Following this transaction, the Company owns a remaining 4,000 sqm site.

The Company received €1.44 million in 2016 in installments, and a final installment of €0.96 million was received in June 2017.

Sale of Liberec Plaza Commercial Center

On March 31, 2016, we announced that PC has completed the sale of its subsidiary holding Liberec Plaza, commercial center in the Czech Republic, for €9.5 million (approximately $10 million). Following net asset value adjustments related to the subsidiary's balance sheet, PC received net €9.37 million (approximately $10 million).

Addendum to Loan Agreement with Bank Hapoalim

On March 22, 2016, we announced that we had signed an addendum to the loan agreement with Bank Hapoalim B.M. (the "**Bank**" and "**Loan Agreement**"), that will cancel and replace the previous loan agreement (the "**Addendum**" and the "**Loan**"). Under the Addendum, subject to the prepayment of €15.0 million (approximately $16 million) to the Bank by March 31, 2016, the following new terms will apply to the loan: (i) the repayment schedule of the Loan will be as follows: €7 million (approximately $8 million) will be repaid on November 30, 2016 and the balance will be repaid on November 30, 2017 instead of one single payment in February 20, 2017 in the existing Loan Agreement; (ii) we will not have prepayment obligations for the planned Notes repurchase program which will be executed by us during 2016 for an amount up to NIS 50 million (approximately $13 million); and (iii) any net cash flow that will be received by us from the refinancing of the Radisson Blu hotel in Bucharest Romania in an amount up to €97 million shall not have repayment obligations, and shall be used by us at our sole discretion.

The loan was repaid in full through the sale of our holdings in the Radisson complex in Bucharest, Romania. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of our holdings in the Radisson complex in Bucharest, Romania"

Refinance of Hotel in Bucharest

On March 10, 2016, we announced that our subsidiary Bucaresti Turism SA (Romania) ("**BUTU**") entered into a definitive credit facility agreement with Raiffeisen Bank International A.G and Raiffeisen Bank S.A., leading international European banks, as lenders, ("**Lenders**") to amend the facilities agreement between the parties entered into on September 16, 2011, as amended. According to the definitive facility agreement, the lenders will increase the loan under the facilities agreement up to €97 million (approximately $102 million). The new facility can be drawn down in two Tranches, with the first Tranche in the amount of up €85 million, (approximately $89 million) and the second Tranche in the amount of up to €12 million (approximately $13 million). The proceeds of the new facility shall be used, inter alia, to prolong the outstanding facility under the existing facility agreement in the amount of approximately €60 million (approximately $63 million). The surplus of the new facility will be used for the repayment of all existing shareholder loans granted to BUTU by Elbit Group. On March 24, 2016, the first draw down in an amount of €85 million (approximately $93 million) was closed. The net cash received by us was approximately € 24.4 million (approximately $27 million). On November 21, 2016, we announced BUTU reached the effective date for the drawdown of the second tranche of the loan in the amount of €12 million (approximately $13 million).

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 proposed to its creditors, which was further amended (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**"), under which, we, PC, and its directors and officers would be fully released from all claims. 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**"). 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 December 19, 2014, PC announced that it had successfully completed the Rights Offering.

On December 1, 2016, we announced that the holders of PC's Series A PC notes, Series B PC notes and Polish PC notes have approved the following proposed amendments by the required majorities, with immediate effect: The proposed amendments include, inter alia, the postponement of the early prepayments term, as determined in the Amended PC Plan, by up to four (4) months, and the reduction of the requested early prepayments term's total amount to at least NIS 382,000,000.

As part of the proposed amendments, PC will pay, on March 31, 2018, a one-time payment of 0.25% of PC's outstanding debt. In addition, PC agreed with the PC Noteholders that in the event of successful sale of the Casa Radio project in Bucharest, Romania (the "**Project**"), including by way of sale of PC's holdings in the Project (but excluding the injection of monies into the Project by a third party), prior to the full repayment of the relevant PC Notes, and in no event later than December 31, 2019, and provided that the net proceeds actually received by PC from such sale exceed €45 million (the "**Minimum Proceeds**"), PC will pay to the PC Noteholders additional one-time payment which is derived from the net proceeds actually received by PC on top of the Minimum Proceeds, which can be in a range of between €1 and approximately €11 million.

In addition, the Amended PC Plan includes other provisions which essentially prevent 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.

Amendment of the Restructuring Plan of PC

On December 1, 2016, we announced that the holders of PC Notes have approved the proposed amendments to the restructuring plan of PC by the required majorities. Under the original restructuring plan, principal payments under the PC Notes originally due in the years 2013 to 2015 were deferred for a period of four and a half years, and principal payments originally due in 2016 and 2017 were deferred for a period of one year (the "**Extended Repayment Schedule**"). The restructuring plan further provides that, if PC does not prepay an aggregate amount of at least NIS 434 million on the principal of the PC Notes on or before December 1, 2016 (the "**Early Prepayment**"), the principal payments due under the Extended Repayment Schedule will be advanced by one year (the "**Accelerated Repayment Schedule**"). The proposed amendments sought by PC are comprised of the postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS382 million (approximately $99 million) (a reduction of 12% on the original amount). In addition to the above, PC announced that as part of the approval of the proposed amendment, PC will pay on March 31, 2018 a one-time consent fee in the amount of approximately €488 thousand (approximately $515 thousand) (which is equal to 0.25% of the PC's outstanding debt under the PC Notes at that time). Additional provisions in the restructuring plan were amended, among others, with respect to: (i) consideration on account of potential sales of the Casa Radio project in Romania, (ii) non-compliance with the amended and restated restructuring plan, (iii) reduction of the deferred debt ratio for the Series B notes, and (iv) commitment of PC to register the Polish notes for trade.

Our Debt Restructuring

During 2013, our Board resolved to suspend all payments to its unsecured creditors and to negotiate with its unsecured creditors on a restructuring plan for the unsecured financial debts. On October 17, 2013, our unsecured financial creditors approved a Plan of Arrangement (the "**Arrangement**") (as adjusted from time to time) and on January 1, 2014, the Israeli District Court approved the Arrangement. The closing of the Arrangement took place on February 20, 2014. The general terms of the Arrangement are: (i) in consideration of the extinguishment of our unsecured financial debts (i.e.: series A-G notes, series 1 note and our debts to Bank Leumi), we issued at the closing of the Arrangement the following instruments (A) New ordinary shares, representing immediately following such exchange 95% of our outstanding share capital on a fully diluted basis; and (B) Two series of new notes in the aggregate principal amount of NIS 666 million, (ii) the new shares and the new notes were allocated among the various unsecured financial creditors in proportion to the outstanding balance (principal, interest and CPI linkage) under each obligation as of the closing of the Arrangement. The new shares are listed for trading on both the Tel Aviv Stock Exchange and the NASDAQ Stock Market, and the new notes are listed for trading on the Tel Aviv Stock Exchange, and (iii) pursuant to the terms of the Arrangement, we amended our Articles of Association to include among other things that a decision to engage in a new field of business which is material to us, in which neither the we nor any of our subsidiaries is engaged and which new field of business is not complementary to our business or our subsidiaries, shall require the unanimous approval of all of the members of the board.

B. BUSINESS OVERVIEW

To date we operate primarily in the following fields of business:

- **Medical Industries** – through our indirect holdings in two companies which operates in the field of life science: (i) InSightec Ltd. ("**InSightec**") - InSightec operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; and (ii) Gamida Cell Ltd. ("**Gamida**") – Gamida operates in the field of research, development and manufacture of products designated for certain cancer diseases;

- **Plots in India** – we have holdings in plots of land in India which are designated for sale (and which were initially designated for residential projects); and

- **Plots in Eastern Europe initially designated for development of commercial centers** - plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("**PC**") whose business strategy is to no longer develop commercial centers but to dispose its real estate assets at optimal market conditions.

Following our sale of the Radisson Hotel Complex in Bucharet, Romania, the Company is no longer involved in the hotel industry. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of our holdings in the Radisson complex in Bucharest, Romania".

Medical Companies

Our medical portfolio is held by Elbit Medical Technologies Ltd. (an Israeli company traded on the TASE ("**Elbit Medical**"). Elbit Medical holds shares in two medical companies: InSightec and Gamida. As of the date of this annual report, we hold 89% of Elbit Medical's share capital (88.7% on a fully diluted basis)

In addition to our holding in the shares of Elbit Medical, we provided throughout the years credit lines and services to Elbit Medical. As of December 31, 2017, Elbit Medical has a total of NIS 151 million (approximately $43 million) outstanding loans and current accounts due to us. However, on February 2018, Elbit Medical raised a total of NIS180 million through a public offering of a new series of notes convertible into shares of Elbit Medical and used the proceeds to repay its debt to the Company.

For more information regarding the new convertible notes of Elbit Medical see "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Payment of Issuance of a New Series of Notes by Elbit Medical and Payment of Debt from Elbit Medical to the Company".

InSightec

Holdings in InSightec's shares

As of the date of the report's publication, we hold, indirectly through Elbit Medical, approximately 22.0% of InSightec's issued capital (approximately 19% at full dilution.), as listed below:

Share types	Issued share capital	Number of stock held by the Company	Number of stock held by the Company of the same class of shares	Number of shares held by the Company of the same class of shares on a fully diluted basis
Common stock	14,243,462	8,993,762	63.1%	18.5%
Type B preferred stock	14,037,888	9,039,612	64.4%	64.4%
Type B1 preferred stock	32,201,524	24,242,023	75.3%	75.3%
Type C preferred stock	27,519,390	-	-	-
Type D preferred stock	48,473,238	-	-	-
Type E preferred stock	55,970,149	-	-	-
Employee options	35,696,755	-	-	-
Total	**228,142,406**	**42,275,397**	**22.0%**	**18.5%**

In addition, the Company holds 450,000 Ordinary Shares of InSightec.

The following is a summary of certain provisions in the articles of association of InSightec:

Dividends

The Articles of Association provides that the holders of Series E, Series D and Series C Preferred Shares, in that order, have dividend preference based on the original issue price for their shares plus 8% per annum.

Liquidation Preference

Upon the occurrence of an exit event (including, among others, (i) the sale, lease, exchange, grant of a perpetual exclusive license or other transfer or disposition of all or substantially all of the property, assets or business of InSightec, (ii) liquidation, dissolution nor winding up of InSightec, (iii) any consolidation or merger or any other business combination of InSightec with or into another corporation or other business organization in which the majority of the shareholders of InSightec do not beneficially own the majority of the equity interest of the surviving company after such transaction; (iv) any sale of shares or other transaction or series of transactions which results in any person or group of persons, other than the holders of Ordinary Shares and Preferred Shares beneficially owning securities of the company representing 50% or more of the voting securities of the company then outstanding and (v) purchase of all remaining shares by a shareholder or an affiliate:

(a) The holders of the Series E Preferred Shares shall be entitled to receive, prior to and in preference to any distribution of any of the assets or surplus funds of InSightec to the other shareholders, an amount per Series E Preferred Share equal to ($2.68 plus any declared but unpaid dividends thereon.

(b) Thereafter, the holders of the Series D Preferred Shares shall receive an amount per Series D Preferred Share equal to $1.7845 plus any declared but unpaid dividends thereon.

(c) Thereafter, the holders of the Series C Preferred Shares shall receive an amount per Series C Preferred Share equal to U.S. $1.12 plus any declared but unpaid dividends thereon, subject to various adjustments.

(d) Thereafter, the holders of the Series B Preferred Shares and the Series B-1 Preferred Shares shall receive an amount per Series B Preferred Share and Series B-1 Preferred Share equal to U.S. $6.00 (in the case of Series B Preferred Shares) and U.S. $1.446 (in the case of Series B-1 Preferred Shares) plus any declared but unpaid dividends thereon.

(e) After the aforesaid preferences entire remaining assets and surplus funds of InSightec legally available for distribution, if any, shall be distributed ratably to all holders of Series E Preferred Shares, Series D Preferred Shares, Series C Preferred Shares and Ordinary Shares in proportion to the number of Ordinary Shares then held by each such holder of such class of shares on an as converted basis.

Notwithstanding the preferences stated in (d) and (e) above, if after distribution of the preferences pursuant to (a) - (c) above, the total value of the assets and funds to be distributed between all of the shares of InSightec on a pro rata, as converted, basis (without distribution of any preferences to the holders of Series B Preferred Shares or Series B-1 Preferred Shares) would result in the holders of each Series B Preferred Share and Series B-1 Preferred Share receiving an amount per Series B Preferred Share and Series B-1 Preferred Share equal to or greater than U.S. $6.00 (in the case of Series B Preferred Shares) and U.S. $1.446 (in the case of Series B Preferred Shares), then the provisions of (d) and (e) above shall not apply and the entire assets and surplus funds of InSightec legally available for distribution to the shareholders after distribution of the respective preference amounts for Series E Preferred Shares, Series D Preferred Shares and Series C Preferred Shares shall be distributed to all holders of shares of InSightec on a pro rata, as converted, basis, and in such case no preference amount shall be payable on the Series B Preferred Shares and the Series B-1 Preferred Shares.

Conversion

At any time, the holders of B Preferred Shares and Series B-1 Preferred Shares may convert all or any portion of their shares into the number of Ordinary Shares computed by dividing U.S. $6.00 (per Series B Preferred Share) and U.S. $1.446 (per Series B-1 Preferred Share) by the applicable conversion price which, subject to adjustments, shall originally be U.S. $6.00 (per Series B Preferred Share) and U.S. $1.446 (per Series B-1 Preferred Share). In addition, there are additional conversion rights with respect to other Preferred Shares that Elbit does not hold.

All preferred shares shall automatically convert upon a Qualified IPO, which is defined as the initial underwritten public offering pursuant to an effective registration statement under the Securities Act or similar laws in effect in the State of Israel that (i) raises at least $75.0 million of gross proceeds, (ii) public offering which will result in the Ordinary Shares being listed either on the New York Stock Exchange or NASDAQ; and (iii) if such public offering were to occur prior to December 27, 2021, then such public offering would result in a per share issue price of not less than $4.02 per Ordinary Share.

Subject to adjustments, each Series B Preferred Share shall be converted into Ordinary Shares upon the consent of holders of 66% of the outstanding Series B Preferred Shares, and each Series B-1 Preferred Share shall be converted into Ordinary Shares upon the consent of the holders of 66% of the outstanding Series B-1 Preferred Shares.

The Series E Preferred Shares, the Series D Preferred Shares and the Series C Preferred Shares have broad based weighted average protection.

Other Restriction of Transferability of Shares in InSightec

The shares in InSightec (with certain standard exceptions) are subject to right of first refusal, co-sale and (if approved by 85% of the Preferred Shares voting together as a single class) drag-along rights.

Board of Directors

The number of directors in InSightec shall be not more than nine. Elbit Medical is entitled to appoint one member to the board so long as it holds in the aggregate 5% or more of the outstanding share capital of InSightec on an as-converted basis.

The Elbit Medical board member together with the board members appointed by KDT Medical Investments Corporation and York Global Finance II S.À R.L. are entitled to unanimously appoint four board members.

The CEO of InSightec will act as a director.

Special Consents/Veto Rights

Certain actions require the approval of the holders of at least 85% of the Preferred Shares voting together as a single class on an as converted basis, including the following: (a) the payment of dividends; (b) issuing shares which are equal to or senior to the Preferred Shares; (c) amending the terms of the Preferred Shares; (d) making any loans, advances to or guarantees, for the benefit of, or investments in third parties (subject to exceptions); (e) merging or consolidating with a third party (other than a wholly-owned subsidiary); (f) selling, leasing or otherwise disposing of all or substantially all of InSightec's assets or intellectual property; (g) liquidating, dissolving or effecting a recapitalization or reorganization; (h) acquiring any interest in any company or entering into any joint venture with consideration to be paid in excess of $15,000,000; (i) making any material changes to its lines of business; (j) entering into any new leases or other rental agreements with consideration to be paid on an annual basis in excess of $4,000,000; (k) issuing or selling any shares of its capital stock or rights to acquire shares of its capital stock; (l) initiating an initial public offering other than a qualified IPO that will result in the Ordinary Shares being listed either on the New York Stock Exchange or NASDAQ; (m) establishing or adopting, or make any modification to, any stock ownership, stock option, stock bonus, stock purchase, restricted stock or other equity-based plan; (n) altering, increasing, decreasing or otherwise impacting or changing in any way, InSightec's authorized share capital; (o) consummating an exit event; and (p) any amendment to InSightec's Articles of Association.

In addition, various actions require the approval of the holders of at least 66% of the Series E Preferred Shares, including the following: (a) creating or authorizing the creation of, or issuing or obligating InSightec to issue shares or other securities (or any securities convertible into or exchangeable for securities ranking equal or senior to the Series E Preferred Shares), unless the same ranks junior to the Series E Preferred Shares in all respects; (b) any amendment of the employment terms or arrangements governing the engagement of InSightec's Chief Executive Officer, including hiring and termination (constructive or otherwise) of the employment of the Chief Executive Officer; (c) prior to December 27, 2021, consummating or consenting to or obligating InSightec to consummate at any time in the future any exit event, resulting in receipt of a price per share of Series E Preferred Shares of less than $4.02; and (d) prior to December 27, 2021, initiating an initial public offering of capital stock of InSightec pursuant to an effective registration statement under the Securities Act, or pursuant to similar laws in any other jurisdiction other than a Qualified IPO.

Right to participate in fundraising

Each of the stakeholders has a right to participate in assignment of additional securities carried out by InSightec in order to protect his holdings from dilution.

Business Concept

InSightec develops and markets Exablate, the first FDA approved magnetic resonance imaging guided focused ultrasound treatment platform ("**MRgFUS**") for a variety of neurosurgery, oncology and gynecology indications. Treatments are non-invasive and are performed in an ambulatory setting.

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.

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 overlaying 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.

Investments in InSightec capital

Below are details regarding investments in InSightec capital in the last two years:

Preferred stock investment round D

As part of the agreement dated 26/06/2014, as amended from time to time, the Company, InSightec, and additional InSightec shareholders (including the current CEO, Mr. Maurice R. Ferré), its additional investors, and York Global Finance II S.a.r.l, a company owned by York Foundation, which has an interest in the Company (Hereinafter: **"York Foundation**"), have signed a series of agreements for a round of investment in InSightec for a total sum of 86.5 million United States dollars, by means of purchase of 48,473,238 Series D share of InSightec at a price of 1.78 United States dollars per share[1]. A total of approximately 2 million dollars of the total investment amount has been invested during 2016.

On January 31, 2018, we announced that InSightec completed the second (and final) closing of its Series E investment round in a total amount of $150 million, approximately $90 million, in the first closing and approximately $60 million in the second closing in return for the issuance of 55,970,149 preferred Insightec stock from a new Series E (with a price of 2.68 dollars per share). The lead investor in the round was KDT Medical Investments Corporation (a subsidiary of Koch Industries, Inc.) which invested in total $ 100 million in InSightec (York participated in this round as well in the total investment of $ 6 million). Immediately following the closing, the Series E Preferred Shares of InSightec issued in the first and second closings represented approximately 29.1% (24.7% on a fully-diluted basis) of InSightec's share capital. Following the completion of the second closing, the Company holds (directly and indirectly through its subsidiary Elbit Medical) approximately 19.8% (16.7% on a fully-diluted basis) of InSightec's share capital.

As part of the investment agreement, it was agreed that holders of the preferred stock E will have privileges in cases of dividend distribution and material events. Furthermore, an amendment to the shareholders agreement was signed between the Investor and other major shareholders in InSightec and an amendment to InSightec's bylaws was approved.

Clinical and regulatory Development in InSightec's Products

*ExAblate Neuro ("**Brain System**")*

The ExAblate Neuro indication is designated to preform treatment for Essential Tremor, Tremor dominate Parkinson's disease and Neuropathic pain and others.

The brain system is based on the MRgFU technology, which relies on MRI imaging to plan, guide execution, and receive real-time response during treatment, adopted for use on the brain.

The patient interface in this system consists of a helmet-like acoustic projection system with the patient's head held within the helmet. The projector allows electronic shaping of the acoustic beam, as required for intracranial treatment.

[1] It will be clarified that the share price listed above, is after an adjustment carried out pursuant to the terms of the investment agreement, which resulted in the reduction of the share price by 8%, thus the share price was updated to 1.78 United States dollars per share (compared to the initial price of 1.94 United states dollars per share), and, moreover, participants in the agreement were assigned an additional 3,788,289 preferred stock.

The brain system has been given approval for commercial use in the USA, Europe, Japan, Korea, Canada, Taiwan, and Israel for treatment of functioning disorders (essential tremors, tremors resulting from Parkinson's disease, and neuropathic pain). So far, about 600 patients have received treatment on a commercial basis.

In addition to the existing commercial approval, we continue the technological and clinical research and development in order to obtain approval for combination of the device with a Siemens MRI in Europe and in the USA. As of the date of this report, our products are approved for use in combination with MRI devices of General Electric Company Healthcare Division ("**GE Healthcare**"). Clinical studies for treatments continue at a range of research facilities in the USA, Europe, Asia and Canada.

The system is also used for clinical studies in the preliminary feasibility studies, e.g. treatment of advanced Parkinson's disease, epilepsy and compulsive functioning disorders, as well as drug-based and immunological treatment by means of temporary and transient opening of the blood-brain barrier for treatment of brain tumors and Alzheimer's disease.

As of the date of the publication of this report, 47 brain systems exist in leading hospitals around the world.

The following items describe the significant clinical and regulatory events regarding the ExAblate Neuro:

- On January 17, 2018- we announced that InSightec's treatment of essential tremors through focused ultrasound guided MRI will be included as part of the health services covered under the Israeli National Health Insurance Law for year 2018.

- On December 14, 2017, we announced that we were informed by InSightec, that the CMS updated the reimbursement code for ExAblate Neuro treatment for essential tremor, as follows: (i) on November 2016 the CMS decided to associate InSightec's ExAblate Neuro system (for essential tremor treatment), a reimbursement code with a payment level of $ 9,751; (ii) beginning January 1, 2018, the primary procedure code for Movement Disorders (essential tremor) is assigned to a new technology level and will be paid at $17,500.50 for medicare beneficiaries (if deemed medically appropriate); and (iii) the CMS decision is one of several steps toward gaining appropriate reimbursement for MRgFUS for essential tremor. This needs to be followed by CMS regional offices approval to the reimbursement for the ExAblate Neuro treatment for their patients.

- On November 23, 2017 we announced that InSightec informed us that the Taiwanese Food and Drug Administration (TFDA) has approved its Exablate Neuro system for the treatment of essential tremor in patients who do not respond to medication.

- On October 25, 2017, we announced that the FDA has approved the commencement of Phase III clinical trial for the treatment of neuropathic pain by InSightec's ExAblate Neuro system, for treating dyskinesia symptoms or motor fluctuations of advanced Parkinson's disease patients who have not responded to medication. InSightec estimates that Parkinson's disease afflicts millions of people worldwide, including approximately one million in the United States alone with 60,000 additional diagnoses each year. Treatment with the ExAblate Neuro is intended to improve motor function and reduce dyskinesia, one debilitating symptom that presents as uncontrolled, involuntary movement of the arms and/or legs.

- On June 26, 2017, we announced that the FDA has approved the commencement of Phase I clinical trial for the treatment of neuropathic pain by InSightec's ExAblate Neuro system (the "**Trial**"). The Trial will include 10 patients and will be fund by the Focused Ultrasound Foundation. InSightec is the regulatory sponsor of the clinical Trial. The purpose of the Trial is to examine the safety and the efficiency of the treatment.

- In April 2017, the FDA has extended its approval of InSightec's Exablate Neuro system for a non-invasive treatment of essential tremor in patients who have not responded to medication and now it's including the usage on 1.5 Tesla MRI systems (the former FDA approval, which was announced on July 12, 2016, was given for the usage of the ExAblate Neuro on 3 Tesla magnet strength MRI systems).

- In March 2017, the first treatment was performed under Phase I clinical trial to investigate the use of MRI guided by Focused Ultrasound (MRgFUS) technology for opening the blood brain barrier in patients with early Alzheimer's disease. The treatment was conducted at Sunnybrook Health Sciences Centre in Toronto, Canada and used InSightec's ExAblate Neuro system. InSightec is the regulatory sponsor of the clinical trial.

- On July 12, 2016, we were informed by InSightec Ltd., that the FDA approved its Exablate Neuro system for a non-invasive treatment of essential tremor (ET) in patients who have not responded to medication. ExAblate Neuro uses focused ultrasound waves to precisely target and ablate tissue deep within the brain with no incisions or implants. The treatment is done under Magnetic Resonance Imaging (MRI) guidance for real time treatment monitoring. Essential tremor is the most common movement disorder, affecting more than 5 million people in the United States, and millions more worldwide. Hand tremor is the most common symptom, but tremors can also affect the head, arms, voice, legs, and torso. For these patients, performing everyday tasks presents a challenge and impacts their quality of life.

- In May 2016 InSightec informed us that Health Canada approved its Exablate Neuro system for the treatment of ET For further information see "Item 4 - Information on the Company – History and Development of the Company - Recent Events – Approval of Exablate Neuro by Health Canada".

- In November 2015 InSightec informed us that the Korean Ministry of Food and Drug Safety (MFDS) has approved its Exablate Neuro system to treat movement, pain and behavioral disorders which allows Korean patients suffering from neurological disorders which cause significant disability access to a new, non-invasive treatment option that does not require open surgery.

- In November 2015, InSightec informed us that they are investigating the use of MR Guided Focused Ultrasound technology to temporarily open the blood brain barrier which is a protective barrier that restricts the passage of substances from the bloodstream into the brain, protecting it from toxic chemicals and preventing the delivery of essential medication to reach the brain.

- 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. 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.

- In October 2013, the Israeli Ministry of Health approved ExAblate Neuro 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 for Body Platform ("**Body System**")*

The body system, like the brain system, is based on the MRgFU technology, which relies on MRI imaging to plan, guide execute, and receive real-time response during treatment. As of the date of the report, the body system is adapted for use with MRI machines manufactured by GE Healthcare only.

The body system constitutes a multi-application treatment platform. The system is being sold to customers interested in treating various body applications, requiring the use of different types of transducers (a component converting a physical signal into an electric one). The system has been planned for treatment of uterine myoma, prostate cancer and metastatic growth in the bone in various configurations, and in the future also in cancer of the kidneys, pancreas, and liver (subject to performing clinical trials and obtaining all the required regulatory approvals). Some of the indications have received regulatory approval in various parts of the world, and some are still in the research and development stage.

The body system is a treatment system incorporating an MRI bed converted to contain a robotic system broadcasting a focused, high-energy (up to 1,000 Watt) ultrasound beam aimed at the area where the affected tissue (tumor) is located. The transducer heats the tissue in the beam's focus and destroys it non-invasively, and without damaging the tissues en route, and thus, essentially, eliminates the benign or malignant tumor.

In the second (second-generation) system, unlike the first system, the crib holding the patient can be separated and replaced based on the application for which treatment is required. This structure is expressed also in the product's pricing, with the principal sum being paid for the basic platform (treatment bed), and smaller sums will be paid for every application that the customer may wish to purchase, thus, enabling the customer to purchase all the products step by step.

The following items describe the significant clinical and regulatory events regarding the Exablate for Body Platform:

- In October 2015 InSightec informed us that the FDA approved InSightec's Exablate For Body Platform to treat symptomatic uterine fibroids and changed the labeling to allow consideration for women who desire to maintain fertility. The updated labeling specifies that ablation of uterine fibroid tissue can now be considered for women with symptomatic uterine fibroids, who desire to retain fertility and spare their uterus. InSightec estimates that such change in labeling provides younger women suffering from symptomatic fibroids access to a new, non-invasive treatment option that is safe, effective and keeps their uterus intact without compromising their existing ability to get pregnant. The approval is based on accumulated, documented clinical data on 118 patients' pregnancies post Exablate MRgFUS treatments.

- In October 2004, InSightec received FDA approval to market the ExAblate For Body Platform 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 Body Platform 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**"), 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 For Body Platform 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 For Body Platform to treat pain from bone metastases in patients who do not respond or cannot undergo radiation treatment for their pain. In July 2013 ExAblate For Body Platform 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.

ExAblate for Body Platform 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 for Body Platform, which enables it to function as a common platform for multiple MRgFUS-based surgical applications. So far the brain system has been operated with MRI systems made by GE Healthcare only. In 2016 we signed a cooperation agreement with Siemens to develop an interface that allows operation with Siemens' MRI system. The system combined with a Siemens MRI is currently engaged in a process of evaluation and submission for regulatory approval, which commenced in early 2018.

Products

Below is a table listing the main products of InSightec including products/applications in development stages:

The medical product	The indication for which the medical product is intended as of the date of the report	The stage of the medical product developments' as of the date of the report	Milestones expected in the coming 12 months	The nearest milestone and the expected date of its achievement	Cost estimate for achieving the nearest milestone	InSightec's estimate regarding the size of the expected target audience (no. of patients or procedures) and the expected financial extent of the potential target market for the medical product in development correct at the date of the report.	InSightec's estimate regarding the date approval for the commercialization of the medical product under development	Insightec's estimate regarding the expected market segment for the medical product under development, assuming commercialization approval is received[2]
The brain system[3]	Essential tremors[4]	The following approvals exist: for the integration of the device in Europe and in the USA with the GE Healthcare MRI: Medical Device Approval[5], CE, FDA[6], TFDA, Taiwanese Food and Drug Administration, Japanese Ministry of Health, Canadian Food and Drugs Administration, and Korean Ministry of Health.	Approval of FDA and CE approval for the integration of the device with a Siemens MRI in Europe and in the USA.	December 2018	2M$	The prevalence of the disease in the USA is approximately 10 million patients.[7] InSightec estimates that approximately 1% - 5% patients will form the potential target market (approximately 100-500 thousand patients). The estimated cost of the treatment is 10,000-30,000 United States dollars.	December 2018	Insightec estimates that at the stage of market penetration, the relevant segment will be approximately 10% of the relevant target market.
	Parkinson's disease	Medical Device Approval and CE approval exist. Submission of the treatment for Parkinson's disease tremors for FDA approval is planned. Additional studies for product development are described in the table in the development chapter.	Submission of the treatment for Parkinson's tremors treatment for FDA approval	Submission of the treatment for Parkinson's disease tremors for FDA approval is planned for the first part of 2018	None	The number of Parkinson's sufferers in the USA is estimated at about 1 million.[8] Of their number, approximately 150 thousand patients require surgical treatment[9], for whom the InSightec treatment is relevant and who comprise the target population. The estimated cost of the treatment is 10,000-30,000 United States dollars.	The Company estimates that FDA approval for Parkinson's disease tremors is probable in late 2018.	Insightec estimates that at the stage of market penetration, the relevant segment will be approximately 40% – 60% of the relevant target market.
	Neuropathic pain	CE approval and Medical Device Approval exist.	No plans for FDA approval exist as of the date of the report.	None	None planned	The target market in the USA is approximately 75,000 patients for whom treatment with the brain system may be appropriate[10]. The estimated cost of the treatment is 10,000-30,000 United States dollars.	The date for FDA approval in the USA cannot be estimated at this stage.	Insightec estimates that at the stage of market penetration, the relevant segment will be approximately 50% of the relevant target market.
	Opening of the blood-brain barrier fdor treatments of tumors.	Preliminary programming studies after FDA approval is received for Phase I study and its implementation in the USA and additional countries.	Recruitment of 10 patients.	FDA approval for beginning of Phase 1 study during 2018.	Patient recruitment is funded by the executing site.	The target market in the USA is approximately 50,000 patients for whom treatment with the brain system may be appropriate[11]. The estimated cost of the treatment is 10,000-30,000 United States dollars.	Cannot be estimated at this stage	Cannot be estimated at this stage
	Epilepsy	Planned phase I preliminary feasibility studies.	Completing recruitment of the first 5 patients.	Recruitment of the first of 5 patients.	Patient recruitment is funded by the executing site.	The target market is approximately 17,000 patients for whom treatment with the brain system may be appropriate[12]. The estimated cost of the treatment is 10,000-30,000 United States dollars.	Cannot be estimated at this stage	InSightec estimates that at the stage of market penetration, the relevant segment will be approximately 80% of the target market
Body system	Uterine myomas [13] (including adenomyosis where approvei exists)	FDA and CE approval and Medical Device Approval exist.	No expected milestones	No plans	No plans	Every year, approximately 1.3 surgeries for treatment of uterine myomas are carried out in the USA. InSightec estimates that approximately 30% – 50% of the patients will be able to benefit from the treatments and they are the target market. To date the annual cost of uterine myoma treatments in the USA (direct costs of surgical treatment) is approximately 3 billion dollar[14]. The estimated cost of the treatment is approximately 5,000-15,000 United States Dollars	Commercialization and treatment approvals have been issued in the USA, Israel, and Europe	Marketing approval has been obtained and InSightec aspires to achieve a market share of approximately 40% – 60% of the target market.
	Treatment of metastases and tumors in bone.[15]	CE approval and Medical Device Approval exist for treatment of metastases and tumors in bone. FDA approval exists for treatment of metastases in bone.[16] *An additional configuration of the device (CBS) has CE approval only.	No expected milestones	No expected milestones	Negligible costs	There are approximately 320,000 patients a year globally that suffer from metastatic-induced bone pain[17]. The annual financial scope of treatment of cancer metastases in bones in the USA is currently estimated at approximately 10 billion dollars. Approximately 50% of the patients with pain induced by metastases (that are not in the spine) will be a fit for treatment with the product and form the target market. The estimated cost of treatment is approximately 5,000-15,000 United States Dollars.	CE approval and Medical Device Approval exist for commercialization in Europe and Israel. FDA approval exists in the USA.	Marketing approval has been obtained and InSightec aspires to achieve a market share of approximately 14% of the target market.
	Prostate cancer	CE approval exists. FDA Phase I study protocol has been approved in the USA and in additional countries.	Patient recruitment for Phase I study to be completed in 2018	Patient recruitment for Phase I to be completed in 2018	$ 2 million	There are approximately 1.1 million patients a year diagnosed for prostate cancer, mostly in the developed countries[18]. To date the annual costs of treatment of prostate cancers in the USA is estimated at over 5 billion dollars[19]. Approximately 40% of the patients are diagnosed with intermediate-risk cancer and will be a fit for local treatment with InSightec product and form the target market[20]. The estimated cost of treatment is approximately 10,000-30,000 United States Dollars.	InSightec cannot currently estimate the date FDA approval for marketing of the product will be received in the USA (if at all).	InSightec estimates that, at the market penetration stage, its share will be approximately 80% of the intermediate-risk cancer cases forming the target market.

2 Insightec's estimate is for the potential market segment for which treatment in its product only is appropriate. Except where this is stated explicitly, Insightec cannot evaluate the expected market segment for the medical product it is developing. The estimate for the disease's prevalence pertains only to the USA with the assumption that in different geographies the prevalence of the various indications will be similar, proportionately to the country's population.

[3] Insightec is developing an innovative treatment, which is not a direct replacement of the treatment existing today. Therefore, its estimates of the market's size are based on data and articles regarding the number of potential patients, and Insightec's evaluation regarding the number of patients for which treatment with the device is appropriate. For this reason, articles and publications central to each of the three indications are attached.

[4] Insurance coverage for this application of the brain system has been approved, as stated in Section __ below.

[5] Medical Accessories and Devices approved by the Ministry of Health (Hereinafter: "MAD")

[6] In April 2017, Insightec informed the company that the FDA's approval for commercial use of the brain system in the USA for treatment of essential tremors in patients that do not respond to drug treatment has been expanded to include also use of the brain system on 1.5-Tesla MRI systems. The FDA approval reported in the past, on 12/07/2016, was given for use of the brain system with a 3-Tesla MRI system. (This is the magnetic power of the MRI machine). The expansion of the FDA approval as stated above is expected to broaden the market of products with which Insightec's brain system is compatible, in a manner in which it will be possible to integrate it both in an MRI machine of 1.5 Tesla as well as in MRI machines of 3 tesla.

[7] http://www.essentialtremor.org/wp-content/uploads/2013/07/FactSheet012013.pdf. The estimate for the disease's prevalence pertains only to the USA with the assumption that in different geographies the prevalence of the various indications will be similar, proportionately to the country's population.

[8] http://www.healthcommunities.com/parkinsons-disease/incidence-prevalence.shtml

[9] The estimations regarding the amount of patient's requiring a surgical treatment is based on InSightec's own estimates.

[10] The data is based on InSightec estimates.

[11] The data is based on InSightec estimates.

[12] The data is based on InSightec estimates.

[13] Insurance coverage for this application has been approved.

[14] 1)http://www.ahrq.gov/research/womenh2.htm;
2)http://www.cdc.gov/chronicdisease/resources/publications/fact_sheets/cancer.htm;
3) Saigal CA, Litwin MS. Economic costs of early stage prostate cancer. Pharmaeconomics 2002:20:869-78. figures ($4.75B) interpolated for 2009 based on 1990 CPI (Consumer Price Index) of 193 and 2009 CPI of 379. www.bls.gov;
4) LaVallee RW, Simpson KN, LaVallee RL; International Society of Technology Assessment in Health Care. Meeting Breast cancer, bone metastasis and episodes of care: a basis for cost effectiveness analysis. https://www250.safesecureweb.com/hcvadvocate/hepatitis/About_Hepatitis_pdf/1.1_Hepatits_C/Burden.pdf

[15] Insurance coverage for this application has been approved.

[16] It shall be clarified that no FDA approval has been received for treatment of tumors and the approval is to treat metastases in bone only.

[17] Cancer induced bone pain. Kane et al. BMJ 2015; 350 doi: http://dx.doi.org/10.1136/bmj.h315

[18] WHO Cancer report 2014

[19] Kommu SS, Eden CG, Luscombe CJ, Golash A, Persad RA. Initial treatment costs of organ-confined prostate cancer: a general perspective Int. 2011 Jan;107(1):1-3

[20] He et al. European Urology 2016; pii: S0302-2838(16)30883-1. doi: 10.1016/j.eururo.2016.11.031

Regulatory approvals

Below is a table listing the approvals received by InSightec products from the Ministry of Health in Israel:

Name of the product approved	Indication	Medical Device Approval number	Medical Device Approval date	Approval term
Body system	**General surgery – treatment (heating destruction – ablation and pain removal) in soft tissue, including adenomyosis, uterine myomas, bone and nerve growth by focused heating of segments using ultrasonic energy.**	**8960000**	**August 2002**	**May 2019**
Brain system	**Functional disorders (essential tremor, Parkinson's disease, neuropathic pain)**	**8960401**	**October 2013**	**December 2019**

Below is a table listing the approvals received by InSightec products from the FDA[21]:

Name of the product approved	Indication	Approval process	Approval number	Approval date	Predicate device [bilingual text]
Body system	Uterine myomas	FULL PMA	P040003[22]	October 2004	None
Body system	Metastases in bone	PMA	P110039[23]	October 2012	None
Brain system	Essential tremor	PMA	P150038[24]	July 2016	None

Below is a table listing the approvals received by InSightec products from the CE:

Name of the product approved	Indication	Notified Body	Approval number	Approval date	Approval term	Last date of notified body inspection and its results
Body system	**Uterine myomas**	**DEKRA**	**2110597CE01**	**October 2002**	**January 2023**	**December 2017**
Body system	**Adenomyosis**	**DEKRA**	**2110597CE01**	**May 2010**	**January 2023**	**December 2017**
Body system	**Bone tumors**	**DEKRA**	**2110597CE01**	**May 2007**	**January 2023**	**December 2017**
Body system	**Uterine myomas, adenomyosis, bone tumors**	**DEKRA**	**2110597CE01**	**September 2009**	**January 2023**	**December 2017**
Body system	**Expanding bone treatment indications and approval for CBS system.**	**DEKRA**	**2110597CE01**	**June 2013**	**January 2023**	**December 2017**
Body system	**Prostate cancer**	**DEKRA**	**2110597CE01**	**December 2016**	**January 2023**	**December 2017**
Brain system	**Functional disorders (essential tremor, Parkinson's disease, neuropathic pain)**	**DEKRA**	**2110597CE01**	**November 2012**	**January 2023**	**December 2017**
Brain system	**Compatibility with 1.5 MRI**	**DEKRA**	**2110597CE01**	**October 2015**	**January 2023**	**December 2017**
Brain system	**Software update version 7.0**	**DEKRA**	**2110597CE01**	**April 2016**	**January 2023**	**December 2017**

** The notified body inspection for each indication is carried out soon after the approval date. Beyond this, at least one inspection is carried out each year, and an overall inspection is carried out every 3 years, renewing the certificate.

21 The table present the regulatory approvals given granted by the FDA for InSightec systems and does not contain all the expansions and updates of technical systems made for the same indication over the years.

22 It shall be clarified that this approval has been granted 18 expansions since the date of its original issue, which do not substantially affect the Company.

23 It shall be clarified that this approval has been granted 18 expansions since the date of its original issue, which do not substantially affect the Company.

24 It shall be clarified that this approval has been granted 3 expansions since the date of its original issue, which do not substantially affect the Company.

Below is a table listing the approvals received by InSightec products in Japan, China, Korea, Taiwan and Canada:

Japan

Name of the product approved	Indication	Approval process	Approval date	Predicate device [bilingual text]
Japan				
Body system	Uterine myomas	Full registration	August 2009	None
Body system	Bone metastases and UF updates	Partial change	November 2014	None
Brain system	Essential tremors	Full registration	December 2016	None
China				
Body system	Uterine myomas	Full registration	July 2013	Yes
Body system	Uterine myomas Compatibility with additional MR systems	Full registration	December 2014	Yes
Korea				
Brain system	Movement, pain, and psychiatric disorders	Full registration	November 2015	None
Body system	Uterine myomas, breast cancer	Full registration	November 2005	None
Body system	Adenomyosis	Partial change	June 2011	None
Body system	Metastases in bone	Full registration	March 2009	None
Taiwan				
Brain system	Essential tremor	Full registration	November 2017	None
Canada				
Brain system	Essential tremor	Full	May 2016	אין
Body system	Uterine myomas and metastases in bone	Full	August 2013	אין

Insurance coverage

As to InSightec's best knowledge, as of the date of the report, insurance coverage is available for (a) Treatment of uterine myomas, by a number of health insurers in the USA and in Europe and by the HMOs in Israel (included in the medicine basket); (b) treatment by pain caused by cancer metastases in bones by the body system, by a number of health insurers in the USA and in Europe and by the HMOs in Israel (included in the medicine basket); (c) Insurance coverage for treatment of essential tremor by the brain system , by a number of health insurers in the USA and in Europe and by the HMOs in Israel (included in the medicine basket);

In July 2016 a range of American insurance companies[25] providing insurance coverage for about 99.8 million members have published updates in their policies regarding treatment with the MRgFUS technology so as to include coverage for MRI-guided focused ultrasound treatment for pain caused by bone cancer. InSightec estimates that the aforementioned updates will enable access of these insurance coverage for treatments for this indication with InSightec's ExAblate, as a treatment option approved by the FDA.

In November 2016, the CMS has decided to give treatment of essential tremor using InSightec's brain system (hereinafter: **"the treatment"**) the status of a treatment for which refunds are available. This changes the treatment's status from the status of a treatment for which insurance compensation is not available to one that enables insurance compensations to a level of 9,751 dollars.

Later, the CMS decided that starting on 01/01/2018 the primary code for movement disorders (essential tremors) will be assigned to a new technology level enabling an insurance compensation of 17,500 dollars t for those insured for whom the aforementioned treatment is appropriate.

[25] The publications are pursuant to a change of the insurance policy by insurance companies from the Blue Cross Blue Shield Association Health Care Service Corporation Group.

The CMS decision is only one of the necessary conditions necessary to receive an insurance compensation for the treatment. Pursuant to the CMS approval, the approval of each of the regional CMS representatives in the USA is required in order to receive insurance compensation for patients for the treatment. As of the date, an approval from a CMS representative in one area only (National Government Services Medicare, Local Medicare Contractor (MAC) for jurisdiction 6andK[26]) has been received and the Company is acting to receive the rest of the CMS representatives' approvals, but cannot estimate when whether these approvals will be received.

InSightec is acting to expand the number of health insurance providing insurance coverage as described above, as well as the geographical area where the aforementioned health insurance will be provided to insured patients. For this purpose, InSightec is acting in a range of avenues, as follows: (1) Working with hospitals in the USA and Europe and supporting them in the process of applying to local insurance companies in order to receive insurance coverage (2) Forming a call center for support for patients whose applications for coverage from the insurance companies that are insuring them; (3) Direct activity with insuring entities, as well as entities setting policy in the matters of insurance coverage. In addition, in this context InSightec is also evaluating the possibility to make use of existing insurance codes, to receive insurance coverage as described for oncological applications. Expenses for this InSightec activity are included in InSightec sales and marketing expenses, as described in the financial reports.

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.

Distribution and Marketing

InSightec has two main distributing channels; the first one is InSightec's independent business department and the second one is by distributors and local agencies among them is GE healthcare representatives (usually without exclusivity) and other 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.

Accumulated orders

As of 31/2017, InSightec has accumulated orders resulting from obligating orders (Which can be canceled pursuant to the conditions of the contract with the distributor/client) for its products (in millions of dollars):

Period	Revenues
2018 – Q1	2.8
2018 – Q2	2
2018 – Q3	0.9
2018 – Q4	8.4
Total for 2018	14.1
Revenues for 2019	0.4
Total accumulated orders	14.5

Material agreements

InSightec is a party to a number of substantial agreements that are outside of the normal scope of business and were valid in the period described in this report, or affected its activities in this period:

Shareholders agreement

The Company, KDT, GE, MTA, the York Foundation, GEOC, Ferré, Focused Holdings LP, InSightec, and a number of additional shareholders are a party to a shareholder agreement, as amended from time to time, establishing the relationship between the parties and their rights.

The cooperation agreement with GE Healthcare

On December 5, 2012 an agreement for cooperation between InSightec and GE was signed, and subsequently amended. This agreement provides the following as of the date of the report.

26 This region refers to the following states: Illinois, Minnesota, Maine, Massachusetts, New Hampshire, Connecticut, New York, Rhode Island Vermont and Wisconsin.

InSightec appointed GE as a non-exclusive distributor of its products, for the period ending at the end of 2020. The Agreement sets prices for InSightec products and the rates of the sales commission, refunds, and supports development of ties to radiologists using its products.

It shall be noted that, until the agreement was first amended (in June 2014), the cooperation agreement included, among other provisions, a commitment of InSightec to grant GE exclusivity, so that InSightec's products would only be compatible with MRI machines made by GE. This exclusivity has been subsequently been terminated with the parties consent, and InSightec even entered into, in August 2016, a non-exclusive cooperation agreement with Siemens, an international company that is a leading manufacturer and developer of MRI imaging machines, for the purpose of adapting InSightec's systems for work with the MRI imaging machines made by Siemens, in order to expand the market of products that InSightec systems are compatible with.

That said, correct to the date of the report, InSightec's products are still only regulatory approved as compatible with GE MRI machines. From a technological point of view, InSightec is capable, subject to investing financial resources (the costs of developing hardware and software interface) and within an appropriate time period, to make changes to InSightec products so as to make them compatible also with other manufacturers' MRI machines, as well as receive regulatory approval for the new system. As per InSightec's estimate, it may require approximately two years in order to enable compatibility with non-GE imaging systems, and to create an agreement infrastructure for distribution of such products, similar to the relationship currently in place with GE Healthcare, also with another MRI system supplier. As per InSightec's estimate, a termination of the relationship with GE Healthcare will not cause its activity to stop, but may lead to a slowdown in activity during the aforementioned period of adaptation. For compatibility between InSightec's MRI guided Focused Ultrasound Systems (MRgFUS) and Siemens MRI scanners please refer to Section __.

It has been established in the agreement that InSightec carries the sole liability for defects in the manufacturing, planning, and initial assembly of the products. Moreover, InSightec is obligated to compensate GE Healthcare, its employees and representatives, for any damage, costs, or obligations resulting from a third-party suit resulting from the contract between the parties. GE Healthcare, on the other hand, is obligated to compensate InSightec, its employees and representatives, for damages caused by GE Healthcare products and/or changes made to these products without InSightec's authorization. For the implementation of the provisions of this agreements, the parties have obligates themselves to purchase (each) an insurance policy to the extent of at least 5,000,000 dollars.

Moreover, the agreement originally established that InSightec will serve as a non-exclusive distributor of GE MR scanners, in order to enable InSightec to sell the scanners as part of its combined treatment system. This section was terminated with the consent of both parties in December 2017. The agreement establishes the price per unit and technological compatibility with InSightec products, to which GE is obligated

Cooperation agreement with Siemens

On August 15, 2016, we announced that InSightec Ltd. signed a non-exclusive cooperation agreement with Siemens, a leading manufacturer and developer of diagnostic imaging equipment in general and Magnetic Resonance scanners specifically, to develop compatibility between InSightec's MRgFUS and Siemens' MRI scanners (the "**Systems**") with the intention to expand the MRgFUS market globally. According to the co-operation agreement, the Parties will cooperate regarding the performance of R&D, integration, testing and approving the compatibility of the systems of the parties. Each party shall be solely responsible, at its own cost, to obtain the regulatory approval for its systems, and InSightec shall be solely responsible, at its sole cost, to obtain the regulatory approval for the combined system. Each party shall bear all of its internal and external costs relating to its performance under the co-operation agreement, except that InSightec shall reimburse Siemens an amount agreed upon in the co-operation agreement, for its R&D costs. The co-operation agreement also provides that each party shall act independently in the marketing and sales of its component portion of the Combined System, and determines the amount InSightec shall pay Siemens for sales of the Combined Systems and in case of sales for installed MR base.

The term of the co-operation agreement is five (5) years from the first commercial sale of the combined system and shall automatically renew for additional 1-year periods, unless either Party has provided a notice for its non-renewal or of its termination, in accordance with the terms of the co-operation agreement.

Business Strategy

Insightec's vision is global leadership in the field of non-invasive treatment using magnetic resonance guided focused ultrasound technology (MRgFUS), made available for broad use for the benefit and welfare of the patients.

Insightec's strategy is focused on development of two product lines, a product line in the field of body systems (oncology and gynecology) and a line of products in the field of brain treatment systems (neurological disorders and tumors).

In the field of brain systems, Insightec intends to develop applications that will make use of advanced mechanisms of interactions between tissues and acoustic fields (for example, Targeted Drug Delivery), neuromodulation, and more. The brain applications currently supported by Insightec's current systems and those planned in the future are based on thermal ablation. Insightec utilizes the technology used in this system in non-invasive brain treatments. To the best of Insightec's knowledge, this field was a research field only in the first years of Insightec's activity. As technology allowing brain treatment without trepanation became possible, this field became central for Insightec.

In order to realize its vision, Insightec intends to continue developing the MRgFUS technology and the systems based thereon, which will allow the replacement of surgical procedures, minimally-invasive procedures, and radiation treatment. Moreover, Insightec intends to continue searching for strategic partners acting in the markets relevant for its products in order to cooperate with them on entering the markets in an efficient, low-cost, broad entry of its technology into the target markets. In addition, Insightec is also working to raise funding from existing shareholders or from new sources of funding, which will support the acceleration of business and other activities.

Insightec intends to develop a future surgical system that will replace the invasive operating room currently in use. The system will allow treatment in a variety of clinical applications, all of this while generating more value for its products and Insightec itself. Moreover, Insightec is evaluating the use of MRgFUS technology as an additional tool for Radiation Oncology departments, which will enable treatment of patients for whom radiation treatments are not currently providing a satisfactory response, or for whom a combination of MRgFUS treatment and radiation treatments will serve as a preferable treatment solution.

Insightec aspires to expand the marketing of its systems in additional countries in America, Europe, Asia and Oceania. For this purpose, Insightec intends to expand its distribution network, as well as evaluating various possibilities for marketing the product in the USA – by means of distribution agreements, direct marketing, or partnership with a strategic partner. Beyond that, Insightec intends to expand the volume of its activities in China and Japan, for which purpose Insightec has set up a fully owned subsidiary company in China and in Japan, and recruited a number of local employees.

Insightec aspires to complete the development of additional applications for its products, so that every product purchase can serve for the treatment of a great number of disorders, which will significantly increase the profitability of purchasing it.

Gamida Cell Ltd.

Holdings in Gamida's shares

As of the date of the report's publication, we indirectly hold, through Elbit Medical, approximately 16% of the outstanding share capital (12% on a fully diluted basis) of Gamida, as listed below:

Share types	Issued share capital	Number of stock held by the Company	Number of stock held by the Company of the same class of shares	Number of shares held by the Company of the same class of shares on a fully diluted basis
Common stock	549,990	450,000	81.8%	43.5%
Type B common stock	139,908	-	-	-
Type A preferred stock	600,000	-	-	-
Type B preferred stock	1,453,846	517,637	35.6%	35.6%
Type C preferred stock	2,827,430	990,460	35.0%	25.0%
Type D preferred stock	3,473,345	265,343 (5,380 following adjustment (*))	7.8%	7.8%
Type E-1 preferred stock	571,478	-	-	-
Type E-2 preferred stock	1,023,312	436,681	42.7%	42.7%
Type F-1 preferred stock	4,274,363	-	-	-
Type C preferred stock options	1,129,008			
Common stock options for investors, employees, and consultants	1,506,510	-	-	-
Type F-2 preferred stock options	2,564,619			

(*) It should be noted that, as of the date of this filing, 265,343 of the abovementioned Type D preferred shares are convertible to 270,723 ordinary shares, and this comes following the increase in the conversion ratio resulting from the activation of the anti-dilution mechanism included in Gamida's Articles, within the scope of previous rounds of raising capital that Gamida has performed.

The following is a summary of the material provisions in the Articles of Association of Gamida (and the rights attached to its shares):

Liquidation and Dividend Preference

Upon the occurrence of a distribution, liquidation or deemed liquidation, including (a) the merger or consolidation or other reorganization of the company with or into any other corporate entity; or (b) a sale or perpetual exclusive license (in any two of the following territories: (i) substantially all of North America, (ii) substantially all countries in Europe, taken as a whole, and (iii) substantially all other countries (i.e., other than North America and Europe, taken as a whole) or (c) other irrevocable disposition of all or of substantially all of the company's shares or intellectual property or assets, subject to certain exceptions:

(a) The holders of the Series F Preferred Shares shall first be entitled to receive $9.44 for each Preferred F-1 Share and $11.33 for each Preferred F-2 Share;

(b) Thereafter, the holders of the Series E Preferred Shares shall be entitled to receive $3.1503 per each Preferred E-1 Share and $3.7288 per each Preferred E-2 Share; provided that each of the holders of the Ordinary C Shares shall be entitled to receive out of the aggregate amount paid to the Series E Preferred Shares under this section an amount for each Ordinary C Share equal to the product of the aggregate amount paid to the Series E Preferred Shares under this section multiplied by the ratio that such Ordinary C Share bears to the total number of the outstanding shares of Gamida on a fully diluted basis (the "**Gamida Share Ratio**");

(c) Thereafter, the holders of the Series D Preferred Shares shall be entitled to receive $6.3111 for each Series D Preferred Share; provided that each of the holders of the Ordinary C Shares shall be entitled to receive out of the aggregate amount paid to the Series D Preferred Shares under this section an amount for each Ordinary C Share equal to the product of the aggregate amount paid to the Series D Preferred Shares under this section multiplied by the Gamida Share Ratio;

(d) Thereafter, the holders of the Series C Preferred Shares shall be entitled to receive $1.9553 for each Series C Preferred Share; provided that each of the holders of the Ordinary C Shares shall be entitled to receive out of the aggregate amount paid to the Series C Preferred Shares under this section an amount for each Ordinary C Share equal to the product of the aggregate amount paid to the Series C Preferred Shares under this section multiplied by the Gamida Share Ratio;

(e) Thereafter, the holders of the Series B Preferred Shares shall be entitled to receive $1.8052 for each Series B Preferred Share; provided that each of the holders of the Ordinary C Shares shall be entitled to received out of the aggregate amount paid to the Series B Preferred Shares under this section an amount for each Ordinary C Share equal to the product of the aggregate amount paid to the Series B Preferred Shares under this section multiplied by the Gamida Share Ratio;

(f) Thereafter, the holders of the Series A Preferred Shares shall be entitled to receive $1.3720 for each Series A Preferred Share; provided that each of the holders of the Ordinary C Shares shall be entitled to received out of the aggregate amount paid to the Series A Preferred Shares in this section an amount for each Ordinary C Share equal to the product of the aggregate amount paid to the Series A Preferred Shares in this section multiplied by the Gamida Share Ratio;

Under no circumstances shall the aggregate preference amounts payable in respect of any outstanding Preferred Shares, or that are underlying any outstanding convertible securities , as of July 3, 2017, exceed US$ 36,078,000.

(g) After the aforesaid preferences the remaining distributable assets, if any, shall be distributed among the holders of Ordinary Shares, Ordinary B Shares, Ordinary C Shares and Preferred Shares on a pro rata, pari passu, and as-converted basis.

Conversion

At any time, the holders of Preferred Shares may convert all or any portion of their shares into the number of Ordinary Shares computed by dividing the applicable original issue price paid for the class of Preferred Share held by such holders ("**Original Issue Price**") by the applicable conversion price for such Preferred Share, which initially is the Original Issue Price (other than the Preferred D Shares for which the Original Issue Price is $9.56 and the conversion price is $9.37).

The preferred shares shall convert: (i) immediately prior to and conditioned upon the consummation of a public offering that yields gross proceeds of at least $30,000,000 at a pre-money value of at least $150,000,000, (ii) on the date specified in a written consent of the holders of at least a majority of voting power represented by the then issued and outstanding Preferred Shares (voting together as one class, on an as-converted basis), including the consent of the holders of at least a majority (or, in the case of the Preferred F Shares – 60%) of each of the series of Preferred Shares (other than the Series A Preferred Shares) then outstanding; or (iii) upon the date specified in a written consent of the holders of at least a majority (or, in the case of the Preferred F Shares – 60%) of the voting power represented by the then issued and outstanding shares of a certain series of Preferred Shares (with the shares of such series of Preferred Shares voting together as one class, on an as-converted basis), delivered to the Company, all issued and outstanding shares of such series of Preferred Shares shall automatically be converted.

The Preferred Shares have broad based weighted average protection formula (the Preferred F Shares are subject to a special anti-dilution mechanism).

Other Restriction of Transferability of Shares in Gamida

The shares in Gamida (with certain standard exceptions) are subject to a right of first refusal, co-sale and bring-along rights (if approved by 60% of the shares voting together as a single class).

Board of Directors

The number of Directors in Gamida shall not exceed 10 directors.

Any one or more shareholder(s) (with certain exclusions) who hold(s), together with its or their permitted transferees, shares of Gamida (other than Preferred F Shares) representing an aggregate of 11% or more of the voting power of Gamida on an as-converted basis, shall have the right to appoint, replace and remove one (1) director by virtue of such aggregate 11% holdings.

Special Voting Provisions/Veto Rights

Among other special voting rights, Gamida shall not effect a deemed liquidation in which holders of Gamida's Preferred Shares receive equity in a private corporation in consideration for the transaction, other than such a transaction in which holders of Preferred Shares receive no less than their entire preference amounts in cash and/or publicly-traded securities, without the consent or vote of 60% of the Preferred F Shares.

The board of directors shall not undertake certain actions, including the following, without consent of a majority of the members of the Board appointed by the holders of the Preferred F Shares or shareholders holding an aggregate of 11% or more of the voting power represented by the then issued and outstanding share capital: (a) make any fundamental changes to the business of Gamida; or (b) any transaction out of the ordinary course of business not contemplated by the company's budget then in effect.

Business Concept

Gamida deals in the research and development of medical products based on stem cells, the source of which is mainly from umbilical cord blood (hereinafter: "**Umbilical Blood**").

Gamida operates in the field of research, development and manufacture of products designated for bone marrow transplants in leukemia or lymph node cancer sufferers, non - malignant blood diseases such as Sickle Cell Anemia and Thalassemia, metabolic genetic diseases. In addition, Gamida is in further advanced stages of research development and manufacture of products for the immunological treatment of cancer sufferers by means of Natural Killer Cells[27] (hereinafter: "**NK Cells**") (hereinafter together: "**Field of Activities"**).

The main product that Gamida is developing is the NiCord® (hereinafter "**NiCord**"), based upon the enrichment of umbilical cord blood with stem cells, in technology process that makes use of Nicotinamide molecules (hereinafter: "**NAM**"). It would be prudent to state that Gamida is working to develop additional products, which are also based on the NAM technology, including the CordIn and the NK cell product. These products are also in clinical development, but at a less advanced stage of development than the NiCord.

[27] NK Cells are white blood cells which act to kill off body cells that have been infected with viruses or have developed into cancerous cells.

Investments in Gamida's capital

Below are details regarding investments in Gamida's capital in the last two years:

In July 2017, Gamida completed a round of fundraising of a scope of approximately 40 million dollars (Hereinafter in this paragraph: "**The Investment**") in consideration for 4,274,363 f-1 shares. Immediately following the closing: (i) the Series F-1 Preferred Shares issued represented approximately 28.7% (21.9% on a fully-diluted basis) of Gamida's share capital; (ii) the options to Series F-2 Preferred Shares issued represented approximately (13.1 on a fully-diluted basis) of Gamida's share capital. The Investment was led by the Shavit Capital Fund, which was joined by Novartis and other investors, including the VMS Investment Group, IHCV, Israel Biotech Fund and the Company (hereinafter in this paragraph: "**The Investors**"). In return for the investment, Gamida issued preferred shares to the investors (hereinafter: "**The Allocated Shares**") pursuant to a value of 120 million dollars (before the money). The portion of the company in the investment was 1.5 million dollars. In addition, options were allocated to the investors to purchase preferred shares in a quantity constituting 60% of the number of the preferred shares allocated (hereinafter in this paragraph: "**The Options**"). The exercise price of the options is 120% of the preferred share price paid by the investors at the time of the completion of the investment. The options are exercisable during the course of a period of up to 5 years from the date of completion of the investment. It would be prudent to state that as at this date, there is no certainty that the investors will exercise the options.

Products

Following is a table detailing the main products being developed by Gamida:

Name of the Medical Product under Development	Outline for which the medical product under development is designated	Development stage of the medical product as at the date of the report	Milestones expected over the next 12 months	Next milestone and the expected date of achieving it.	Estimated cost of achieving the next milestone	Size of the potential target market – the number of sufferers, patients or procedures, and the annual financial scope of the potential target market of the medical product under development as at the date of publication of the report	Gamida's estimate regarding the date of commencement of the marketing of the medical product under development	Gamida's estimate regarding the expected market share for the medical product under development under the assumption of obtaining authorization to market it
NiCord	Malignant Hematology diseases	Phase III	Continuation of recruiting patients for Phase III trials.	Completion of the recruiting of patients in Phase III trials in the second half of 2019.	About $ 30 million	The market potential in the USA, Europe and Japan is estimated to be about 30,000 – 40,000 patients per annum requiring transplants from a unrelated[28]. As at the date of the report, Gamida has no estimate regarding the annual financial scope of the target market.	Gamida estimates that the marketing commencement date will be at H1 of 2021.	Gamida hired consultants and conducting market research in order to examine the matter.
CordIn[29]	Non - malignant hematology diseases, genetic diseases	Phase I / II	The continuation of the recruitment of patients for Phase I / II trials, for Sickle Cell Anemia and Thalassemia (in a configuration of one or two units of cord blood)	Completion of the recruitment of patients for Phase I / II trials during the course of 2019	About $ 1 million	About 100,000 patients per year are diagnosed in the USA with Sickle Cell Anemia. [30] Each year about 2,000 – 3,000 new cases are diagnosed. [31] As at the report date, there is no estimate as to the financial scope of the target market.	Gamida has no ability to accurately estimate, at this stage, the date of receipt of the authorization to market.	Gamida has no ability to accurately estimate, at this stage, the specific market size (out of this market) to which the product will be aimed.
			Continuation of the recruitment of patients for Phase I / II Acute Aplastic Anemia and Myelodysplastic diseases.	Completion of the recruitment of patients in 2020	About $ 1 million			

Name of the Medical Product under Development	Outline for which the medical product under development is designated	Development stage of the medical product as at the date of the report	Milestones expected over the next 12 months	ext milestone and the expected date of achieving it.	Estimated cost of achieving the next milestone	Size of the potential target market – the number of sufferers, patients or procedures, and the annual financial scope of the potential target market of the medical product under development as at the date of publication of the report	Gamida's estimate regarding the date of commencement of the marketing of the medical product under development	Gamida's estimate regarding the expected market share for the medical product under development under the assumption of obtaining authorization to market it
Product based on NK Cells which have been enhanced using NAM technology	Malignant hematology diseases	Phase I	Continuation of recruitment of patients or Phase I trials in multiple myeloma and NHL type lymphoma.	Completion of the recruitment of patients in 2019	About $ 2.5 million	Gamida has not, at this stage, estimated the size and / or the financial scope of the potential market.	Gamida has no ability to accurately estimate, at this stage, the date of receipt of the authorization to market.	Gamida has no ability to accurately estimate, at this stage, the specific market size (out of this market) to which the product will be aimed.

Due to the inherently unpredictable nature of the research and development processes, we are unable to estimate with any certainty the estimated cost of achieving the next milestone.

28 WMDA Report 2015.

29 Another product based on the technology, makes use of the NAM molecules and is adapted for treatment of non - malignant diseases.

30 https://www.cdc.gov/ncbddd/sicklecell/data.html August 19 2017 Centers for Disease Control Atlanta GA USA.

31 Modell B & Darlison M. Global epidemiology of hemoglobin disorders and derived service indicators. Bull World Health Organ. 2008 June; 86(6): 480-487

Clinical and Regulatory Development

Nicord

NiCord is the lead product of Gamida Cell for the treatment of patients with Hematological Malignancies such as Leukemia and Lymphoma who require a donor derived (allogeneic) bone marrow transplantation.

NiCord is composed from stem cells derived from umbilical cord blood which were expanded and enriched using Gamida's proprietary NAM technology.

NiCord is enrolling patients in a Phase III registration study. NiCord received a breakthrough Therapy designation from the FDA and Orphan drug designation from the FDA and EMA.

The following items describe the significant clinical and regulatory events related to NiCord®:

- On March 20, 2018, Gamida presented new data on immune reconstitution (IR) from its phase I/II study of NiCord® in high-risk hematologic malignancies (the "**Study**"). The IR findings of a random subgroup of 22 adults patients (median age approximately 22 years) from the Study, as compared to 47 young patients (median age approximately 22 years) with hematologic malignancies treated by unmanipulated CB and unrelated bone marrow without ATG (the "**Comparison Group**"), were presented. The primary endpoint was the probability of achieving CD4+ IR within the first 100 days, a level indicating a significant reconstitution of the immunity system. Additional cellular components of the immunity system were evaluated. Key findings include:

    - More than 90% of patients have met the primary endpoint (achieved successful CD4+ IR at 100 days after transplantation with NiCord).
    - T-cell IR with NiCord was similar to that observed in the Comparison Group, in which younger patients typically achieved better results after stem cell transplantation.
    - Immune reconstitution of NK cells, B cells and monocytes, was faster, in a statistically significant manner, after transplantation with NiCord when compared to the Comparison.

- On February 28, 2017, Gamida announced that that the first patient has been transplanted in Gamida's Phase 3 study of NiCord® which is in development as a cure for patients with blood cancer. The trial will evaluate the safety and efficacy of transplanting NiCord® as compared to transplanting un-manipulated cord blood in patients with hematological malignancies (blood cancers). The primary end point is the time estimation to neutrophil engraftment.

- On January 17, 2018, Gamida announced its initiation of a Phase I study evaluating its proprietary NAM-expanded natural killer cells (NAM-NK Cells) in patients with relapsed or refractory CD20+ non-Hodgkin lymphoma (NHL) and multiple myeloma. The Phase I study will be conducted at the medical center of the University of Minnesota Health and is designed to determine the maximum tolerated dose of NAM-NK Cells. Secondary endpoints of the study include overall antitumor response and toxicity. The study is currently recruiting and will enroll approximately 24 patients aged 18 to 70 years old. Participants will undergo a lymphodepleting preparative regimen, and then receive two doses of NAM-NK Cells.

- On December 12, 2017 the Company announced that Gamida has presented final results from the phase I/II trial evaluating NiCord® (the "**Trial**") at the annual meeting of the American Society for Hematology (ASH).The Trial that included 36 patients with hematologic malignancies, met its primary endpoint as well as safety and efficiency targets, as follows: (i) Participants treated with NiCord® had rapid and durable engraftment of neutrophils and platelets, as we all as prompt immune reconstitution; (ii) The Trial met its primary endpoint - median time to neutrophil engraftment was 11 days (95% CI: 9-13 days); (iii) Patients treated with NiCord® had a median time to platelet engraftment of 34 days (95% CI: 32-42 days); (iv) NiCord® demonstrated an acceptable safety profile, with moderate/severe cGvHD of 9.8% at one year following transplantation. By day 100 20.2% of participants experienced grade 2-3 bacterial or grade 3 fungal infections; and (v) Results from the Trial participants were compared to a database of matched patients from the Center for Internal Blood and Marrow Transplant Research (CIBMTR). According to the CIBMTR data, patients who received UCBT had a median time to neutrophil engraftment of 21 days and a median time to platelet engraftment of 46 days. Gamida highlighted that the final results of the Trial supports the basis for the global phase III trial of Nicord®.

- In March 2017, the orphan drug designation which has been granted by the European Medicines Agency's (EMA) Committee for Orphan Medicinal Products (COMP) regarding NiCord® has been broadened and now includes any treatment which is based on the transplant of blood system stem cells (haematopoetic stem cells). The EMA grants an orphan drug designation to promote the development of products that demonstrate promise for the treatment of rare diseases. EMA orphan drug designation provides 10 years of market exclusivity in the EU, as well as, prospective grants receiving easement and assistant with developing and registration of drugs for marketing.

- In December 12, 2016, Gamida announced that it has been cleared by the FDA to begin enrolling for the Phase 3, international, multicenter trial of Gamida's NiCord® for patients with high risk hematological malignancies (blood cancers) (the "**Trial**"). In addition, Gamida announced that clearance to begin enrolling for the NiCord study has also been received for an additional European territory. The Trial is planned to be a randomized-controlled study comparing transplantation of NiCord® to that of un-manipulated umbilical cord blood. A total of 120 patients will be enrolled at transplantation centers throughout the US and Europe. Gamida estimates that patient recruitment will take approximately two years to complete. The primary endpoint of the study is to examine the time from transplant to engraftment of neutrophils.

- On October 10, 2016, Gamida announced that the FDA granted Breakthrough Therapy Designation status to NiCord®, due to improvement in absorption of neutrophils blood cells in bone marrow transplant for patients with high risk hematological malignancies (blood cancers). Breakthrough therapy designation is granted to a drug that is intended to treat serious or life-threatening diseases, and that preliminary clinical evidence indicates that the drug may demonstrate substantial improvement on a clinically significant endpoint(s) over available therapies. A breakthrough therapy designation entitles the company to various benefits, such as: (i) intensive FDA guidance; (ii) involvement of senior FDA managers in the process; and (iii) option for a FDA rolling review of Nicord® marketing approval application in the U.S (i.e. the FDA may agree to review parts of the application file which are submitted in phases, with no obligation of filling the whole file prior to the review commencement).

- In December 2015, Gamida announced that following the initial data analysis of 16 patients who were treated with NiCord® in the Phase I/II study for treating patients with hematological malignancies (leukemia or lymphoma), NiCord® demonstrated absorption in all patients and in an average timeframe of 10 days. This timeframe is significantly shorter than absorption timeframes reported in transplanted untreated cord blood, where reported absorption timeframes averaged 23-27 days. The clinical study demonstrated a positive drug safety profile, and proper rehabilitation of blood systems post-transplant. On January 8, 2015, the first person was 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.

- On January 8, 2015, the first person was 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 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. The Orphan Drug Act of 1983, or Orphan Drug Act, encourages manufacturers to seek approval of products intended to treat "rare diseases and conditions" with a prevalence of fewer than 200,000 patients in the U.S. or for which there is no reasonable expectation of recovering the development costs for the product. For products that receive Orphan Drug designation by the FDA, the Orphan Drug Act provides tax credits for clinical research, FDA assistance with protocol design, eligibility for FDA grants to fund clinical studies, waiver of the FDA application fee, and a period of seven years of marketing exclusivity for the product following FDA marketing approval.

- In February 14, 2013 Gamida announced successful results of NiCord's Phase I/II study for treating patients with hematological malignancies. 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, genetic l diseases, immune therapy for cancer and refractory autoimmune diseases.

Cordin

Another product based on the technology used in the NAM molecules for the treatment by means of the transplants of umbilical cord blood enriched with stem cells in patients with non - malignant hematological diseases (such as: Thalassemia, Sickle Cell Anemia, and Aplastic Anemia).

At the date of the publication of the report, Gamida is conducting a Phase I / II trial with CordIn, which is transplanted in patients with Sickle Cell Anemia, together with a unit of umbilical blood which has not undergone any treatment (in a configuration of two units of umbilical blood).

Furthermore, in July 2016, Gamida began Phase I / II trials on patients with Sickle Cell Anemia and Thalassemia using CordIn (in a configuration of one umbilical blood unit).

In addition, in August 2017, a transplant was performed on the first patients as part of the Phase I / II trial on patients with severe Aplastic Anemia, and Myelodysplastic diseases (Hypoplastic Myelodysplastic syndromes – MDS) using CordIn.

The following items describe the significant clinical and regulatory events related to CordIn:

- On February 21, 2018, Gamida presented additional data from its phase I/II study in sickle Cell Disease (the "**Study**") at the 2018 BMT Tandem Meetings (the "**Meeting**"). The results of 13 patients with SCD treated with CordIn in combination with an unmanipulated unrelated umbilical cord blood (UCB) were presented at the Meeting. The primary endpoint of the Study was evaluating the safety and efficacy of CordIn and cumulative incidence of neutrophil engraftment following transplantation. Key results include: (i) Rapid engraftment was observed in all 13 patients at a median of seven days (range: 6-20 days); (ii) 11 of 13 (84.6%) patients were alive at a median follow-up of 22 months (range: 1-63 months). Two patient deaths were observed due to secondary graft failure and severe GvHD respectively; (iii) 8 participants experienced grade II-IV acute GvHD; (iv) 2 participants experienced extensive chronic GvHD; (v) The 9 patients with long-term follow-up achieved transfusion independence with normal hemoglobin profile and no active GvHD.
  It should be noted that as of this date, the Study has not been completed yet

- in August 2017, a transplant was performed on the first patients as part of the Phase I / II trial on patients with severe Aplastic Anemia, and Myelodysplastic diseases (Hypoplastic Myelodysplastic syndromes – MDS) using CordIn.

- in July 2016, Gamida began Phase I / II trials on patients with Sickle Cell type Hemoglobinopathy Anemia and Thalassemia using CordIn (in a configuration of one umbilical blood unit)

Material agreements

The Lonza Agreement

On February 13, 2016, Gamida entered into a framework agreement, for a five year period, with Lonza Walkersville Inc ("**Lonza**") for the supply of service and operation of manufacturing facilities, as well as a service agreement for purposes of the manufacturing of NiCord and CordIn (mainly for the Phase III clinical trials of the NiCord product). The parties agreed that, in the event that Gamida will want to commercialize NiCord, the parties will discuss between them (with no obligations), the continuation of manufacturing for such commercial stage. The period of service agreement is until to December 2018 and Gamida has the option of extending the agreement period by an additional 6 months against additional payment. The total cost of the agreement is several millions of dollars. Gamida can terminate the agreement by means of a 6 month prior notice. Lonza can terminate the agreement as of December 31, 2017, by means of a 12 month prior notice. Likewise, the two parties can terminate the agreement by means of a two month prior notice in the event that the clinical trial is suspended by the FDA.

In Gamida's opinion, in the case of the replacement of Lonza, a great deal of resources will be required, both from the aspect of locating alternate vendors that comply with the stringent standards as well as from the aspect of preparing a new production facility, the transfer of technology training workers, etc., which is estimated to be a period of approximately one year and, as a result, Gamida is liable to be dependent on this vendor.

The Kiryat Gat Premises Lease Agreement

In December 2017, Gamida entered into a lease agreement of a property in Kiryat Gat of 5,000 sq. m. designated for use as a production site for the commercial stage. The lease agreement is for a 10 year period and includes an option to extend it for an additional 5 years.

Plots in Eastern Europe initially designated for development of commercial centers

plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("**PC**") whose business strategy is to no longer develop commercial centers but to dispose its real estate assets at optimal market conditions.

Business Concept and Strategy

PC business concept and strategy is to no longer develop commercial centers, but to solve existing bureaucratic or legal issues and dispose its real estate assets.

PC's financial reports for 2017 indicate the existence of a material uncertainty that casts significant doubt about PC's ability to continue as a going concern.

Plots owned by PC

Casa Radio, Romania

One of PC's most significant projects is the Casa Radio project in Bucharest, Romania. The carrying amount of this project in the company's financial statements as of December 31, 2017, amounts to NIS 263 million (2016 - NIS 263 million).

In 2006 PC entered into an agreement according to which it acquired a 75% interest in a company ("**Project SPV**") which is under a Public Private Partnership ("**PPP**") agreement with the Government of Romania to develop the Casa Radio site in the center of Bucharest ("**Project**"). After signing the PPP agreement, PC holds indirectly 75% of the shares in the Project SPV, the remaining 25% are held by the Romanian authorities (15%) and a third party private investor (10%).

As part of the PPP, the Project SPV was granted with development and exploitation rights in relation to the site for a period of 49 years, starting December 2006. As part of its obligations under the PPP, the Project SPV has committed to construct a Public Authority Building ("**PAB**") measuring approximately 11.000 square meters for the Romanian Government at its own expense.

Large scale demolition, design and foundation works (financed by loans given to the Project SPV by PC) were performed on the construction site until 2010, when construction and development was put on hold due to lack of progress in the renegotiation of the PPP agreement with the authorities, as detailed below, and the global financial crisis. These circumstances (and mainly the bureaucratic deadlock with the Romanian Authorities to deal with the issues detailed below) caused the Project SPV not to meet the development timeline of the Project, as specified in the PPP. However, PC's management believes that it had legitimate reasons for the delays in this timeline, as detailed below.

Obtaining of the Detailed Urban Plan ("**PUD**") permit

The Project SPV obtained the PUD related to this project in September 2012. Furthermore, on December 13, 2012, the Court took note of the waiver of the claim submitted by certain plaintiffs and rejected the litigation aiming to cancel the approval of the Zonal Urban Plan ("**PUZ**") related to the Project. The court decision is irrevocable.

As the PUD is based on the PUZ, the risk that the PUD would be cancelled as a result of the cancellation of the PUZ was removed following the date when the PUZ was cleared in court on December 13, 2012.

Discussions with Authorities on construction time table deferral

Following the Court decision with respect to the PUZ, the Project SPV was required to submit a request for building permits within 60 days from the approval date of the PUZ/PUD and commence development of its project within 60 days after obtaining the building permit. The building permits have not been obtained.

Additional information in respect of PC's trading property:

However, due to substantial differences between the approved PUD and stipulations in the PPP agreement as well as changes in the EU directives concerning environmental considerations in buildings used by public authorities the Project SPV attempted to renegotiate the future development of the Project with the Romanian Authorities on items such as time table, structure and milestones as well as adaptation of the PAB development to the current EU requirements. Despite many notifications sent to the Romanian Authorities expressing a wish to renegotiate the existing PPP agreement no major breakthrough could be achieved. PC could be subject to significant delay penalties under the terms of the PPP agreement if it is determined that PC was at fault in causing the delays.

Because of the failure of the public authorities to cooperate, negotiate and adjust the PPP agreement, the Project SPV was not able to meet its obligations under the PPP. This resulted in a situation where the Project SPV could not "de facto" continue the execution of the Project and created a risk that the public authorities could attempt to terminate the PPP agreement. In the event that the public authorities seek to terminate the PPP Agreement and/or seek to impose penalties, PC may incur penalties and/or recover less than the carrying amount of the Casa radio asset recorded in the consolidated financial statements as at year end (€ 50.4 million). As of the date of approval of PC's consolidated financial statements for 2017 the Project SPV did not receive any termination notification by the public authorities.

PC believes that although there is no formal obligation for the Romanian Authorities to renegotiate the PPP agreement, such obligation is implicitly provided for the situation when significant unexpected circumstances arise and that the unresponsiveness of the authorities is a violation of the general undertaking to support the Project SPV in the execution of the Project as agreed in the PPP agreement.

PC also believes that the risk that the public authorities may seek to terminate the PPP and/or relevant permits on the basis of the perceived breach of the PC's commitments and/or may seek to impose delay penalties on the basis of the PPP contract is unlikely given the public authorities have not sought to do such since the perceived breach in 2012 and given PC believes that it has basis for counter claims against the relevant public authorities.

In the case of termination for breach under the PPP agreement the relationship and compensation between the parties is to be decided by a competent court of arbitrations. PC's management believe that, in the case of termination, PC has a strong case to claim compensation for damages.

Since 2016 PC's management has taken a number of steps in order to unblock the development of the project and mitigate the risk of termination of the PPP agreement, including commencing a process to identify third party investors willing and capable to join PC for the development of the project and/or potential buyers for the Project. PC's management believes that reputable investors with considerable financial strength can enhance PC's negotiation position vis-à-vis the authorities and assist in advancing an amicable agreement with the relevant authorities with respect to the development of the project.

Whereas PC's management considers the risk of termination of the PPP agreement and/or the imposition of penalties by the authorities to be unlikely, the consolidated financial statements do not include any provision in respect to any potential future penalties in respect to the breach of the PPP agreement. The increased risk arising from the above matters has been reflected in the valuation of the Project.

Co-operation with the Romanian Authorities regarding potential irregularities

In 2015, PC's board and management became aware of certain issues with respect to certain agreements that were executed in the past in connection with the Project. In order to address this matter, PC's board appointed the chairman of its Audit Committee to investigate the matters and independent law firms to analyze the available alternatives in this respect. The chairman of the Audit Committee did not conclude the investigation as the person with key information was not available to answer questions. PC's Board, among other steps, implemented a specific policy in order to prevent the reoccurrence of similar events and appointed the chairman of the audit committee to monitor the policy's implementation by PC's management. In addition, it was decided that in the future certain agreements will be brought to PC's board's approval prior to signing.

PC has approached and is co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention and in March 2016 it has submitted its initial findings to the Romanian Authorities. During this process PC has been verbally informed by the Romania Authorities that it has received immunity from certain potential criminal charges and received further verbal assurance that the mentioned investigation should have no effect on the PC's existing legal rights to the Project and the PPP Agreement. As the investigation by the Romanian Authorities is still on-going, the Company in unable to comment further on any details related to this matter. Management is currently unable to estimate any monetary sanctions in respect to the potential irregularities, consequently no provision has been recorded in connection with these matters.

As mentioned above, when PC entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own expense for the benefit of the Romanian Government. Consequently, the statement of financial position includes a provision in the amount of EUR 12.8 million ($ 15 million) in respect of the construction of the PAB (December 31, 2016: EUR 13.2 million). During 2017, the Company recorded income in total amount of EUR 0.4 million from change in PAB provision as part of write down of trading properties (in 2016 - EUR 1.7 thousand).

In addition to the Casa Radio project, the following table provides additional information in respect of PC plots which are designated for sale, as of December 31, 2017:

Name of Project	Location	Designation	Title	PC Share %
Csiki Plaza	Miercurea Ciuc, Romania	Commercial and Entertainment Center	Ownership	100
Pireas Helios Plaza [(1)]	Athens, Greece	Offices/Retail	Ownership	100
Lodz Plaza [(2)]	Lodz, Poland	Retail and Entertainment Center	Perpetual Usufruct	100
Lodz (Residential)	Lodz, Poland		Ownership/Perpetual Usufruct	100
Brasov,	Romania	Retail and entertainment scheme	Ownership	100
Krusevac	Serbia	Retail and entertainment scheme	Ownership	100
Casa Radio	Romania	Mixed-use retail and leisure plus office scheme	Remained Lease period 37 years	75

(1) Following the preliminary agreement regarding the disposal of a plot in Piraeus, Greece, several amendments were signed during 2016-2017. The latest amendment deadline expired on January 20, 2018. In order to secure the prolonged validity of the initial agreement, the purchaser made advance payments in a total amount of EUR 0.3 million (non-refundable) to PC. The completion of the transactions are expected to be concluded during 2018 as an asset deal (instead of the original agreement regarding a share deal) with a lower sales price of EUR 3.35 million.

(2) On June 13, 2017, PC announced that it has signed a preliminary sale agreement for the sale of a 13,770 square meter plot at its second land holding in Lodz, Poland, (representing 22% of this holding) to a retail developer, for €1.2 million. The purchaser made a down payment of EUR 0.035 million and a second payment of EUR 0.085 million shall be paid when the purchaser obtains environmental permit for investing in the access road to the plot. The remaining balance minus 50% of the sum invested in the road (up to maximum amount of EUR 0.12 million) will be paid once a building permit is obtained for development of the plot which is expected to be granted till the end of 2018.

Plots in India

Joint Venture with PC in respect of Plots in India

Our plots in India are owned by our subsidiary, Elbit Plaza India Real Estate Holdings Limited("**EPI**"). EPI is held 47.5% directly by us and 47.5% by our subsidiary PC (the remaining 5% are held by the Company's former Executive Vice Chairman (VC) of the Board). EPI holds two plots in India (in Bangalore and Chennai).

Business concept and strategy

Our business concept and strategy in respect of our Bangalore, India project is to transfer our proprietary interests in the plot to third parties.

With respect to our Chennai, India project, our main goal and strategy is to find a commercially suitable exit from the project and liquidate our interest in the project in the most efficient manner. Until such time, we are developing, through a local Joint Development Agreement with a local partner, the plot in the Chennai, India project. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Joint Development Agreement with respect to our Plot in Chennai, India ".

Additional information in respect of the Chennai Project

In December 2007 EPI established a special purpose vehicle ("**Chennai Project SPV**") which acquired 74.73 acres of land situated in the Sipcot Hi-Tech Park in Siruseri District in Chennai ("**Property**").

On July 21, 2016, Chennai Project SPV signed a Joint Development Agreement with a local developer ("**Developer**" and "**JDA**", respectively) with respect to the Property.

Under the terms of the JDA, the Chennai Project SPV granted the property development rights to the Developer who shall bear full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

Development will commence subject to the obtainment of the required governmental/ municipal approvals and permits, and it is intended that 67% of the Property will be allocated for the sale of plotted developments (whereby a plot is sold with the infrastructure in place for the development of a residential unit by the end purchaser), while the remainder will comprise residential units fully constructed for sale.

The Chennai Project SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units.

In order to secure its obligation, the Developer paid a total refundable deposit of INR 10 Crores ($ 1.6 million) following the signing and registration of the JDA.

The JDA may be terminated in the event that the required governmental approvals for establishment of an access road to the Property has not been achieved within the 12 (twelve) month period from the execution date of the JDA. The required approvals were not obtained by the target date (and as of this date they have not yet been obtained), but none of the parties has canceled the agreement at this juncture. Upon such termination, the Developer shall be entitled to a refund of the relevant amounts paid as refundable deposit and any other cost related to such access road or the title over the Property. The JDA may also be terminated by the Chennai Project SPV, inter alia, if the Developer has not obtained certain development milestone and/or breached the terms of the JDA.

Additional information in respect of Bangalore project

In March, 2008 EPI entered into a share subscription and framework agreement (the "**Agreement**"), with a third party local developer (the "**Partner**"), and a wholly owned Indian subsidiary of EPI which was designated for this purpose ("**SPV**"), to acquire together with the Partner, through the SPV, up to 440 acres of land in Bangalore, India (the "**Project**") in certain phases as set forth in the Agreement. As of December 31, 2017, the Partner has surrendered sale deeds to the SPV for approximately 54 acres (the "**Plot**"). In addition, under the Agreement the Partner has also been granted with 10% undivided interest in the Plot and have also signed a Joint Development Agreement with the SPV in respect of the Plot.

On December 2, 2015 EPI has signed an agreement to sell 100% of its interest in the SPV to the Partner (the "**Sale Agreement**"). The total consideration upon completion of the transaction was INR 3,210 million (approximately EUR 42 million) which should have been paid no later than September 30, 2016 ("**Long Stop Date**"). On November 15, 2016, the Partner informed EPI that it will not be able to execute the advance payments.

As a result of the foregoing, the Company has received from the escrow agent the sale deeds in respect of additional 8.3 acres (the "**Additional Property**") which has been mortgaged by the Partner in favor of the SPV in order to secure the completion of the transaction on the Long Stop Date. The Additional Property has not yet been registered in favor of the SPV.

As a result of the failure of the Partner to complete the transaction under the Sale Agreement and in accordance with the provisions thereto, the partner is no longer entitled to receive the 50% shareholding.

New payment structure for sale of Project in Bangalore, India

In June 2017, EPI signed a revised sale agreement with the former Partner according to which the parties have agreed that the purchase price will be amended to INR 338 Crores (approximately Euro 44.2 million) instead of the INR 321 Crores (approximately Euro 42 million) agreed in the previous Agreement. As part of the new agreement, INR 110 Crores (approximately Euro 14.4 million) will be paid in instalments until the final closing that is scheduled to take place on September 1, 2018 (the "**Final Closing**"), when the final instalment of INR 228 Crores (approximately Euro 29.8 million) will be paid to EPI.

If the Partner defaults before the Final Closing, EPI is entitled to forfeit certain amounts paid by the Partner as stipulated in the new agreement. All other existing securities granted to EPI under the previous Agreement will remain in place until the Final Closing.

In January 2018, the Partner has notified EPI that due to a proposed zoning change (initiated by the Indian authorities) which could potentially impact the development of the land, all remaining payments under the new agreement will be stopped until a mutually acceptable solution is reached on this matter. EPI has rejected the Partner's claims, having no relevance to the new agreement, and started to evaluate its legal options.

Since the signing of the revised new agreement, the Partner has paid non-refundable advance payments totaling INR 46 Crores (approximately € 5.9 million).

In March 2018, an amended to the agreement was signed and the Partner and EPI have agreed that the total purchase price shall be increased to INR 350 Crores (approximately €45.8 million). Following the signing of the new agreement, the Partner paid EPI an additional INR 9 Crores (approximately €1.3 million) further to the INR 46 Crores (approximately €5.9 million) that were already paid during the recent year. Additional INR 83 Crores (approximately €10.8 million) will be paid by the Partner in unequal monthly installments until the Final Closing that will take place on August 31, 2019 (the "**New Final Closing**") when the final installment of approximately INR 212 Crores (approximately €27.8 million) will be paid to EPI against the transfer of the outstanding share capital of the SPV.

If the Partner defaults before the new Final Closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreements will remain in place until the New Final Closing.

Environmental update on Bangalore project - India

On May 4, 2016, the National Green Tribunal ("**NGT**"), an Indian governmental tribunal established for dealing with cases relating to the environment, passed general directions with respect to areas that should be treated as "no construction zones" due to its proximity to water reservoirs and water drains ("**Order**"). The restrictions in respect of the "no construction zone" are applicable to all construction projects.

The government of Karnataka had been directed to incorporate the above conditions in respect of all construction projects in the city of Bangalore including the Company's project which is adjacent to the Varthur Lake and have several storm-water crossing it.

An appeal was filed before the Supreme Court of India against the Order. The Supreme Court has stayed the operation of certain portions of the Order. At this stage, it is difficult to predict the amount of time that the Supreme Court of India will take to decide on the matter.

See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Agreement to sell a plot in Bangalore, India".

Additional information in respect of the Kochi project

The Company has rights under certain share subscription agreement to hold 50% shareholding in Indian SPV ("**Project SPV**"). The Project SPV has entered into an agreement for the purchase of a land located in Kochi, India according to which it has acquired 13 acres ("**Property A**") for a total consideration of INR 1,495 million ($ 23 million) payable subject to fulfillment of certain obligations and conditions by the seller. Up to the balance sheet date the Project SPV has paid INR 718 million ($ 11 million) to the seller in consideration for the transfer of title in Property A to the Project SPV and as advance towards for property. Our share in such acquisition amount to approximately $ 6 million.

On January 14, 2016, the Company signed an agreement to waive any of its rights and interest in the Project SPV, subject to receipt of agreed upon consideration. The total consideration for the Company is INR 10 Crores (approximately €1.4 million and approximately $1.5 million), which will be paid to the Company upon the closing of the transaction. The transaction is subject to certain conditions precedent, and closing will take place once these conditions are met and no later than June 30, 2018.

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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):

	2017	2016	2015	Convenience Translation in U.S. Dollars for 2017
Central and Eastern Europe	814,826	328,275	133,631	
India	-	-	150,296	235,023
Other and Allocations	-	-	6,712	-
Total Revenues	**814,826**	**328,275**	**290,639**	**235,023**

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

	2017	2016	2015	Convenience Translation in U.S. Dollars for 2017
Commercial and Entertainment Centers	814,826	210,014	309,302	235,023
Medical Companies*	117,488	96,333	69,432	33,888
Plots in India	-	-	-	-
Other and Allocations*	(117,488)	(113,911)	(88,095)	(33,888)
Total	**814,826**	**192,436**	**290,639**	**235,023**

* Other and Allocations includes equity method adjustments to eliminate revenues of our equity method investments that are reviewed on a full basis. See Note 18 to our consolidated financial statements.

InSightec

Most of InSightec's revenue is derived from sale of systems to hospitals and research centers that are generally funded by public budget.

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.

InSightec's intellectual property includes ownership of 171 patents. In addition, InSightec has submitted 57 patent applications, which remain pending and in process. InSightec has registered trademarks for "ExAblate" and "InSightec" in the United States, European Union, Canada and Israel as well as "INSIGHTEC BRINGING THERAPY INTO FOCUS & DESIGN" (Old company logo) in the United States..

Gamida's patent portfolio is comprised of 7 issued U.S. patents, 25 issued non-U.S. patents, 2 pending U.S. patent applications, 10 pending non-U.S. patent applications, and 1 pending patent applications under the Patent Cooperation Treaty.

Competition

Medical Companies – InSightec

Competition to MRgFUS treatments includes 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, uterine artery embolization, and radiofrequency ablation. Competitive treatments for bone metastases include external beam radiation therapy, radiofrequency, cryoablation and microwave ablation.

Similar to uterine fibroids, Insightec's neurosurgery product faces competition from invasive or minimally invasive surgical options. For the approved indication of Essential Tremor, those options are invasive ablation techniques with radiofrequency energy delivered via an inserted probe, or chronic deep brain stimulation via an implanted brain electrode and pacemaker. For indications under development but not yet approved competition would be invasive respective surgery, non-invasive ablation with radiation (radiosurgery), or minimally invasive ablation with laser probes.

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 December 2009 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. Due to inability to recruit patients for their FDA PMA uterine fibroids study, Philips stopped last year the FDA study. They are 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.

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. Recently SonaCare succeeded the changing of the category of their device into category II, and approved the Sonablate for treatment of prostate tissue.

Profound Medical offers a CE approved (since April 2016) transurethral MR-guided HIFU system, which is currently under FDA 510K evaluation for treatment of locally confined prostate cancer. The system was evaluated initially for whole gland ablation in patients with low risk prostate cancer that are currently not considered as candidates for any treatment, and is currently under evaluation for focal therapy in patients with low and intermediate risk prostate cancer.

In the area of treating brain disorders (tremor, tumors, CNS, 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®

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. Other new medications may allow more patients to be eligible to transplant.

HSCT from cord blood in general may face additional competition from haplo-identical transplantation, another therapeutic approach currently being studied. This approach uses cells 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. and Bellicum 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 Magenta, Nohla and Targazyme.

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.

CordIn

In the field of treatment of non - malignant hematology diseases and, in particular, Thalassemia and Sickle Cell Anemia, Gamida has, at this stage, two main competitors, who are at stages of clinical trials, BlueBird Bio and Bellicum. In addition, it is possible that the other technologies for the expansion of stem cells, will also suit a similar treatment use as that of CordIn.

Plots in India

Our plot in Bangalore, India is relatively larger in size when compared to other plots available in its vicinity. Further, our plot is irregularly shaped and non-contiguous as there are pockets of land parcels within our plot which are owned by third parties. Our plot is in close proximity to the Varthur Lake with water drains crossing it, and is therefore subject to the NGT order. Consequently, a third party prospective buyer may claim that the new NGT order may create significant limitations on the development of our plot. The presence of residential developments by reputed developers near our plot exposes us to increasing residential competition in the local market.

Our residential development in Chennai faces competition from other developers who have readily available inventory for sale, and have larger resources and larger market presence than our local partner. The Chennai market has been adversely impacted due to repeated floods in the last few years and certain political uncertainty in recent months. Our plot does not have a designated access road and there are high power tension lines running adjacent to our plots which may cause significant limitations on the development of our plot.

Governmental Regulation

Plots in Eastern Europe initially designated for Commercial centers

The development, construction and operation of commercial centers are subject to various regulatory directives, which vary according to the country of activity. Some countries require that a developer provide an environmental report for the land before building permit applications are examined. 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.

Plots in India

Foreign Exchange Management Act

In order for a nonresident entity (i.e. person resident outside India) to invest in the capital of an Indian company (under Indian Law, holding a real estate property by a nonresident entity can only be done through an entity) it needs to meet the provisions of the Foreign Exchange Management Act, in the construction development sector and certain conditions under the Foreign Direct Investment Policy ("**FDI**"). According to the FDI, a nonresident entity has two alternatives to invest in the capital of an Indian company: (i) Automatic Route that doesn't require approval from Government of India for the investment; or (ii) Government Route, that requires prior approval of the Government of India.

The automatic route is subject to meeting certain restrictions pertaining, inter alia, to the following matters: (a) the investor will be permitted to exit on the earlier of (i) completion of the project, (ii) development of trunk infrastructure, i.e. roads, water supply, street lighting, drainage and sewerage, or (iii) expiry of 3 years (lock-in period); (b) project completion schedule; (c) conformance with local laws and applicable standards; (d) obtaining necessary approvals; (e) supervision by the state government/municipal/local body concerned, and (f) ability to sell developed plots only (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).

The Reserve Bank Of India ("**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 (calculated in accordance with international pricing methodology), in case of issuance on preferential allotment, and such issue price cannot be less than the relevant price. Also, in case of transfer of shares of an unlisted company from resident to non-resident, the relevant price will serve as the minimum price payable by the non-resident to the resident. In the case of transfer of shares of an unlisted company from a non-resident to a resident, the relevant price will serve as the maximum price payable by the resident to the non-resident. Furthermore, certain provisions of the Companies Act, 2013 have also recently been amended, which pertain to compliance 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 value agency where shares are to be issued on a preferential basis.

National Green Tribunal – New Order

The new order by the National Green Tribunal ("**NGT**") which passed on May 4, 2016, may significantly limit the ability of the prospective purchasers to develop the land in the most efficient way, and may significantly affect our ability to dispose of such asset and complete our strategy relating to our plots in Bangalore. The NGT established that the following areas are to be treated as "no construction zones": (a) In the case of lakes, 75 meters from the periphery of the water body; (b) in the case of primary storm water drains, 50 meters from the edge of such primary storm water drains; (c) in the case of secondary storm water drains, 35 meters from the edge of such secondary storm water drains; and (d) in the case of tertiary storm water drains, 15 meters from the edge of such tertiary storm water drains.

An appeal was filed before the Supreme Court of India objecting to the new NGT order. Accordingly, the impact of the new NGT order cannot be fully determined until the Supreme Court of India adjudicates upon the matter. The issues and the uncertainty arising upon potential implementation of the new NGT order may impede the disposal of our Bangalore plot.

Master Plan

The local authorities have proposed a revised master plan -2031 (provisional) (under the provisions of Section 9 of the Karnataka Town and Country Planning Act, 1961 (the "**Act**") for Bangalore under which it is inter alia proposed to change certain regulations pertaining to zoning of the plot which if given effect might adversely affect the development prospects on the plot. The Company being aggrieved by the proposed change was entitled to and has filed the necessary objections with the concerned authorities and believes that the current zoning regulations will be maintained.

The Act does not contemplate any compensation mechanism for persons affected by changes in master plans, as the zoning is supposed to achieve the common good.

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 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 December 2016 a full registration for was received for Essential Tremor.

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.

The ExAblate has been registered in Canada's Food and Drugs Act and Regulations "Health Canada" since August 2013 and from May 2016 a registration for Essential Tremor was received.

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, 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 and Investment N.V.	The Netherlands	100%(2)
Elbit Medical Technologies Ltd.	Israel	89%(3)
Elbit Plaza India Real Estate Holdings Limited	Cyprus	50%(4)(5)
Elbit Ultrasound (Luxemburg) B.V./S.a r.l.	The Netherlands and Luxemburg	100%

(1) Approximately 42.7% on a fully diluted basis.

(2) Under liquidation proceedings.

(3) Approximately 58% on a fully diluted basis.

(4) 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 4B – Business Overview – Plots in India."

(5) 5% of the equity in EPI was allotted to Mr. Avraham (Rami) Goren who served as our former Executive vice chairman of the Board. The shares allotted are entitled to distribution only following their return of Investment of the Company and PC plus agreed interest.

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 4B – 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, 2017.

On December 2017, we signed a lease agreement for approximately 121 square meters of space, including parking spaces, for management and administrative purposes in an office building in Petach Tikva, Israel. 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 150,000 (approximately $43,000).

PC's headquarters are located in an office located on Bajcsy-Zsilinszky út, Budapest, Hungary. The rental area is 55 square meter plot. 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 €26,100 (approximately $31,264) on an annual basis.

On June 29, 2015 Elbit Plaza India Management Services Pvt. Ltd. signed a lease agreement for approximately 70 square meters of office space in Bangalore, Karnataka, India, for its management and administration activities. The term of the lease was until June 14, 2016, and was thereafter renewed by mutual consent of both parties until April 30, 2018. The annual lease payments payable by Elbit Plaza India Management Services Pvt. Ltd. is INR 2,90,400 (approximately $4,470), with an annual increase in the monthly rental fees of 10%.

ITEM 4A. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

Overview

To date we operate primarily in the following fields of business:

Medical Industries – through our indirect holdings in two companies which operates in the field of life science: (i) InSightec Ltd. ("**InSightec**") - InSightec operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; (ii) Gamida Ltd. ("**Gamida**") – Gamida operates in the field of research, development and manufacture of products designated for certain cancer diseases.

Plots in India – we have holdings in plots of land in India which are designated for sale (and which were initially designated for residential projects).

Plots in Eastern Europe initially designated for development of commercial centers - plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("**PC**") whose business strategy is to no longer develop commercial centers but to dispose its real estate assets at optimal market conditions.

PC's financial reports for 2017 indicate the existence of a material uncertainty that casts significant doubt about PC's ability to continue as a going concern.

Following our sale of the Radisson Hotel Complex in Bucharest, Romania, the Company is no longer directly involved in the hotel industry. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of our holdings in the Radisson complex in Bucharest, Romania."

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 and 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 consolidated 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 3.467 to $1.00, the representative exchange rate on December 31, 2017, and we have translated € amounts into U.S. Dollars and NIS at the respective exchange rates of $1.1978 to €1.00 and NIS 4.1526 to €1.00, the representative exchange rates on December 31, 2017.

The following activities affected our operational results for 2015, 2016 and 2017 and may continue to affect our operational results and cash flow in the coming years.

2018

- On March 22, 2018 we announced that EPI signed a revised agreement for the sale of the SPV which holds a plot in Banglore, India in consideration for approximately EURO 45.8 million. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Agreement to sell a plot in Bangalore, India".

- On March 15, 2018, we announced the Company's buy-back plan for our Series H Notes. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Notes Buy-back plan."

- On March 12, 2018 we announced that the SEC approved an offer of settlement by the Company regarding concerns of a violations of the books and records and internal accounting controls provisions of the FCPA. See "Item 4- Information on the Company – History and Development of the Company – Recent Events – approval of an Offer of Settlement with the SEC in the matter of Alleged Violations of FCPA".

- On March 9, 2018 we announced a buy-back plan for the Company's Series I Notes. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Note (Series I) Buy-back plan."

- On March 9, 2018 we announced that Elbit Medical had made an early repayment of its debt to the Company of approximately NIS 151 million (approximately $ 43.7 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Issuance of a New Series of Notes by Elbit Medical and Payment of Debt from Elbit Medical to the Company."

- On January 15, 2016, we announced that we signed an agreement to waive any of our rights and interests in a special purpose vehicle which holds a land plot in Kochi, India. The total consideration for us is INR 10 Crores (approximately €1.4 million), which will be paid to us upon the closing of the transaction. On March 20, 2018 we announced that the long stop date will be extended to June 30, 2018. See "Item 4 - Information on the Company – Business Overview – Plots in India – Additional information in respect of the Kochi project."

2017

- On December 18, 2017 we announced the completion of the transaction for the sale of our rights in the Radisson Hotel Complex in Bucharest, Romania. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of our holdings in the Radisson Hotel Complex in Bucharest, Romania."

- On November 21, 2017 we announced that PC has completed the sale of the Torun Plaza shopping and entertainment center in Poland (the "**Project**") to a private investment fund for a purchase price reflecting a total forecasted value for the Project of Euro 70.6 million (approximately $ 84 million). See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Sale of Torun Plaza".

- On October 2, 2017 we announced that PC's has concluded the transaction with an international investor, NEPI Rockcastle. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of land plot in Budapest, Hungaria."

- On September 27, 2017, we announced that the district court in Israel approved in principle a settlement with the plaintiffs in a November 1999 claim initiated against us and certain other third parties, including former directors of the Company and Elscint Ltd. (our former subsidiary), in connection with the change of control of our Company and Elscint 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) (Gadish et al v. Elscint et al). This lawsuit was later certified in part as a class action. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Gadish Settlement".

- On August 31, 2017, we announced, in further to our announcement dated June 21, 2017, regarding the sale of Toruń Plaza commercial center in Poland, that the completion of the transaction has been postponed and is now expected to conclude in the fourth quarter of this year.

- On August 7, 2017, we announced that PC has completed the sale of a plot in Timisoara, Romania, for €7.25 million and a plot in Constanta, Romania, for €1.3 million. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Completing the sale of plots in Timisoara and Constanta, Romania, by PC".

- On March 2, 2017, we announced that PC completed the sale of Belgrade Plaza shopping and entertainment center, to a subsidiary of BIG Shopping Centers Ltd. On September 14, 2017 we announced that Plaza has received a further payment of €13.4 million from the Purchaser. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Belgrade Plaza Commercial Center".

- On February 1, 2017, we announced that PC completed the sale of Suwałki Plaza shopping and entertainment center in Poland to an investment fund for €42.3 million (approximately $45 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Suwalki Plaza Commercial Center."

2016

- On December 6, 2016, we announced that PC has acquired a bank loan of approximately €10 Million (approximately $10.5 million), which is held against PC's plot in Romania, for a total consideration of €1.35 million (approximately $1.43 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events –"Acquiring bank loan for PC's plot in Romania."

- On December 6 , 2016, we announced, that we and Klepierre S.A. ("**Klepierre**") reached a settlement relating to the International Court of Arbitration's ruling on July 7, 2016, with respect to a transaction agreement between the parties, according to which PC is liable for an indemnification claim totaling approximately €2 million (approximately $2.1 million), including costs arising from the legal process. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Klepierre Settlement."

- On December 1, 2016, we announced the proposed amendments to the Restructuring Plan of PC, that the holders of PC Notes have approved the proposed amendments by the required majorities. See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Amendment of the Restructuring Plan of PC."

- On September 15, 2016 we announced that PC completed the sale of Riga Plaza shopping and entertainment center in Riga, Latvia, to a global investment fund. The agreement reflects a value for the business of €93.4 million (approximately $98.6 million) (reflecting 100%). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Riga Plaza Center."

- On September 14, 2016 we announced that it completed the sale of the shares in Zgorzelec Plaza commercial Center in Poland. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Debt Repayment and Sale of Zgorzelec Plaza Commercial Center."

- On June 1, 2016 and August 18, 2016, we approved two new programs to repurchase up to NIS forty (40) million (approximately $10.4 million) and NIS 50 million (approximately $13.3 million), respectively of the Notes, which are traded on the Tel Aviv Stock Exchange. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Notes Repurchase Program."

- On August 2, 2016, we announced that an Indian subsidiary ("**SPV**") signed a Joint Development Agreement ("**JDA**") relating to its 74.7 acre plot in Chennai, India. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Joint Development Agreement with respect to our plot in Chennai, India".

- On August 1, 2016, we announced that we received from the ILA an amount of approximately NIS 7 million following the termination of our lease agreement with respect to a plot near Tiberius, Israel. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Termination of Lease Agreement – Plot in Tiberius".

- On June 29, 2016, we announced that PC completed the sale of the MUP plot and related real estate in Belgrade, Serbia, for €15.75 million (approximately $16.6 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Plot in Belgrade, Serbia".

- On June 28, 2016, we announced that PC signed an agreement for the sale of a 20,700 square meters Plot of land in Lodz, Poland, to a residential developer, for €2.4 million. See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Sale of Plot in Lodz, Poland".

- On March 31, 2016, we announced that PC has completed the sale of its subsidiary holding Liberec Plaza, a shopping and entertainment center in the Czech Republic, for €9.5 million (approximately $10 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Liberec Plaza Commercial Center".

2015

- On December 15, 2015, we announced, that our subsidiaries, S.C. Bucuresti Turism S.A. ("**BUTU**") and Plaza Centers N.V. ("**PC**") have signed a transaction for the sale of the Cina property in Bucharest, Romania in consideration for €4 million. The expected net proceeds, after related taxes and transaction costs, is approximately €2.26 million for Plaza and approximately €1.3 million for BUTU.

- On November 4, 2015, we announced that we successfully closed a transaction for sell of Elbit Medical shares. At closing, we sold and transferred 41,000,000 Elbit Medical Shares (the "**Sold Shares**") to a third party (the "**Purchaser**").

- In September 2015, we announced that our subsidiary EPI obtained a commitment for the purchase of the Chennai, India project which was due to be completed by January 15, 2016 (the "**Long Stop Date**") for a total net consideration of INR 167 Crores (approximately €23 million). In line with the sale transaction agreement, since the local Indian partner (the "**Partner**") failed to complete the transaction by the Long Stop Date, EPI exercised its right and received the Indian partner's 20% holdings in the Indian company, Kadavanthara Builders Private Limited.

- On September 29, 2015, we announced that PC won a tender to buy the loan in respect of the Liberec Plaza commercial center in the Czech Republic. The €20.4 million bank loan was granted by two commercial banks which PC has agreed to buy for €8.5 million reflecting a discount of 58%.

- On June 11, 2015, we announced that we closed the Share Purchase Agreement with Astrid JV Sarl with regards to the sale of our entire (100%) holdings in our wholly owned subsidiary which owns and operates our hotels in Antwerp, Belgium. The asset value reflected in the transaction was approximately €48 million for both hotels subject to working capital and other adjustments as specified in the agreement. The total net consideration paid to the Company's wholly owned subsidiary, following the repayments of the target's banks loan, and the aforementioned adjustments, was approximately €27 million.

- On May 13, 2015, we announced that PC reached an agreement to sell Koregaon Park Plaza the retail, entertainment and office scheme located in Pune, India for approximately INR 250 crore. The net cash proceeds (after repayment of the related bank loan, other liabilities and transaction costs) from the sale were INR 51.6 crore (approximately EURO 11 million].

- On February 18, 2015, the shareholders of our subsidiary Bucuresti Turism S.A. ("**BUTU**"), whose shares were traded on the RASDAQ market, 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. Our subsidiary which is the direct owner of the shares in BUTU voted in favor of the above resolution. On June 9, 2015, we announced that shareholders holding 21.48% of BUTU exercised their right to withdraw from BUTU. The total amount paid by BUTU for such withdrawal requests is approximately €13.9 million. An amount of €2 million was financed by BUTU from its own resources and the remainder in the amount of approximately €11.9 million was financed by us through a shareholder loan granted to BUTU. Following the expiration of the withdrawing term and following the payment of the aforesaid amount to the withdrawing shareholders, BUTU was delisted from the RASDAQ and all the shares acquired by BUTU during the delisting process were cancelled and the share capital of BUTU was decreased accordingly. Following the share capital decrease, we hold (indirectly) approximately 98% of BUTU's share capital.

Critical Judgment in Applying Accounting Policies and Use of Estimates
General

In the application of our accounting policies, management is 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 our consolidated financial statements.

The following 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 to 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 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.

For special assumption see note 4B, and note 4C(1)(e) to our consolidated financial statements included elsewhere in this report.

Litigation and other contingent liabilities

We are involved in litigation, tax assessments and other contingent liabilities in substantial amounts including class actions concerns of a violation of the FCPA and potential legal proceedings (see note 4(C)(1), 13A and note 13B to our 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 such litigation based on, among other factors, legal opinions 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 our position and make appropriate adjustments to the consolidated financial statements. In rare circumstances, when the case is unique, complicated and involves prolong and uncommon proceedings, we cannot reliably predict the outcome of said case.

Accounting for income taxes

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 manner different than that which we adopted. Should such contrary interpretive principles be adopted upon adjudication of such cases, the tax liabilities 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 ongoing 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 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 on us additional costs and expenses, or delays, and may even cause us to abandon projects under construction. For additional information see also note 4(C) (1) to our consolidated financial statements included elsewhere in this report.

Fair value of hotel

Our fair value of the Radisson Hotel Complex is determined based upon the discounted cash flows ("**DCF**") approach. The assumptions underlying this 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. Our fair value of the Radisson Hotel Complex is performed by independent appraisals with a local knowledgeable in the hotels business.

Critical judgment in applying accounting policies

De facto Control

As for December 31, 2017 and 2016, we held approximately 44.9% of PC's share capital; DK hold approximately 26.3% of PC's share capital and the rest is widely spread through the public. We are of the opinion that based on the absolute size of our holdings, the relative size of the other shareholdings and due to the fact that PC's directors are appointed by a regular majority in PC's general meeting of shareholders, 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, amendments to standards and clarifications which are applicable or expected to be applicable, to us, and which have not yet become effective see note 2X 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 a function of: (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.

PC's strategy in respect of its commercial centers was to dispose of the commercial centers upon completion, subject to certain exceptions. However, as of this date of this report, PC's strategy is to solve existing bureaucratic or legal issues and dispose its real estate assets. The Group is unable to clearly identify its actual operating cycle with respect to 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 until 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.

All of the hotel's results are presented as discontinued operations. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of our holdings in the Radisson complex in Bucharest, Romania".

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' results 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, 2017, 2016 and 2015:

	Year ended December 31			
	2017	2016	2015	2017 Convenience translation (Note 2D)
	(in thousand NIS) (Except for per-share data)			U.S.$'000
Revenues and gains				
Revenues				
Revenues from sale of commercial centers	782,829	126,019	200,078	225,794
Total revenues	782,829	126,019	200,078	225,794
Gains and other				
Rental income from Commercial centers	31,997	66,417	83,849	9,229
Gain from sale of investees	-	-	6,712	-
Total gains	31,997	66,417	90,561	9,229
Total revenues and gains	**814,826**	**192,436**	**290,639**	**235,023**
Expenses and losses				
Commercial centers	805,523	159,806	290,360	232,369
General and administrative expenses	14,930	10,257	16,678	4,306
Share in losses of associates, net	20,202	54,313	42,925	5,827
Financial expenses	112,296	124,354	207,721	32,390
Financial income	(1,811)	1,056	(2,154)	(522)
Change in fair value of financial instruments measured at fair value through profit and loss	-	(2,707)	2,568	-
Write-down, charges and other expenses, net	101,120	162,318	99,292	29,166
	1,052,360	509,397	(657,390)	303,536
Profit (loss) before income taxes	(237,534)	(316,961)	(366,751)	(68,513)
Income taxes expenses (tax benefits)	11,244	3,020	(4,402)	3,243
Profit (loss) from continuing operations	(248,778)	(319,981)	(371,153)	(71,756)
Profit (loss) from discontinued operations, net	(152,903)	7,913	56,231	(44,102)
Profit (loss) for the year	**(401,681)**	**(312,068)**	**(314,922)**	**(115,858)**

	Year ended December 31			
	2017	2016	2015	2017
				Convenience translation (Note 2D)
	(in thousand NIS) (Except for per-share data)			U.S.$'000
Attributable to:				
Equity holders of the Company	(338,034)	(194,830)	(186,150)	(97,500)
Non-controlling interest	(63,647)	(117,238)	(128,772)	(18,358)
	(401,681)	**(312,068)**	**(314,922)**	**(115,858)**
Profit (loss) from continuing operations				
Equity holders of the Company	(185,132)	(202,724)	(242,709)	(53,398)
Non-controlling interest	(63,647)	(117,257)	(128,463)	(18,358)
	(248,779)	(319,981)	(371,172)	(71,756)
Profit (loss) from discontinued operation, net				
Equity holders of the Company	(152,903)	7,893	56,540	(44,102)
Non-controlling interest	-	20	(309)	-
	(152,903)	7,913	56,231	(44,102)
Earnings (loss) per share - (in NIS)				
Basic earnings (loss) per share:				
From continuing operation	(20.14)	(22.05)	(21.73)	(5.80)
From discontinued operations	(16.64)	0.85	1.48	(4.80)
	(36.78)	(21.20)	(20.25)	(10.60)
Diluted earnings (loss) per share:				
From continuing operation	(20.14)	(22.05)	(21.73)	(5.80)
From discontinued operations	(16.64)	0.85	(1.48)	(4.80)
	(36.78)	(21.20)	(20.25)	(10.60)

2017 compared to 2016

Income - Revenues and Gains

Total income (revenues and gains) in 2017 amounted to NIS 815 million ($235 million), compared to NIS 192 million in 2016.

Total revenues in 2017 amounted to NIS 783 million ($225 million), compared to NIS 126 million in 2016. The decrease is mainly attributable to:

(i) Revenues from the sale of commercial centers amounted to NIS 783 million ($225 million) in 2017 compared to NIS 126 million in 2016. Our revenues in 2017 were attributable to the consummations of transactions for the sale of Salwaki Plaza, Torun Plaza, Sport star Plaza and Timisoara plaza in Poland , Constanta Plaza in Romania, Shumen Plaza in Bulgaria and Arena Plaza Extension in Hungary. In 2016, such revenues were attributable to the sale of the Liberec Plaza in the Czech Republic in Serbia, Romania and Poland.

(ii) Total gains in 2017 amounted to NIS 32 million ($9 million), compared to NIS 66 million in 2016.
The decrease of total gains in 2017 compared to those in 2016, mainly attributable to Rental income from commercial centers as a result of selling the commercial centers as detailed above.

Expenses and losses

Our expenses and losses in 2017 amounted to NIS 1,052 million ($303 million), compared to income NIS 509 million in 2016. Set forth below is an analysis of our expenses and losses:

(i) Expenses of commercial centers amounted to NIS 805 million ($232 million) in 2017, compared to NIS 160 million in 2016. Such increase was mainly attributable to: (i) an increase in the amount of NIS 659 million in the cost of trading property sold, that was partially offset by. (ii) a decrease in operational expenses of commercial centers in the amount of NIS 8 million mainly due to the sales of the commercial centers during 2016 and 2017.

(ii) General and administrative expenses increased to NIS 15 million ($4 million) in 2017, compared to NIS 10 million in 2016. The increase was mainly attributable to additional costs incurred by the Company due to the delay in filling of the Company's annual financial statements for December 31, 2016 and the replacement of its auditors.

(iii) Share in losses of associates, net decreased to NIS 20 million ($6 million) in 2017, compared to NIS 54 million in 2016. The decrease is mainly attributable to the Company's share in InSightec's losses and in Gamida's losses of which were taken in 2017 only in amounts that set the investments in InSightec and Gamida into zero.

(vi) Financial expenses decreased to NIS 112 million ($32 million) in 2017, compared to NIS 124 million in 2016. Such decrease of approximately NIS 12 million is mainly due to the followings:

a. Decrease in loss from foreign currency exchange rates and other in the amount of NIS 23 million ($7 million). The exchange rate losses are mainly attributable to the effect of the variation in the exchange rate between the € and NIS on the PC Notes, which are recorded in NIS and are measured in €, as well as a decrease in the level of debt due to repayment of notes and on the company € loans which are recorded in € and are measured in NIS.

b. Decrease in the interest and CPI-linked expenses in the amount of NIS 67 million ($19 million) which was mainly attributable to a decline in PC debt due to the realization of assets and the repayment of loans in respect thereof, as well as early repayments of notes. Off set by:

c. In 2016 there was Gain from a buyback of bank loans and Notes (as mention above) in the amount of NIS 78 million.

(vii) Write-down, charges and other expenses, net, decreased to NIS 101 million ($29 million) in 2017, compared to NIS 162 million in 2016. The write-down was mainly attributable to the write-down in PC's trading property in Eastern Europe and India in the amount of NIS 90 million ($26 million) in 2017 compared to NIS 190 million in 2016. The following table provides information in respect of the write-down of the trading property in each of the years ended on December 31, 2017 and 2016:

	Year ended December 31	
	2017	***2016***
	(In thousand NIS)	
Project name (City, Country)		
Non-Operational:		
Chennai (Kadavantara, India)	*7,879*	*24,564*
Banglore (Ayyas, India)	*35,178*	*-*
Helios Plaza (Athens, Greece)	*-*	*2,992*
Lodz Plaza (Lodz, Poland)	*4,983*	*1,618*
Krusevac (Krusevac, Serbia)	*1,661*	*809*
Casa radio (Bucharest, Romania)	*40,305*	*130,376*
Constanta (Constanta, Romania)	*-*	*3,445*
Ciuc (Ciuc, Romania)	*-*	*3,842*
Timisoara (Timisoara, Romania)	*-*	*10,514*
Lodz residential (Lodz, Poland)	*415*	
Kielce (Kielce, Poland)	*-*	*4,448*
BAS (Romania)	*-*	*3,235*
Arena Plaza extention (Budapest, Hungary)	*336*	*3,749*
Others	*-*	*-*
	90,757	*189,592*
	90,757	***189,592***

The above expenses for 2016 were offset by income of NIS 35 million which was attributable mainly to firstly consolidation of the Bangalore project in India.

As a result of the foregoing factors, we recognized a loss before income tax in the total amount of NIS 238 million ($68.6 million) in 2017, compared to loss before income tax in the total amount of NIS 317 in 2016.

Income taxes expenses amounted to 11 million ($3 million) related to previous years in 2017 compared NIS 3 million in 2016.

The above resulted in a loss from continuing operations in the amount of NIS 249 million ($72 million) in 2017, compared to a loss from continuing operations in the amount of NIS 320 million in 2016.

Loss from discontinued net operation amounted to NIS 153 ($44 million) in 2017 compared profit from discontinued net operation amounted to NIS 8 million in 2016. The loss in 2017 was attributable mainly to realization of foreign currency translation reserves to profit and loss in the total amount of NIS 213 million .The discontinued operations was attributable to our former hotel operations.

The above resulted in a loss of NIS 402 million ($116 million) in 2017, of which a loss of NIS 338 million ($97 million) was attributable to our equity holders and a loss in the amount of NIS 64 million ($18 million) was attributable to the non-controlling interest. Loss of NIS 312 million in 2016, of which a loss of NIS 195 million was attributable to our equity holders and a loss in the amount of NIS 117 million was attributable to the non-controlling interest.

The deficit in the shareholders' equity attributable to our equity holder as of December 31, 2017 amounted to NIS 194 million ($56 million). Our total deficit in the shareholder equity as of December 31, 2017 amount to NIS 149 million ($43 million).

The following table provides supplemental information of our results of operations per segment, for the year ended December 31, 2017 (in NIS million):

Segment	Commercial Centers	Medical Industries	India plots	Other and Allocations	Total
Revenues	783	117	-	(117)	783
Rental income from commercial centers	32	-	-	-	32
Total revenues and gains	**815**	**117**	**-**	**(117)**	**815**
Costs and expenses	806	252	-	(252)	806
Other expenses (income), net	46	-	56		102
Segment profit (loss)	**(37)**	**(135)**	**(56)**	**135**	**(93)**
Financial (expenses) income, net	(5)	-	-	-	(5)
Share in losses of associates, net	-	(15)	-	(5)	(20)
Unallocated general and administrative expenses					(15)
Unallocated other expenses					(1)
Unallocated financial expenses					(107)
Financial income					(2)
Changes in fair value of financial instruments measured at FVTPL					-
Loss before income taxes					(238)
Income taxes					(11)
Loss from continuing operations					(249)
Income from discontinued operation					(153)
Loss for the year					**(402)**

2016 compared to 2015

Income - Revenues and Gains

Total income (revenues and gains) in 2016 amounted to NIS 192 million, compared to NIS 290 million in 2015.

Total revenues in 2016 amounted to NIS 126 million, compared to NIS 200 million in 2015. The decrease is mainly attributable to:

(i) Revenues from the sale of commercial centers amounted to NIS 126 million, in 2016 compared to NIS 200 million in 2015. Our revenues in 2016 were attributable to consummations of transaction for the sale of the Liberec Plaza in Czech Republic center and plots in Serbia, Romania and Poland. In 2015, such revenues were attributable to sale of Koregon commercial center in India and plots in Romania and Poland.

(iii) Total gains and other in 2016 amounted to NIS 66 million, compared to NIS 84 million in 2015. Set forth below is an analysis of our gains and other:

a. Rental income from commercial centers decreased to NIS 66 million, in 2016 compared to NIS 84 million in 2015, mainly as a result of: selling the Koregaon Park commercial center in May 2015, the Liberece Plaza commercial center in March 2016 and the sell to the bank of the Zgorzelec Plaza commercial center in September 2016.

b. Gain from a sale of investee companies decreased to nil in 2016, compared to NIS 7 million in 2015. The gain in 2015 is attributable to the closing of Gamida's investment rounds with Novartis, as described above.

Expenses and losses

Our expenses and losses in 2016 amounted to NIS 509 million, compared to income NIS 657 million in 2015. Set forth below is an analysis of our expenses and losses:

(i) Expenses of commercial centers amounted to NIS 160 million in 2016, compared to NIS 290 million in 2015. Such decrease was mainly attributable to (i) decrease in the amount on NIS 115 million in the cost of trading property sold. (ii) Decrease in operational expenses of commercial centers in the amount of NIS 15 million mainly due to the sale Liberece Plaza and Zgorzelec Plaza commercial centers during 2016 and the Koregaon Park commercial center during 2015.

(iii) General and administrative expenses decreased to NIS 10 million in 2016, compared to NIS 17 million in 2015. The decrease was mainly attributable to the efficiency measures taken to reduce the general and administrative costs in our headquarters.

(iv) Share in losses of associates, net increased to NIS 54 million in 2016, compared to NIS 43 million in 2015. The increase is mainly attributable to the sale of PC's 50% shareholding in in the commercial center in Riga, Latvia in September, 2016.

(v) Financial expenses decreased to NIS 124 million in 2016, compared to NIS 208 million in 2015. Such decrease of approximately NIS 84 million is explained mainly by follows:

a. Gain from a buyback of bank loans and Notes (as mention above) in 2016 in the amount of NIS 78 compared to NIS 55 gain in 2015;

b. Decrease in interest and CPI-linked expenses in our headquarters of NIS 16 million as a result of the decrease in the level of our corporate debts following partial repayment of bank loan and buyback of debenture.

c. Decrease in loss from foreign currency translation exchange and other in the amount of NIS 44 million. The exchange rate losses are mainly attributable to the effect of the variation in the exchange rate between the € and NIS on the PC Notes, which are recorded in NIS and are measured in €.

d. Decrease in the interest and CPI-linked expenses of PC in the amount of NIS 10 million which was mainly attributable to capitalization of finance expenses on qualified asset and decrease in PC's interest on bank loans due to the sale of commercial centers during 2016 and 2015;

(vi) Losses from changes in fair value of financial instruments (including derivatives, embedded derivatives and marketable securities) amounted to NIS 3 million in 2016 compared to gain in the amount of NIS 5 in 2015.

(vii) Write-down, charges and other expenses, net, increased to NIS 162 million in 2016, compared to NIS 99 million in 2015. The write down was mainly attributable to the write-down in PC's trading property in Eastern Europe and India in the amount of NIS 196 million in 2016 compared to NIS 87 million in 2015. The following table provides information in respect of the write down of the trading property in each of the years ended on December 31, 2016 and 2015:

	Year ended December 31	
	2016	2015
	(In thousand NIS)	
Project name (City, Country)		
Operational:		
Koregaon Park (Pune, India)	-	6,547
Zgorzelec (Zgorzelec, Poland)	-	6,233
Liberec (Liberec, Czech Republic)	-	26,466
	-	39,246
Non-Operational:		
Chennai (Kadavantara, India)	24,564	-
Helios Plaza (Athens, Greece)	2,992	1,913
Sportstar Plaza Visnjicka (Belgrade, Serbia)	-	(23,814)
Lodz Plaza (Lodz, Poland)	1,618	9,460
Krusevac (Krusevac, Serbia)	809	3,401
Casa radio (Bucharest, Romania)	130,376	36,139
Constanta (Constanta, Romania)	3,445	1,701
Ciuc (Ciuc, Romania)	3,842	-
Timisoara (Timisoara, Romania)	10,514	1,110
Lodz residential (Lodz, Poland)	-	9,070
Kielce (Kielce, Poland)	4,448	723
BAS (Romania)	3,235	-
Arena Plaza extention (Budapest, Hungary)	3,749	5,323
Others	-	2,716
	189,592	47,742
	189,592	**86,988**

The above expenses for 2016 were offset by income of NIS 32 million which was attributable mainly to firstly consolidation of the Bangalore project in India.

As a result of the foregoing factors, we recognized a loss before income tax in the total amount of NIS 317 million in 2016, compared to loss before income tax in the total amount of NIS 367 in 2015.

Income taxes expenses amounted to 3 million in 2016 compared to tax benefits amounted to NIS 6 million in 2015.

The above resulted in a loss from continuing operations in the amount of NIS 319 million in 2016, compared to a loss from continuing operations in the amount of NIS 371 million in 2015.

Profit from discontinued net operation amounted to NIS 8 million in 2016, compared to loss from discontinued net operation amounted to NIS 56 million in 2015. In 2016 the discontinued operations was attributable to our former hotel operations. In 2015, the discontinued operations was attributable to our former Mango operational hotel operations.

The above resulted in a loss of NIS 312 million in 2016, of which a loss of NIS 195 million was attributable to our equity holders and a loss in the amount of NIS 117 million was attributable to the non-controlling interest. Loss of NIS 315 million in 2015, of which a loss of NIS 186 million was attributable to our equity holders and a loss in the amount of NIS 129 million was attributable to the non-controlling interest.

The deficit in the shareholders' equity attributable to our equity holder as of December 31, 2016 amounted to NIS 88 million. Our total shareholder equity as of December 31, 2016 amount to NIS 49 million.

The following table provides supplemental information of our results of operations per segment, for the year ended December 31, 2016 (in NIS million):

Segment	Commercial Centers	Medical Industries	India plots	Other and Allocations	Total
Revenues	126	96	-	(96)	126
Rental income from commercial centers	84	-	-	(18)	66
Total revenues and gains	**210**	**96**	**-**	**(114)**	**192**
Costs and expenses	174	216	-	(230)	160
Other expenses (income), net	171	-	(9)	-	162
Segment profit (loss)	**(135)**	**(120)**	**9**	**116**	**(130)**
Financial (expenses) income, net	60	-	-	-	60
Share in losses of associates, net	-	(8)	-	(46)	(54)
Unallocated general and administrative expenses					(10)
Unallocated other expenses					(1)
Unallocated financial expenses					(185)
Financial income					(1)
Changes in fair value of financial instruments measured at FVTPL					3
Loss before income taxes					(317)
Income taxes					(3)
Loss from continuing operations					(320)
Income from discontinued operation					8
Loss for the year					**(312)**

B. Liquidity and Capital Resources

General

Our capital resources include the following: (a) proceeds from sales of trading property and real estate assets subject to market condition (b) lines of credit obtained from banks, and others; (c) proceeded from sales of shares in the Group held companies in the medical field (d) available cash and cash equivalents.

Such resources are generally used for the following purposes:

(i) Interest and principal payments on the notes and loans (including purchase of our debts); and

(ii) Payment of general and administrative expenses;

See " - Overview" above for information on the major transactions and events carried out by us in 2015, 2016 and 2017, which resulted in material changes in our liquidity and capital resources.

Liquidity

PC's strategy in respect of its commercial centers was to dispose of the commercial centers upon completion, subject to certain exceptions. However, as of this date of this report, PC's strategy is to solve existing bureaucratic or legal issues and dispose its real estate assets. Therefore, we do not foresee significant investments by us in the development of our real estate business in the years to come. Our medical business, however, require a substantial amount of cash in order to finance their R&D and other expenses. The major source to finance these operations will be by means of equity financing by other shareholders in these companies (both existing and new shareholders) while we will consider to partially participate (through our subsidiary – Elbit Medical) in these rounds subject to our cash resource at the that time as well as other factors.

The followings list describes major transactions and events in 2017, 2016 and 2015, which resulted in material changes in our liquidity:

Sources of Cash from Major Transactions and Events:

- On March 22, 2018 we announced that EPI signed a revised agreement for the sale of the SPV which holds a plot in Banglore, India in consideration for approximately EURO 45.8 million. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Agreement to sell a plot in Bangalore, India".

- On March 12, 2018 we announced that the SEC approved an offer of settlement that was submitted to it by the Company regarding concerns of a violations of the books and records and internal accounting controls provisions of the FCPA. See "Item 4- Information on the Company – History and Development of the Company – Recent Events - Approval of an offer of Settlement with the SEC in the matter of Alleged Violations of FCPA"

- On February 2018 Elbit Medical completed a public offering of a new series of notes. The trust deed of the notes includes, *inter alia*, provisions prohibiting Elbit Medical from distributing dividends until full repayment of the notes, unless it deposit in the trust account sums in the amount of the outstanding balance of the notes.

- On February 28, 2018 our Board of Directors approved a new plan for the repurchase of the Company's Series I Notes, for a total consideration of up to NIS 50 million (approximately $ 14.3 million). On March 9, 2018 we announced that the Company's buy-back plan for its Series I Notes, approved by the Board of Directors on February 28, 2018, had been completed in the total amount of NIS 49 million. See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Notes Buy-back plan"

- On February 19, 2018 we announced that Elbit Medical completed a public offering of NIS 180 par value notes convertible into ordinary shares of Elbit Medical and secured by a pledge on a portion of Elbit Medical's holdings in InSightec and Gamida. The proceeds (in the amount of NIS 180 million were mainly used by Elbit Medical to repay its debt to the Company in the amount of approximately NIS 150 million. See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Issuance of a New Series of Notes by Elbit Medical and Payment of Debt from Elbit Medical to the Company"

- On January 17, 2018, we announced that the district court in Israel granted its final approval to a settlement with the plaintiffs in a November 1999 claim initiated against us and certain other third parties, including former directors of the Company and Elscint Ltd. (our former subsidiary), in connection with the change of control in our Company and in Elscint 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) (Gadish et al v. Elscint et al). See "Item 4- Information on the Company – History and Development of the Company – Recent Events - Gadish Settlement".

2017

- On December 19, 2017, we announced that we completed the sale of our holdings in a SPV that held the Radisson Hotel Complex in Bucharest, Romania based on a property value of Euro 169.2 million so that the net proceeds received by the SPV was approximately Euro 81 million. €8 million were deducted from the net proceeds as it was used to finance a vendor loan which has been provided by the SPV to the purchaser for a period of three years, bearing interest at a rate of 5% per annum. See "Item 4 - Information on the Company – History and Development of the Company – Recent Events Sale of our holdings in the Radisson complex in Bucharest, Romania"

- On August 7, 2017, we announced that PC has completed the sale of a plot in Timisoara, Romania, for €7.25 million (approximately $7.65 million) and a plot in Constanta, Romania, for €1.3 million (approximately $1.37 million). See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Completing the sale of plots in Timisoara and Constanta, Romania, by PC"

- On November 21, 2017 we announced that PC has completed the sale of the Torun Plaza shopping and entertainment center in Poland (the "**Project**") to a private investment fund for a purchase price reflecting a total forecasted value for the Project of Euro 70.6 million (approximately $ 84 million). See "Item 4- Information on the Company – History and Development of the Company – Recent Events –Sale of Torun Plaza".

- On October 2, 2017 PC's subsidiary concluded a transaction with an international investor, NEPI Rockcastle (the "**Buyer**"), regarding the termination of land use rights and a preliminary easement agreement which created certain easement rights over the Arena Plaza plot. In consideration for the net sum of EUR 2.5 million (NIS 10.4 million) and recorded revenue in the amount of EUR 2.5 million (NIS 10.4 million). See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Sale of Land plot in Budapest, Hungary"

- On March 2, 2017 we announced that PC has completed the sale of Belgrade Plaza commercial center to BIG Shopping Centers Ltd. See "Item 4- Information on the Company – History and Development of the Company – Recent Events – Sale of Belgrade Plaza commercial center"

- On February 1, 2017, we announced that PC completed the sale of Suwałki Plaza shopping and entertainment center in Poland to an investment fund for € 42.3 million (approximately $45 million). PC received approximately €17 million (approximately $18 million) net cash, after the repayment of the bank loan, and other working capital adjustments. See "Item 4- Information on the Company – History and Development of the Company – Recent Events - Sale of Suwałki Plaza commercial center".

2016

During 2016 PC has executed transactions for the sale of plots to third parties in Poland and Romania for the total amount of approximately €4 million ($4 million).

- On December 6, 2016, PC has acquired a bank loan of approximately €10 Million (approximately $10.5 million), which is held against PC's plot in Brasov, Romania, for a total consideration of €1.35 million (approximately $1.4 million). See "Item 4 – Information on the Company - History and Development of the Company -Recent Events – Acquiring bank loan for PC's plot in Brasov, Romania".

- On December 1, 2016, the holders of PC Notes have approved a proposed amendments to the restructuring plan of PC. See "Item 4 – Information on the Company - History and Development of the Company -Recent Events - Amendment of the Restructuring Plan of PC".

- On September 15, 2016 PC completed the sale of Riga Plaza shopping and entertainment center in Riga, Latvia, to a global investment fund. See "Item 4 – Information on the Company - History and Development of the Company -Recent Events – Sale of Riga Plaza Center".

- On September 14, 2016 PC completed the sale of the shares in Zgorzelec Plaza commercial center in Poland. See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Sale of Zgorzelec Plaza Commercial Center".

- On June 1, 2016 and August 18, 2016, we approved two new programs to repurchase up to NIS forty (40) million (approximately $10.4 million) and NIS 50 million (approximately $13.3 million), of our Notes. See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Notes Repurchase Program".

- On August 2, 2016, a subsidiary of EPI ("**SPV**") signed a Joint Development Agreement relating to the Chennai, India project, owned 100% by EPI. See "Item 4 – Information on the Company – History and Development of the Company – Recent Events –Joint Development Agreement with respect to our plot in Chennai, India".

- On August 1, 2016, we received from the Israeli Land Administration an amount of approximately NIS 7 million (approximately $2 million) following the termination of our lease agreement with respect to a plot near Tiberius, Israel. See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Termination of Lease Agreement – Plot in Tiberius".

- On June 30, 2016, PC has signed a Debt Repayment Agreement ("**DRA**") with the financing bank (the "**Bank**") of Zgorzelec Plaza commercial Center in Poland. As part of the DRA, PC paid of €1.1 million ($1.2 million) (in escrow) to the financing bank of the commercial Center. The DRA stated that PC is obliged to make its best effort and cooperate with the Bank in trying to sell Zgorzelec Plaza commercial Center. Simultaneous with this, the financing bank will seek a third party to be an appointed shareholder to purchase the shares of Zgorzelec Plaza commercial Center for €1.

- On June 29, 2016, PC completed the sale of its wholly owned subsidiary, which holds the "MUP" plot and related real estate in Belgrade, Serbia, for €15.75 million (approximately $15.8 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Plot in Belgrade, Serbia".

- On June 28, 2016, PC signed an agreement for the sale of a 20,700 square meters plot of land in Lodz, Poland, to a residential developer, for €2.4 million (approximately $2.5 million). See "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Sale of Plot in Lodz, Poland".

- On June 21, 2016, PC signed a €42.5 million loan agreement to support the development of Belgrade Plaza (Visnjicka) in the Serbian capital, Belgrade, from a consortium of banks led by the Hungarian bank OTP Bank Plc. As for the sale of Belgrade Plaza and the repayment of the loan agreement.

- On March 31, 2016, PC has completed the sale of its subsidiary holding Liberec Plaza, a shopping and entertainment center in the Czech Republic, for €9.5 million ($10 million).

2015

- On June 11, 2015, we announced that we closed the Share Purchase Agreement with Astrid JV Sarl with regards to the sale of our entire (100%) holdings in our wholly owned subsidiary which owns and operates our hotels in Antwerp, Belgium. For more information see our Forms 6-K filed on May 10, 2015 and June 11, 2015 and see "Item 5 – Operating and Financial Review and Prospects – 2015".

- On May 13, 2015, we announced that PC reached an agreement to sell Koregaon Park Plaza the retail, entertainment and office scheme located in Pune, India for approximately INR 250 crore. See "Item 5 – Operating and Financial Review and Prospects – 2015".

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

	Year ended December 31,			
	2017	2017	2016	2015
	Convenience translation in $ thousands	NIS Thousands	NIS Thousands	NIS Thousands
Net cash provided by (used in) operating activities	125,126	433,812	77,030	191,353
Net cash provided by investing activities	132,451	459,206	89,886	235,796
Net cash used in financing activities	(149,911)	(519,743)	(233,259)	(579,557)
Increase (decrease) in cash and cash equivalents	107,665	373,275	(66,343)	(152,408)

Cash flow in or from operating activities

Our cash flow from operating activities is affected by our policy in respect of PC's real estate assets which are classified as trading property since it is PC's management goal to sell these assets. 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 from operating activities was NIS 434 million (approximately $125 million) in 2017 compared to net cash provided by operating activities of NIS 77 million in 2016 and net cash from operating activities of NIS 191 million in 2015.

Our cash flow from operating activities in 2017, 2016 and 2015 was influenced by the following significant factors:

(i) Cash flow from operating activities in 2017 included positive cash flow mainly attributable to the sale of trading properties in an amount of NIS 427 million ($123 million), mostly from the sale of Belgrade Plaza (Leisure) in Serbia, Torun, Swalallki Plaza in Poland and Timisoara in Romania.

(ii) Cash flow from operating activities in 2016 included positive cash flow attributable to proceeds from sale of trading property mostly from the sale of "MUP" in Belgrade and Liberec Plaza commercial center in Czech in an amount of NIS 84 million.

(iii) Cash flow from operating activities in 2015 included positive cash flow attributable to proceeds from sale of trading properties in an amount of NIS 182 million mostly from the sale of Koregaon park shopping center in India.

Cash from investment activities

Cash flow from investment activities in 2017, 2016 and 2015 amounted to NIS 459 million ($132 million), NIS 90 million and NIS 236 million, respectively.

Our cash flow from investing activities in 2017 was influenced by the following factors:

(i) Proceeds from the realization of investments in subsidiaries, mainly Butu in Romania, in an amount of NIS 430 million ($133 million) and Plaza House in Hungary in an amount of NIS 12 million ($3 million)

(ii) Purchase of property, plant and equipment and other assets in the amount of NIS 4 million ($1 million) mainly attributable to the Radisson Hotel Complex.

(iii) Proceeds from realization of property plant and equipment assets in the amount of NIS 4 million ($1 million), mainly attributable to Tiberius plot.

(iv) Proceeds from the sale of investment in a joint venture (sale of Riga Plaza commercial center) in an amount of NIS 2 million ($ 1 million).

(v) Proceeds from the realization of long-term deposits and long term loans in the amount of NIS 1 million ($0 million).

(vi) Disposition of short-term deposits and marketable securities, net, in the amount of NIS 13 million ($4 million).

Our cash flow from investment activities in 2016 was influenced by the following factors:

(i) Proceeds from sale of investment in a joint venture (sale of Riga Plaza commercial center) in an amount of NIS 83 million.

(ii) Proceeds from sale of property, plant and equipment, mainly sell of Tiberius plot in an amounted of NIS 22 million.

(iii) Purchase of property, plant and equipment and other assets in the amount of NIS 3 million mainly attributable to the renovation which was executed in the Radisson Hotel Complex during 2015 and was paid during 2016.

(iv) Proceed from realization of long-term deposits and long term loans in the amount of NIS 7 million.

(v) Investment in long-term deposits and long term loans in the amount of NIS 11 million.

(vi) Disposition of short-term deposits and marketable securities, net, in the amount of NIS 10 million.

Our cash flow from investment activities in 2015 was influenced by the following factors:

(i) Proceeds from realization of investments in subsidiaries (our hotel in Belgium) in an amount of NIS 192 million.

(ii) Proceeds from sale of property, plant and equipment, mainly sell of Cina and Plaza Offices in Romania e amounted to NIS 13 million.

(iii) Purchase of property, plant and equipment and other assets in the amount of NIS 24 million mainly attributable to the renovation which was executed in the Radisson Hotel Complex during 2015.

(iv) Proceed from realization of long-term deposits and long term loans in the amount of NIS 10 million.

(v) Disposition of short-term deposits and marketable securities, net, in the amount of NIS 5 million.

Cash flow from financing activities

Cash flow used in financing activities in 2017, 2016 and 2015 amounted to NIS 520 million ($150 million), NIS 233 million and NIS 580 million, respectively.

Our cash flow used in financing activities in 2017 was influenced by the following factors:

(i) Interest paid in cash by us in the amount of NIS 76 million ($22 million) on our borrowings (mainly notes issued by us and by PC and loans provided to our hotels and commercial centers).

(ii) Repayment of borrowings, net, of proceeds from loans in the amount of NIS 461 million ($133 million), mainly attributable to repayment of PC Notes and repayments of loans provided to our operating commercial centers and our hotels.

(iii) Proceeds from long-term borrowings in an amount of NIS 16 million ($5 million) which is attributed to Plaza Centers.

Our cash flow used in financing activities in 2016 was influenced by the following factors:

(i) Interest paid in cash by us in the amount of NIS 107 million on our borrowings (mainly notes issued by us and by PC and loans provided to our hotels and commercial centers).

(ii) Repayment of borrowings, net, of proceeds from loans in the amount of NIS 129 million, mainly attributable repayment of PC Notes and repayments of loans provided to our operating commercial centers and our hotels.

Our cash flow used in financing activities in 2015 was influenced by the following factors:

(iii) Purchase of non-controlling interests in an amount of NIS 62 million which is attributed to shares acquired by BUTU during delisting process.

(iv) Interest paid in cash by us in the amount of NIS 129 million on our borrowings (mainly the Notes, PC Notes and loans provided to our hotels and commercial centers).

(v) Repayment of borrowings, net, of proceeds from loans in the amount of NIS 377 million, mainly attributable repayment of PC Notes and repayments of loans provided to our operating commercial centers and our hotels.

(vi) Repayment of short-term credit in the amount of NIS 7 million.

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, 2017, 2016 and 2015:

	2017		2016		2015	
	NIS million	%	NIS million	%	NIS million	%
Current assets	483	47%	179	8%	218	8%
Current liabilities	847	83%	1,210	54%	806	30%
Non-current assets	534	53%	2,083	92%	2,486	92%
Non-current liabilities	319	31%	1,003	44%	1,593	59%
Shareholders' equity (Deficiency):						
Attributable to our equity holders	(194)	(19%)	(88)	(4%)	19	1%
Non-controlling interest	46	5%	137	6%	285	10%

2017 compared to 2016

The increase in current assets in the amount of NIS 304 million ($88 million) in 2017 was mainly attributable to an increase in each of: (i) cash and cash equivalents in an amount of NIS 375 million ($108 million) mainly due to the completion of the sale of the Radisson Hotel Complex and Torun, (ii) decrease in trade account receivables in the amount of NIS 34 million ($10 million) due to the sale of all of PC's commercial centers and the Radisson Hotel Complex, and (iii) a decrease in short term deposits in the amount of NIS 30 million ($9 million).

The decrease in current liabilities in the amount of NIS 363 million ($105 million) in 2017 was mainly attributable to: (i) repayment of our bank loan in the amount of NIS 59 million ($17 million), (ii) repayment of PC loans in the amount of NIS 333 million ($96 million), (iii) early redemption of PC notes in the amount of NIS 31 million ($9 million) due to asset sales, and (iv) decreases in amount due to suppliers and service providers in the amount of NIS 236 million ($68 million) due to the sale of all of PC's commercial centers and the Radisson hotel.

The said decrease in current liabilities was partially offset by: (i) the classification of current maturities of Series H debentures in the amount of NIS 296 million ($85 million) and (ii) an increase in payables in respect of transactions in India in the amount of NIS 12 million ($3 million) and in provisions to government authorities in the amount of NIS 12 million ($ 3 million).

The decrease in non-current assets in the total amount of NIS 1,549 million ($447million) in 2017 was mainly attributable to: (i) the write-down of PC trading properties in an amount of NIS 91 million ($26 million); (ii) sale of all the commercial centers and other plots of PC in the total amount of NIS 750 million ($216 million) and (iii) disposal of the Radisson Hotel Complex, net of depreciation and foreign currency adjustments, during the year in the total amount of NIS 720 million ($208 million).

The said decrease in current liabilities was partially offset by: (i) increase of foreign currency adjustments in the amount of NIS 16 million ($5 million)

The decrease in non-current liabilities in the amount of NIS 683 million ($197) in 2017 was mainly attributable to: to (i) the classification of our notes in the amount of NIS 296 million ($85 million) from non-current liabilities to current liabilities, (ii) repayment of our hotel's loan in an amount of NIS 353 million ($101 million) as part of the sale of the Radisson Hotel Complex and (iii) the decrease of deferred taxes due to the sale of the Radisson Hotel in an amount of NIS 92 million ($27 million).

The said decrease in non-current liabilities was partially offset by: (i) the reducing of our bond discount, net, in amount of NIS 40 million ($12 million) and (ii) an increase in advances on account of India transactions in the amount of NIS 22 million ($6 million).

2016 compared to 2015

The decrease in current assets in the amount of NIS 39 million in 2016 was mainly attributable to a decrease in each of: (i) cash and cash equivalents in an amount of NIS 68 million mainly due to repayment and buyback of the Notes and loans, payment of interest on notes and loans and general and administrative expenses; offset by (ii) increase in trade account receivable in the amount of NIS 21 million due to receivable from sale of PC's plots in the amount of NIS 23 million (iii) increase in short term deposits in the amount of NIS 9 million

The increase in current liabilities in the amount of NIS 404 million in 2016 was mainly attributable to: (i) increase in current maturities of PC project company loans in the amount of NIS 62 million; (ii) classification of our bank loans in an amount of NIS 59 million from non- current liabilities to current liabilities due to current maturities (iii) classification of PC notes and loans in the amount of NIS 666 million from non-current liabilities to current liabilities due to the risk that PC's notes holders could argue there exists a substantial suspicion with respect to PC's ability to repay its obligations to its noteholders that entitles them to demand immediate repayment of the notes. Should this occur there is a risk that the banks that provided loans to PC will demand immediate repayment of the loans made to PC. The said increase in current liabilities was partially offset by (i) classification of our hotel's loans in an amount of NIS 238 million from current liabilities to non - current liabilities due to refinance of the loan during 2016; (ii) decrease in the PC Notes in the total amount of NIS 145 million due to repayments made;

The decrease in non-current assets in the total amount of NIS 403 million in 2016 was mainly attributable to (i) write-down of PC trading properties in an amount of NIS 190 million; (ii) sale of Liberace Plaza in Czech republic commercial center and other plots of PC in the total amount of NIS 166 million; (iii) foreign currency in translation adjustments in the amount of NIS 65 million; The sale of our plot designated for hotel in Tiberius in the amount of NIS 15 million; (iv) sale of our Investments in joint venture in the amount of NIS 85 million; (v) our share in losses of associates, net, in the amount of NIS 54 million; offset by (i) the revaluation of our hotel net of depreciation and foreign currency translation adjustment during the year in the total amount of NIS 33 million; (ii) Increase in construction costs in our trading property mainly due to our activity in Serbia in the amount of NIS 109 million; increase in our investment in the plot of Bangalore in the total amount of NIS 30 million due to firstly consolidation.

The decrease in non-current liabilities in the amount of NIS 590 million in 2016 was mainly attributable to (i) classification of PC notes and loans in the amount of NIS 666 million from non-current liabilities to current liabilities due to the risk that PC's noteholders could argue there exists a substantial suspicion with respect to PC's ability to repay its obligations to its noteholders that entitles them to demand immediate repayment. Should this occur there is a risk that the banks that provided loans to PC will also demand immediate repayment of the loans made to PC (ii) repayment of our Notes (net from increase in bearing interest) and loan in the amount of NIS 153 million and classification of our loan to current liabilities in the amount of NIS 59 million; and (iii) decrease in the PC Notes and loans, net, in the total amount of NIS 65 million. The said increase in non - current liabilities was partially offset by classification and increase of our hotel's loan in an amount of NIS 353 million from current liabilities to non - current liabilities due to refinance of the loan during 2016.

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".

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, 2017.

The loans granted to our jointly controlled companies, as of December 31, 2017, are presented in the following table at their 100% amount, unless otherwise specified.

For information regarding notes issued by our subsidiary, Elbit Medical, in February 2018, see Item 4 – Information on the Company – Recent Events – "Issuance of a New Series of Notes by Elbit Medical and Payment of Debt from Elbit Medical to the Company ".

Borrower	Lender	Original Amount (par value)	Amount Outstanding on Dec. 31, 2017 (par value)	Interest	Payment Terms
EI	Series I public notes issued to the Public as part of the debt Arrangement	NIS 218 million (approx. $63 million)	NIS 260 million (approximately $75 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	● Second ranking floating charge over all the Company's assets. ● 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 provided by us to EUL. ● Negative Pledge by each of the Company and EUL. With respect to EUL the Negative Pledge also applies to EUL's share in PC, including all rights associated therewith. ● Corporate guaranty by EUL, which guarantees the Company's obligations to the Series H and Series I Trustees. It should be noted that the collaterals securing the Series I notes are subordinated to the collaterals securing the Series H notes. It should be noted, further, that those pledges are recorded in Israel, the Netherlands and Luxemburg. 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. It should also be noted, that on December 2017 we signed an amendment to the Trust Deed of (Series I) notes, so that all collateral relating to our wholly owned subsidiary EH were canceled and in return the Company undertook to use 75% of the net proceeds from the sale of the Radisson Hotel Complex for an early repayment on account of the (Series H) notes. The early repayment was made in January 2018.				
Other Information	The Notes are registered for trade on the TASE. The Notes are not registered under the Securities Act. 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. On July 10, 2017, the series "I" noteholders approved a resolution to waive their immediate repayment right, pursuant to the delay in publications of the financial statements and to extend the submission date of the Company's annual financial statements for the year of 2016 until December 31, 2017 (the "**Resolution**"). Series "H" noteholders already approved the Resolution by the required majority in the meeting held on July 3, 2017. Therefore, their approval became valid as result of the series "I" noteholders Resolution.				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
EI	Series I public notes issued to the Public as part of the debt Arrangement	NIS 218 million (approx. $63 million)	NIS 260 million (approximately $75 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	Second ranking floating charge over all the Company's assets ● 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. 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.				
Other Information	The Notes are registered for trade on the TASE. The Notes are not registered under the Securities Act. 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. On July 10, 2017, the series "I" noteholders approved a resolution to waive their immediate repayment right, pursuant to the delay in publications of the financial statements and to extend the submission date of the Company's annual financial statements for the year of 2016 until December 31, 2017 (the "**Resolution**"). Series "H" noteholders already approved the Resolution by the required majority in the meeting held on July 3, 2017. Therefore, their approval became valid as result of the series "I" noteholders Resolution.				

Borrower	Lender	Adjusted Original Amount following debt restructuring (par value)	Amount Outstanding on Dec. 31, 2017 (par value)	Interest	Payment Terms
PC	Series A notes issued to the public	NIS 299.6 million (approximately $77.63 million) Interest payments accrued and not paid until the end of 2013 were added to the principal and are paid together with it.	NIS 166.6 million (approximately $48 million).	• 6% per annum, linked to the Israeli CPI.	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 The interest shall be paid in semi-annual 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.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					On November 29, 2016, PC's Noteholders approved a postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (€94.5 million, $99 million) (a reduction of 12% on the original amount). In addition, PC agreed to pay to its Noteholders, on March 31, 2018, a one-time consent fee in the amount of approximately €231 thousand (which is equal to 0.25% from PC's outstanding debt under the PC Notes at that time) (the "**Consent Fee**"). The Consent Fee paid to the PC's noteholders on a pro rata basis. Casa radio proceeds – If PC shall sell the Casa radio project located in Romania (hereinafter: the "**Project**") to a third party, including by way of selling its holdings in any of the entities through which PC holds the project (and said sale shall be carried out before the full repayment of the PC Notes and until no later than December 31, 2019, and for an amount which exceeds €45 million net (i.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by PC, then the holders of PC Notes shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts specified in tranches. During first three months of 2017, PC paid to its noteholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, PC complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000) and thus obtained a deferral of one year for the remaining contractual obligations of the notes.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					In January 2018, a settlement agreement was signed by and among PC and the two Israeli Series of notes ("**Settlement Agreement**"). In the Settlement Agreement it was agreed, inter alia, to approve: • New repayment ratios between the two Israeli Series of notes (new ratio: notes A- 39% notes B- 61%); • An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income; • New repayment schedule; • An increase in the compensation to be paid to the noteholders in the event of successful disposal of Casa Radio Project; • A waiver of claims to PC and its directors and officers; and • To waive the request for publication of quarterly financial reports by PC. As a result of settlement agreement signing, Series A noteholders withdraw their request for immediate repayment. It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to PC's restructuring plan, and as such has no effect on the Polish noteholders. On January 21, 2018 the PC paid the noteholders a total amount of principal and interest of EUR 38,487 thousand.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
Principal Security and Covenants	Negative pledge on all of the real estate assets of PC and its subsidiaries. “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. 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 PC’s debts that are not preceding / specific and/or debts subordinate to the debts included in the restructuring. In the event that the Coverage Ratio is lower than the Minimum Coverage Ratio, then commencing on the first Examination Date in which a breach of the Coverage Ratio covenant has been established and for as long as the breach is continuing, PC shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset owned the PC 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 PC 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.				
Other Information	The notes have been registered for trade on the TASE. 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"). The notes are not registered under the Securities Act. The Coverage Ratio Covenant ("**CRC**"), as defined in the restructuring plan, as at December 31, 2017 the CRC was 103%, in comparison with 118% minimum ratio required. As a result of covenants breach, PC classified its notes in the total amount of EUR 116,914 thousand as current liabilities in the financial statements as of 31 December 2017. On September 28, 2017 Standard & Poor's Maalot ("**Maalot**"), the Israeli credit rating agency which is a division of International Standard & Poor's, has reduced its credit rating of PC’S two series of Notes traded on Tel Aviv Stock Exchange from "ilCCC" to "ilCC" with negative outlook on a local Israeli scale. In January 2018, Maalot has discontinued tracking PC's rating at the PC's request.				

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					During first three months 2017, the Company paid to its bondholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, the Company complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds. In January 2018, a settlement agreement was signed by and among the Company and the two Israeli Series of Bonds ("**Settlement Agreement**"). In the Settlement Agreement it was agreed, inter alia, to approve: ● New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%); ● An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income; ● New repayment schedule; ● An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project; ● A waiver of claims to the Company and its directors and officers; and ● To waive the request for publication of quarterly financial reports by the Company. As a result of settlement agreement signing, Series A Bondholders withdraw their request for immediate repayment. It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the Company's restructuring plan, and as such has no effect on the Polish Bondholders. On January 21, 2018 the Company paid the bondholders a total amount of principal and interest of EUR 38,487 thousand.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
Principal Security and Covenants	Negative pledge on all of the real estate assets of PC and its subsidiaries. "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. 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 PC's debts that are not preceding / specific and/or debts subordinate to the debts included in the restructuring. In the event that the Coverage Ratio is lower than the Minimum Coverage Ratio, then commencing on the first Examination Date in which a breach of the Coverage Ratio covenant has been established and for as long as the breach is continuing, PC shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset owned the PC 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 PC 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.				
Other Information	The notes have been registered for trade on the TASE. 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"). The notes are not registered under the Securities Act. The Coverage Ratio Covenant ("**CRC**"), as defined in the restructuring plan, as at December 31, 2017 the CRC was 103%, in comparison with 118% minimum ratio required. As a result of covenants breach, PC classified its notes in the total amount of EUR 116,914 thousand as current liabilities in the financial statements as of 31 December 2017. On September 28, 2017 Standard & Poor's Maalot ("**Maalot**"), the Israeli credit rating agency which is a division of International Standard & Poor's, has reduced its credit rating of PC'S two series of Notes traded on Tel Aviv Stock Exchange from "ilCCC" to "ilCC" with negative outlook on a local Israeli scale. In January 2018, Maalot has discontinued tracking PC's rating at the PC's request.				

Borrower	Lender	Adjusted Original Amount following debt restructuring (par value)	Amount Outstanding on Dec. 31, 2017 (par value)	Interest	Payment Terms
PC	Series B notes issued to the public	NIS 586.3 million (*) (approximately $169.1 million) (*) Following treasury notes cancellation 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 $72.6 million).	6.9% per annum, linked to the Israeli CPI	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. Notwithstanding the above, in the event where PC did not pay, by December 1, 2016 the Principal of the PC Notes for the Three Series' in a total amount of at least NIS 434 million excluding linkage differentials and including repayment of principal of PC 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 PC notes (Series B) shall be automatically advanced by one year in relation with the repayment dates. 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.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					On November 29, 2016, PC's Noteholders approved a postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (€94.5 million, $107 million) (a reduction of 12% on the original amount). In addition, PC agreed to pay to its noteholders, on March 31, 2018, a one-time consent fee in the amount of approximately €488 thousand (which is equal to 0.25% from PC's outstanding debt under the PC Notes at that time) (the "**Consent Fee**"). The consent Fee shall be paid to PC's Noteholders on a pro rata basis. Casa radio proceeds – If PC shall sell the Casa radio project located in Romania (hereinafter: the "**Project**") to a third party, including by way of selling its holdings in any of the entities through which PC holds the project (and said sale shall be carried out before the full repayment of the PC Notes and until no later than December 31, 2019, and for an amount which exceeds €45 million net (i.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by PC), then the holders of notes shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					Deferred debt ratio of Series B notes – were reduced to 68.24% from 70.44% following the cancellation of the treasury. The ratio has been changed for Series B notes in order to maintain a distribution ratio between the three series. During first three months 2017, PC paid to its noteholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, PC complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000) and thus obtained a deferral of one year for the remaining contractual obligations towards the notes.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					In January 2018, a settlement agreement was signed by and among PC and the two Israeli Series of notes ("**Settlement Agreement**"). In the Settlement Agreement it was agreed, inter alia, to approve: • New repayment ratios between the two Israeli Series of notes (new ratio: notes A- 39% notes B- 61%); • An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income; • New repayment schedule; • An increase in the compensation to be paid to the noteholders in the event of successful disposal of Casa Radio Project; • A waiver of claims to PC and its directors and officers; and • To waive the request for publication of quarterly financial reports by PC. As a result of settlement agreement signing, Series A noteholders withdraw their request for immediate repayment. It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to PC's restructuring plan, and as such has no effect on the Polish noteholders. On January 21, 2018 PC paid the noteholders a total amount of principal and interest of EUR 38,487 thousand.

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
Principal Security and Covenants	Negative pledge on all of the real estate assets of PC and its subsidiaries. "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. 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. 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, PC shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset owned by PC 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 PC 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.				
Other Information	The notes have been registered for trade on the TASE. 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"). The notes are not registered under the Securities Act. The CRC as at December 31, 2017 the CRC was 103%, in comparison with 118% minimum ratio required. As a result of covenants breach, PC classified its notes in the total amount of EUR 116,914 thousand as current liabilities in the financial statements as of 31 December 2017. On September 28, 2017 Standard & Poor's Maalot ("**Maalot**"), the Israeli credit rating agency which is a division of International Standard & Poor's, has reduced its credit rating of PC'S two series of Notes traded on Tel Aviv Stock Exchange from "ilCCC" to "ilCC" with negative outlook on a local Israeli scale. In January 2018, Maalot has discontinued tracking PC's rating at PC's request				

Borrower	Lender	Adjusted Original Amount Following debt restructuring (par value)	Amount Outstanding on Dec. 31, 2017 (par value)	Interest	Payment Terms
PC	Private notes issued 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 are paid together with it.	PLN 21.7 million	6 Month WIBOR + 6%	"Redemption Date" shall mean the day falling seven and a half years after the Issue Date (i.e May 16, 2018), subject to acceleration in the event that prior to December 1, 2016 PC does not manage to repay (through redemption or otherwise) the Plan Debt Securities in the principal amount of NIS 434,000,000 (or equivalent of such amount in other currencies as of the repayment date), the Redemption Date of all the outstanding PC Notes shall accelerated to May 16, 2017. Interest is payable in semi-annual installments. On November 29, 2016, PC's Noteholders approved a postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (€94.5 million) (a reduction of 12% on the original amount).

Borrower	Lender	Adjusted Original Amount Following debt restructuring	Amount Outstanding on Dec. 31, 20176	Interest	Payment Terms
					In addition, PC agreed to pay to its Noteholders, on March 31, 2018, a one-time consent fee in the amount of approximately €488 thousand (which is equal to .25% from PC's outstanding debt under the PC Notes at that time) (the "**Consent Fee**"). The consent Fee shall be paid to PC's Noteholders on a pro rata basis. Casa radio proceeds – If PC shall sell the Casa radio project located in Romania (hereinafter: the "**Project**") to a third party, including by way of selling its holdings in any of the entities through which PC holds the project (and said sale shall be carried out before the full repayment of the PC Notes and until no later than December 31, 2019, and for an amount which exceeds €45 million net (i.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by PC) then the holders of notes shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts specified in tranches. During first three months 2017, the PC paid to its noteholders a total amount of NIS 191.7 million (EUR 49.2 million) as an early redemption. Upon such payments, PC complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000) and thus obtained a deferral of one year for the remaining contractual obligations of the notes.

Borrower	Lender	Adjusted Original Amount Following debt restructuring	Amount Outstanding on Dec. 31, 2017	Interest	Payment Terms
					On January 21, 2018 PC paid the noteholders a total amount of principal and interest of EUR 38,487 thousand.
Principal Security and Covenants	● Certain circumstances shall be deemed events of default by 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, PC 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) consecutives 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: (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 €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 €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. The CRC as at December 31, 2017 the CRC was 103%, in comparison with 118% minimum ratio required. As a result of covenants breach, PC classified its notes in the total amount of EUR 116,914 thousand as current liabilities in the financial statements as of 31 December 2017.				

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.

Designated Disclosure with Respect to the Company's Projected Cash Flows

Whereas the Company was incorporated in Israel and its securities are also traded in the Tel Aviv Stock Exchange ("**TASE**"), it is subject to certain reporting requirements under the Israeli Securities Law, 1967, inter alia, the requirement to publish a projected cash flow for a period of 24 months (the "**Projected Cash Flow**") if and to the extent that Warning Signs (as defined below) exists in the Company's financial statements; and also provide explanations on differences between previously disclosed Projected Cash Flow with actual cash flow.

"**Warning Signs**" are defined under the Securities Regulations (Immediate and Periodic Notices) 5730-1970 (the "**Regulations**"), as one of the following: (i) A deficit in shareholders 'equity; (ii) An opinion or review by the corporation's auditors as of the report date that includes reference to the corporation's financial condition; (iii) A deficit in working capital or in working capital for a period of twelve months together with a persistent negative cash flow from ongoing activity; (iv) A deficit in working capital or in working capital for a period of twelve months or an ongoing negative cash flow from ongoing activity and the Board of Directors of the corporation has not determined that this is not an indication of a liquidity problem in the corporation; (v) An opinion or review by the corporation's auditors as of the report date which includes reference to any material doubts concerning the continuation of the corporation's activities as a going concern;

The first three Warning Signs as described above exists in the Company's financial statements for December 31, 2017. Therefore the Company publishes this Projected Cash Flow of the Company (on a standalone basis) and the assumptions upon which it is based:

	January 1, 2018- December 31, 2018 (NIS Thousands)	**January 1, 2019- December 31, 2019 (NIS Thousands)**
Opening balance: Cash and cash equivalents	269	52
Projected Sources		
Sources from realization of assets and business:		
Cash flow from sale of our holdings in plot in India (Bangalore site) (1)	8	43
Cash flow from sale of our holdings in plot in India (Chennai site) (2)	-	28
Cash flow from selling our medical business (3)	-	196
Cash flow from repayment of Elbit Medical loan (4)	149	-
Total Sources	426	319
Projected uses:		
Debt service:		
Buy back of Series H (5)	7	-
Buy back of Series I (6)	49	-
Principal payment to Series H note holders (7)	289	-
Interest payment to Series H note holders (7)	2	-
Principal payment to Series I note holders (8)	-	250
Payments to our subsidiary Plaza centers NV (9)	7	-
Other operating expenses		
General and administrative expenses	9	8
Other non-recurring expenses (10)	11	8
Total Uses	374	266
Closing balance: Cash and cash equivalents	52	53

Assumptions and explanations pertaining to the above table:

General assumption: the projected cash flow was prepared based on the exchange rates, interest rates and the quoted market price of Elbit medical shares known close to the date of the approval of this annual report as follow:

USD/NIS Exchange rate	3.52
Euro/NIS exchange rate	4.33
Indian Rupee/NIS exchange rate	0.0532
Euro Libor rate (%)	-
Elbit Medical share price on the TASE	0.961

(1) The value of the Asset in the table above is based on a valuation of the Asset that was determined based on appraisal done by external valuator for the financial statements as of December 31, 2017 which is lower than the consideration in the agreement signed on March, 2018 with our partner in the project ("**Buyer**") (for additional information see "Item 4 - Information on the Company – History and Development of the Company – Recent Events").

The main assumptions with respect to this valuation are: (i) that there will be no material delays in payments by the Buyer which could mainly result from liquidity problems of the Buyer including difficulties in obtaining financing for the project in order to execute the payments and to close the transaction; (ii) execution of offshore payments from India are subject to substantive regulations. Changes in the regulations (as was done in previous years) might cause delays in payments or even inability to execute the transaction in its current structure; and (iii) The transaction is quoted in Indian Rupee ("**INR**") and therefore any change in the INR/NIS exchange rate might affect the net proceed in NIS.

(2) This amount are based on realization of our shares in the company holds the Chennai project, the value of the plot was determined based on appraisal done by external valuator for the financial statements as of December 31, 2017. The main assumptions with respect to this valuation are: (i) the ability of a potential Buyer to overcome certain architectural difficulties (i.e.: achieving the access road) to the project; (ii) general trend of the residential market in Chennai; (iii) execution of offshore payments from India are subject to substantive regulations. Changes in the regulations (as was done in previous years) might cause delays in payments or even inability to execute the transaction in its current structure; and (iv) The transaction is quoted in Indian Rupee ("**INR**") and therefore any change in the INR/NIS exchange rate might affect the net proceed in NIS.

(3) Those amounts are based on realization of our shares in Elbit Medical based on the quoted price of Elbit Medical shares in the TASE (As of April 23, 2018 which was NIS 96.1 per share). The main assumptions that might affect those amounts are: (i) the share price of Elbit Medical in the TASE which can change due to changes in the business of Elbit Medical (i.e. in the business of InSightec and Gamida) and / or due to trading trends on the TASE; (ii) the business of Elbit Medical (i.e. in the business of InSightec and Gamida) is denominated and measured in US Dollar, therefore changes in the USD/NIS exchange rate might affect the share price of Elbit Medical and in turn affect the net proceed in NIS; and (iii) Low trading volumes in Elbit Medical's share on the TASE in a manner that will not enable the sale under such terms (i.e. price and timing).

(4) On February 19, 2018 Elbit Medical has completed a public offering of a new series of notes convertible into ordinary shares in a total amount of NIS 180 million. NIS 149 million from the proceeds were used to repay Elbit Medical's debt to the Company.

(5) During March, 2018 the Company executed a buyback plan for its (Series H) notes and purchased NIS 7 million par value notes in consideration for NIS 7 million. According to the buyback plan that was approved by the board of directors, the Company may purchase (Series H) notes for a total consideration of up to NIS57.6 million.

(6) During February, 2018 the Company executed a buyback plan for its (Series I) notes and purchased NIS42 par value notes in consideration for NIS 49 million.

(7) In accordance with the terms of the (Series H) notes, in January 2018 the Company made an early repayment of interest and principal to its (series H) noteholders in the amount of NIS 240 million.
The outstanding (Series H) notes (after the buyback and the early repayment) in the total amount of approximately NIS 51 million (NIS 49 principal plus NIS 2 million interest) are due on May 31, 2018.

(8) The outstanding (Series I) notes (after the buyback) in the total amount of NIS 250 million is due in November, 2019.

(9) The Company has an outstanding debts to PC in the amount of approximately Euro 1.7 million. The debt (principal and interest) is due on June 30, 2018 with early mandatory prepayments upon the sale of our plots in India. The principal and the interest payments to PC can mainly be affected by the Euro/ NIS exchange rate.

(10) The non-recurring expenses include mainly expenses due to: (i) expenses related to termination of employment relations and expenses related to bonus to officers and employees in connection with the sale of the Radisson blu Hotel; (ii) the Company estimation for governmental institutes payments due to previous year exposures (for additional information regarding legal proceedings in connection with VAT assessments for the years 2006-2012 and legal proceedings concerning those assessments see note 13 a 2 of the financial statements); (iii) settlement with the SEC (for additional information see "Item 4 – History and Development of the Company – Recent Events – Approval of an offer of settlement with the SEC in the matter of alleged violation of the FCPA"). This amount can mainly be affected by the court final decision (regarding the VAT assessments), by different arguments of the tax authorities and by the changes in the interest rate and CPI

The Company has additional cash generating abilities that were not taken in to account in preparing the Projected Cash Flow detailed above. The following describes the Company's assumptions regarding these additional cash generating abilities:

Item	Amount (NIS million)	Additional information
Plot in Kochi, India	5	Based on transaction signed on January 14, 2016_for the sale of this plot. For additional information see "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Agreement for the sale of Land Plot in Kochi, India".
Shares in Olive	4	The Company's holdings in Olive is approximately 16.3%. The estimation of the consideration for the Company's holdings in Olive is based on preliminary analysis done internally by the Company.
Share in PC (45%)	-	Due to the significant debt burden of PC and the going concern note included in PC's financial statements, the Company assume that its equity position in PC is negligible.
Vendor loan in respect of the sale of our holding in Radisson	36	Represents the principal and interest payments with respect to the vendor loan which was granted by the Company to the Purchased of the Radisson Blu Hotel. The vendor loan is due 3 years from the closing date (i.e.: December 2020).
Total	**45**	

There were no material differences between the projected cash flow and actual cash flow in 2017 and therefore the Company does not attach a comparison table between them.

The information detailed above, concerning the Company's cash flow forecast, including the materialization, occurrence, consummation and execution of the events, transactions and of the assumptions on which such Projected Cash Flow is based, are forward looking information as defined in the Securities Law, 5728-1968. This information includes forecasts, subjective, assessments, estimates, etc. and is based, among other things, on the Company management's past experience. Furthermore, some of such information is based on future data and internal estimates by the Company's management made at the current time, and there is no certainty that they will materialize, in whole or in part, due to factors that are not in the Company's control. It is hereby clarified that there is a likelihood that said forward looking information will not be realized in whole or in part, both with respect to the Company's forecasts and with respect to the working assumptions on which they are based.

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

The Israeli government encourages industrial companies by grants for research and development activities through grants by the National Authority for Technological Innovation, or ("**NATI**") (formerly known as the Office of the Chief Scientist of the Ministry of Economy and Industry, or the OCS).

Each of InSightec's and Gamida's research and development efforts had been financed, in part, through NATI grants. InSightec and Gamida (only for Gamida's NiCord development) have received or were entitled to receive grants totaling $29.8 million and $25.3 million, respectively, from NATI since their respective inception and each of them is required to repay such grants through payment of royalties to NATI each respective revenues until the entire amount is repaid.

Each of InSightec's and Gamida's technology developed with NATI funding is subject to transfer restrictions, which may impair their ability to sell their 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 and Gamida's ability to consummate a merger or similar transactions in which the surviving entity is not an Israeli company.

The total NATI grants received by InSightec during 2017, 2016 and 2015 were $ 0.1millon, $1.5 million and $0.3 million, respectively, and the total NATI grants received by Gamida during 2017, 2016 and 2015 were $1.5 million, $4.3 million and $3.2 million, respectively.

D. TREND INFORMATION

Romania – Romania is a business destination for global investors and enjoys a growing, stable economy. In 2017, Romania registered GDP growth of approximately 7%, the highest in the European Union, following a strong 2016, when GDP increased by 4.8%, which was also the highest in the European Union. This was the seventh consecutive year of growth. Retail sales, which registered one of the highest growths in the EU (10.7% in 2017, year on year), continue to be the main driver of the economy, fueled by the increase in net average wages (11.7% year on year, reaching €567 in December 2017), although this is based on a low base.

In 2007/2008 Romania had a very liquid real estate investment market with total volumes of over €2 billion and €1 billion respectively, despite the limited availability of modern products at the time. Romania was then the third largest investment market in terms of deal flow in the CEE (after Poland and the Czech Republic). Between 2009 and 2013, volumes decreased significantly, as the number of active players plunged sharply. Transactional activity picked up in 2014, when approximately €1.17 billion was transacted (including a number of unique, very large deals) and 2015, when the property investment volume was approximately €670 million. The increasing trend continued in 2016 and 2017, when close to €900 million and €1 billion were transacted. Given its size in terms of population and forecasted GDP, it is expected that Romania should be second only to Poland in the CEE in terms of investment volumes at some point over the coming years.

Prime office yields are at 7.5%, prime retail yields at 7.25%, while prime industrial yields are at 8.5%. Yields for office and retail are at the same level as 12 months ago, while industrial yields have compressed by 50 bps over the year. There is soft downward pressure on yields and in 2018 there may be limited compression in case prime assets will transact.

India

Amidst the uncertainty in the world economy and the challenges being faced by emerging economies, India's macro-economic stability continues to improve. Consumer Price Inflation (CPI) accelerated to 5.2% in December, 2017 over the same month the previous year. CPI Inflation reached 4.88% in November and 3.58 % in October, 2017. India's Current Account Deficit, on a cumulative basis, narrowed to 0.7 per cent of GDP in 2016-17 from 1.1 per cent in 2015-16 on the back of the contraction in the trade deficit. India's trade deficit narrowed to $ 112.4 billion in 2016-17 from $ 130.1 billion in 2015-16. Foreign Direct Investment (FDI) inflows to India in 2016-17 at $60.2 billion increased significantly from $55.6 billion in 2015-16. A number of global reports and assessments, over the last two years, have shown that India has considerably improved its policies, practices and economic profile. According to IMF forecast, India is expected to be one of the fastest growing major economies in 2018.

With the objective of doing away with the need for multiple indirect taxes and thereby making it easier for doing business, the government of India introduced the Goods and Service Tax ("**GST**") effective from July 1, 2017. The GST is India's biggest tax reform.

With the objective to safeguard consumer interests, the Government of India enforced the Real Estate (Regulation and Development) Act, 2016 nationwide on May 1, 2017. For a sector that did not have any regulatory structure, this historic move was heralded as an inflection point that will change the manner in which real estate is transacted in India. Provisions such as mandatory disclosures by promoters and prior approvals before launching the project, were targeted to weed out fly-by-night operators and bring financial discipline, which will spike investor interest.

The slew of simultaneous policy reforms in the form of the Real Estate (Regulation and Development) Act, 2016 (RERA) and GST implementation have increased the gestation period for sale closures though buyers remaining positive about ready to occupy products

In 2017, Bengaluru's residential market surrendered to the pressures of crumbling sales volume. From a peak of 57,366 residential units sold in 2013, the sales volume noted a stark 40% decline at the end of 2017, albeit green shoots of recovery were visible in the latter half of 2017. No longer bucking the trend, Bengaluru's residential market has been impacted by a variety of factors impacting both demand and supply. The stress in the market is also captured in the age of unsold inventory, which has progressively increased from 7.5 quarters in 2014 to 13 quarters in 2017.

The Chennai residential market that had just begun to show some promise of a recovery during the second half of2017, once again broke new lows in terms of sales and supply numbers during the second half of 2017. The ongoing slowdown in the country in coupled with to its own issues ranging from political uncertainty to floods, the Chennai residential market had been in a downward slope over the past three years. The 33% year-on-year (YoY) drop in the second half of 2017 residential supply levels, pushed down the annual supply number under 10,000 units for the first time during this decade. Both supply and sales for the Chennai residential market came in at their lowest levels since 2011.

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 caped to certain percentages of the purchase price.

To our best knowledge as of the approval date of our consolidated financial statements, no claim of any kind which was not reflected in the financial statement was received by us with respect to these indemnifications.

- 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, 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. In case the Lessee leaves the mall before expiration of lease period PC will be liable to repay the remaining consideration in amount of €1.9 Million as of balance sheet date. PC's management is of the opinion that this commitment will not result in any material amount due to be paid by it.

- We and our subsidiaries have entered into indemnification agreements with our respective directors and officers. For more information, see Note 13C to our consolidated financial statements for the year ended December 31, 2017.

- As required under the lease agreement for our new and previous executive offices we provided bank guarantees to secure our compliance with the terms of the agreement in the total amount of approximately NIS 1.3 million ($0.3 million).

- We have provided bank guarantees in the total amount of NIS 0.7 million ($0.2 million) and corporate guarantees for the benefit of the Israeli Customs Authority in the framework of a dispute between our subsidiary and the Israeli Customs Authority which was engaged in the Retail business 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 our motion.

- PC has contractual commitments in respect of its project in Serbia (Visnjicka) in a total amount of € 19 million ($20 million) in respect of construction activities, to be paid during 2017.

- We have contractual commitments in respect of lease agreement in a total amount of NIS 2 million ($0.6 million).

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, 2017 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, 2017. Actual payments of these amounts (as are presented in our consolidated 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.

	Payments due by Period (in NIS thousands)			
Contractual Obligations as of December 31, 2017	**Total**	**Less than 1 Year**	**2-3 Years**	**4-5 Years (and thereafter)**
Long-Term Debt [1]	1,215,010	612,410	602,599	-
Operating Leases [2]	2,263	589	951	723
Total	1,217,272	612,999	603,550	723

(1) Long term debt includes interest that we will pay from January 1, 2017 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, 2017. Actual payments of such interest (as presented in our consolidated 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 5B – Operating and Financial Review and Prospects – Liquidity and Capital Resources – Other Loans."

(2) Our operating lease obligations are subject to periodic adjustment of the lease payments as stipulated in the agreements. This table includes the lease obligation based on the most recent available information.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our directors, executive officers and other key employees of the company as of the date of this annual report except as otherwise noted below:

NAME	AGE	POSITION
Ron Hadassi	53	CEO and Chairman of the Board of Directors and Director
Alon Bachar (1) (2)	47	Director
Nitzan Gozlan (1) (2)	52	Director
Boaz Lifschitz (2)	48	Director
Nadav Livni (1)	43	Director
Yael Naftali	38	Chief Financial Officer

(1) Member of the audit committee

(2) Member of the compensation committee

RON HADASSI. Mr. Hadassi serves as the Chairman of our Board of Directors since March 2014 and as the Chief Executive Officer of the Company since January 2018. Mr. Hadassi also serves as the Chairman of Elbit Medical Technologies Ltd Board of Directors since March 2014. Mr. Hadassi serves as the Chairman of Plaza Centers N.V Board of Directors since March 2014. Mr. Hadassi has served as Senior Manager of the Bronfman-Fisher Group until 2002, as well as the Vice Chairman of Super-Sol Ltd., Isralom Properties Ltd., and Shefa Success Logistic (B.P) Ltd. (former name - Palace Industries Ltd.). Mr. Hadassi also served until the summer of 2015 as Executive Chairman and until March 2014 as acting Chief Executive Officer of Nanette Real Estate Group N.V. From 2005 until 2012, Mr. Hadassi served as Chairman of the board of directors of Northern Birch Ltd. (IKEA Israel), and until 2015 as Chairman of a subsidiary. Mr. Hadassi serves as a director of the Carmel Winery. 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 lecturer at Hebrew University, Jerusalem, the Interdisciplinary Center, Herzeliya, and the College of Management, Rishon LeZiyon, holds a B.A in Economics and Political Science, an LL.B and a MBA, all from Tel Aviv University, and is a member of the Israeli Bar.

ALON BACHAR. Mr. Bachar, serves as a member of our Board of Directors since March 2014. Mr. Bachar serves as a member of Elbit Medical Board of Directors since March 2014. Mr. Bachar has served as the Chief Financial Officer of the Bronfman-Fisher Group since 2006, as the Chief Executive Officer of Isralom Properties Ltd. since 2012, and in addition currently serves as a Chief Executive Officer of Shefa Success Logistic (B.P) Ltd. Mr. Bachar served in the past as a director of various private and public companies, such as Sufersal 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.

NITZAN GOZLAN – Ms. Gozlan served as a member of our Board of Directors since December 2017. Ms. Gozlan is a co-founder of a company that provides lectures on the topics of financial management of companies, and is a lecturer at the MA program in Kibbutzim Education College, Tel Aviv. From 2011 until 2016 Ms. Gozlan served as an external director, chairman of the balance committee and a member of the audit committee of Isralom Properties Ltd. From 1996 until 1998 Ms. Gozlan served as the Head of Policy Production Department at Peltours Insurance Company Ltd. From 1994 until 1995 Ms. Gozlan served as an Internal Auditor in Bank Egud Ltd and from 1991 until 1994 she served as a business analyst in Dan and Bradstreet, Israel Ltd. Ms. Gozlan holds a BA in Finance and Marketing and an MA in Educational Management and Leadership, both from the Centre for Academic Studies, Or Yehuda, Israel. In addition, Ms. Gozlan holds a Ph.D in Education from the International University of Business & Law – IUBL, USA.

BOAZ LIFSCHITZ. Mr. Lifschitz has served as a member of our Board of Directors since March 2014. Mr. Lifschitz is a co-founder and General Partner of Peregrine Ventures, a venture capital fund founded in 2001. Mr. Lifschitz previously served as Chief Operating Officer and Chief Financial Officer of VisionCare Opthalmic Technologies. Mr. Lifschitz currently serves as Chairman of Cartiheal Ltd. and is a board member of other privately held companies. He previously served on the board of Neovasc Inc. (NVCN). 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. Livnihas served as a member of our Board of Directors since March 2014. Mr. Livni is the founder and Managing Director of The Hillview Group, an independent Merchant Bank based in London. Since 2006, The Hillview Group has expertly managed over $3 billion of strategic capital market transactions and principal investments across Central and Eastern Europe, Russia, Africa and the U.S. During his 20 year career, Nadav has advised governments, controlling shareholders and entrepreneurs on all aspects of capital markets transactions. In 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, specializing 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, a 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.

YAEL NAFTALI On May 1, 2016, Ms. Naftali was appointed as our Chief Financial Officer. In addition, Ms. Naftali served as our Chief Controller from 2010 until 2016. Ms. Naftali also serves as Chief Executive Officer of Elbit Medical as of January 1, 2018. From 2007 until 2010 Ms. Naftali served as the Controller for a public company in the field of real estate and from 2004 until 2007 she was an intern at KPMG Israel. Ms. Naftali holds a B.A. in Accounting and Economics from the Hebrew University of Jerusalem and is a Certified Public Accountant.

B. COMPENSATION OF DIRECTORS AND OFFICERS

Aggregate 2017 Compensation of Directors and Officers

The aggregate compensation paid to or accrued on behalf of all persons as a group (8 persons – who served in the capacity of director or executive officer in the year ended December 31, 2017 was approximately NIS 6,024 (approximately $1,738). Such aggregate amount includes management fees, director's 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.

In addition, the company issued option to its officers pursuant to various Employees Stock Option Plans adopted by us, our subsidiaries and our associates. For information regarding the terms of grant and exercise under all plans, see “Item 6E – Share Ownership".

The table below reflects the compensation granted (including accrued compensation) during the year ended December 31, 2017 to office holders in the Company and its controlled companies in connection with their service in the Company and/or in its controlled subsidiaries. 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, 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 consolidated financial statements for the year ended December 31, 2017 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 the respective D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law.

Name and Principal Position [1]	Salary Cost [2]	Consultancy Fees	Bonus [3]	Equity-Based Compensation [4]	Termination cost [5]	Total (NIS Thousands)
	(NIS Thousands)					
Maurice R. Ferre InSightec’s Chairman of the Board and CEO	1,288	-	532	2,188	-	4,008
Kobi Vortman InSightec’s vice chairman of the Board and director	1,944	-	500	704	-	3,148
Ron Hadassi – Elbit Imaging's - *Chairman of the Board*	487	773	619	399	62	2,278
Doron Moshe Elbit Imaging's CEO	1,265		732	-	138	2,135
Jim (Jun) Tao - InSightec’s Chief Commercial Officer	1,211	-	368	396	-	1,975

(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 filling.

(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, 2017 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 2Q to our consolidated financial statements included in this annual report on Form 20-F for the year ended December 31, 2017.

(5) Termination costs include payment made to retired employees during the year ended December 31, 2017 and/or accrued provision recorded in the Company’s consolidated financial statements for the retirement of any Covered Executive.

Director Compensation

We pay our directors (other than our Chairman and CEO, Ron Hadassi) based on the amount payable to external directors under the Companies Regulations (rules regarding compensations and expenses to external directors), 2000 (the "**Compensation Regulations**") taking into account our shareholders' equity as of the end of the previous year. Accordingly, in 2017, we paid each of our directors (both external and others) NIS 37,115 (approximately $ 10,705 per year and NIS 3,300 (approximately $ 952 per meeting (or a smaller amount in case they did not physically attend the meeting).

Adoption of Compensation Policy

In August 2014, following our shareholders' approval, we adopted a compensation policy for our officers and directors (the "**Compensation Policy**"), in accordance with Amendment No. 20 to the Israeli Companies Law, pursuant to which we are required to determine the compensation of our officers and directors in accordance with a compensation policy. In March 2016 and in October 2016, following our shareholders' approvals, we adopted an amendments to our compensation policy (the "**Amendments**"). The Compensation Policy and the Amendments was previously approved by our board of directors, upon recommendation of our Compensation Committee. An English translation of the Compensation Policy and the Amendments were filed with the Securities and Exchange Commission. For further discussion regarding the Compensation Policy and the Amendments, please see "Item 10B – Memorandum and Articles of Association, below and our Reports on Form 6-K filed on July 10, 2014, August 14, 2014, February 24, 2016 and September 6, 2016 (as exhibit to the proxy statement of the March 31, 2016 extraordinary shareholders meeting and the October 13, 2016 annual shareholders meeting, respectively) which are incorporated herein by reference.

Services of Our Chairman and CEO, Mr. Ron Hadassi

In December 2017, our shareholders approved a compensation plan for Ron Hadassi for his services as the Chairman of our Board of Directors and our Chief Executive Officer, effective as of January 1, 2018. The main terms of the consideration for such services are as follows:

In December 2017, our shareholders approved the terms of a compensation for Mr. Hadassi for his services as the Chairman of our Board of Directors and our Chief Executive Officer as part time position (80% of his working time), effective as of January 1, 2018. The main terms of his compensation are as follows:

- A fixed cash fee of NIS 60,000 per month, which will be linked to the Israeli consumer price index (the "**Fixed Compensation**"). Additional payments, benefits and expenses, including a company car and related expenses, income tax and VAT in the total amount of 55% 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 55% addition. Compensation for Ron Hadassi's position as the Chairman of our affiliate, PC, is at monthly cost of up to $18,000 Furthermore, the total fixed cost per annum of Ron Hadassi's employment with the Company as the CEO and Chairman of the Board of the Company and as the Chairman of PC shall not exceed NIS 1,900,000 and if required, Ron Hadassi's fixed monthly compensation from the Company shall be reduced accordingly in order to meet this limitation.
- Annual bonus of up to 5 salaries (i.e., NIS 300,000) for achieving Company goals determined by the Compensation Committee and Board of Directors in accordance with the Company's Compensation Policy.

  In addition, And notwithstanding the provisions of the Company's Compensation Policy, in case there is a "going concern note", then the entitlement to a bonus for that year (beginning from the year 2016) will be brought for further discussion and approval before the Compensation Committee, which will decide as follows:

  1. If and to the extent that the Committee believes that the "going concern note" is due to the Company's cash flow difficulties, then the bonus will not be paid.

  2. If and to the extent that the Committee believes that the "going concern note" is not due to a difficulty in the cash flow of the Company, then it may approve the bonus in whole or in part according to the relevant circumstances.

- A special bonus based on the realization of two main assets of the Company (one of them is the Radisson Blu Hotel that was sold and the other is the holdings in InSightec).
- The payment of the annual bonus plus the special bonus for each of the years 2017 through 2019 shall not exceed the aggregated amount of NIS 300,000, subject to the specific terms set in the Company's Compensation Policy.
- 38,445 options exercisable (in consideration price for an exercise price of 13.426 NIS per share) into 38,445 ordinary shares, with no par value, of the Company, constituting approximately 0.4% of the Company's issued and outstanding share capital on a fully diluted basis, and 12,298,913 options exercisable (in consideration price for an exercise price of 0.106 NIS per share) into 6,149,456 ordinary shares, with no par value, of our subsidiary Elbit Medical Technologies Ltd. ("**Elbit Medical**"), constituting approximately 0.33% of Elbit Medical's issued and outstanding share capital on a fully diluted basis, both with a vesting period of 3 years, subject to Mr. Hadassi's continued service with the Company.
- Mr. Hadassi shall be entitled to a three month notice period prior to the termination of his position.
- Mr. Hadassi shall be entitled to receive six salaries retirement bonus (i.e., NIS 360,000).
- Mr. Hadassi shall be covered under the Company's Directors and Officers liability insurance policies and the Company's indemnification to its officers.

Services of our CFO, Ms. Yael Naftali

In November 2017, our shareholders approved the terms of compensation for Ms. Naftali for her services as the Company's Chief Financial Officer and as the Chief Executive Officer of Elbit Medical, effective as of January 1, 2018. The main terms of her compensation are as follows:

- A fixed salary of NIS 50,500 per month and as of January 1, 2019 NIS 52,500 per month.
- Annual bonus of up to 4 salaries (i.e. NIS 202,000 in 2018 and NIS 210,000 in 2019) for achieving Company goals determined by the Compensation Committee and Board of Directors in accordance with the Company's Compensation Policy.

  In addition, And notwithstanding the provisions of the Company's Compensation Policy, in case there is a "going concern note", then the entitlement to a bonus for that year (beginning from the year 2016) will be brought for further discussion and the approval before the Compensation Committee, which will decide as follows:

  1. If and to the extent that the Committee believes that the "going concern note" is due to the Company's cash flow difficulties, then the bonus will not be paid.

  2. If and to the extent that the Committee believes that the "going concern note" is not due to a difficulty in the cash flow of the Company, then it may approve the bonus in whole or in part according to the relevant circumstances.

- Ms. Naftali was granted 6,371,100 options exercisable into 3,185,550 shares of Elbit Medical and subsequently exercised all such options. During 2016 Ms. Naftali was granted 10,000,000 options exercisable (in consideration for an exercise price of NIS 0.1 per share) into 5,000,000 shares of Elbit Medical. One third of such options were vested and exercised. Another third of those options have vested but have not been exercised and another third of such options have not yet vested.
- Ms. Naftali will be entitled to receive a retirement bonus equal to 6 salaries (3 salaries calculated based on the gross monthly salary and 3 salaries calculated based on the cost of salary to the Company).
- Special bonus: (i) bonus for the realization of two main assets of the Company (one of them is the Radisson Blu Hotel that was sold and the other is the holdings in InSightec), and (ii) NIS 255,000 if and to the extent that the following two criteria are met:

  (i) Full repayment of the Company's notes (series I); and (ii) continuous employment of Ms. Naftali by the Company until December 31, 2019 (provided however that Ms. Naftali's term of office was not terminated by the Company except for termination for cause).

  A two month notice prior to termination of employment.
- Ms. Naftali shall be covered under the Company's Directors and Officers liability insurance policies and the Company's indemnification to its officers.

Services of our Director, Mr. Boaz Lifschitz

In December 2017, our shareholders approved a one-year renewal (until October 2018) of the consultancy agreement with Mr. Lifschitz, of his advisory services in the field of life sciences (i.e. InSightec and Gamida) (the "**Services**") to be provided 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 29,270 plus VAT, payable in quarterly installments in arrears and a meetings attendance fee of NIS 930 per meeting (i.e. meeting of the board of directors of InSightec and Gamida and any of their committees). Such fees are in addition to the fees Mr. Lifschitz is entitled to in his capacity as member of the board of directors of the Company and of Elbit Medical.

Services of Mr. Doron Moshe

In March 2016, our shareholders approved the terms of office and employment for Mr. Moshe for his services as the chief executive officer of our Company. The main terms of office and employment for his service are as follows:

- A fixed cash fee of NIS 72,800 per month, which will be linked to the Israeli consumer price index (the "**Fixed Compensation**"). In addition Mr. Moshe shall be entitled to certain customary benefits, such as, use of a car, phone and cell phone and other work related expenses in accordance with the Company's practices, managers insurance and/or pension funds, vacation days and sick leave, as well as other benefits consistent with employee social welfare benefits, such as contributions to pension funds and a study fund and recuperation pay ("***dmei havraa***"). In addition, Mr. Moshe will be entitled to company car, personal laptop, communication expenses reimbursement and cell phone. The tax cost of the company car, certain contribution by the Company to the pension fund and study funds that are higher than maximum amount under the Israeli tax regulations, and communication expenses shall be grossed up as part of Mr. Moshe salary.
- Target-based Bonus, for each calendar year during his Term of office, which will be based on pre-defined objectives determined by the Company's compensation committee and approved by the Company's Board of Directors, up to an amount not exceeding 5 Monthly gross salaries.
- Special Bonus based on the realization of two main assets of the Company (one of them is the Radisson Blu Hotel that was sold and the other is the holdings in InSightec). The payments of bonuses (target based Bonus plus Special Bonus) for the year 2017 shall not exceed the aggregated amount equal to eight monthly gross Salaries (NIS 582,400 for 2017) subject to the specific terms set in the Company's Compensation Policy.

- Equity Incentive: Mr. Moshe holds the following - 19,851,000 Elbit Medical's options exercisable in to 9,925,500 ordinary shares; 16,666 PC's options exercisable in to 16,666 ordinary shares.

- Mr. Moshe shall be entitled to a period of three months' notice prior of his employment. In addition, Mr. Moshe Shall be entitled to retirement bonus of nine additional months, during which he shall be entitled to payment of Salary and all applicable social benefits contributions, as well as to continue the use of the company car and cell phone.

- Mr. Moshe 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.

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 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

Pursuant to our Amended and Restated Articles of Association, the size of our board of directors shall be no less than 4 persons but no more than 7, excluding any external directors. Our directors are generally elected by our shareholders at the annual meeting of the shareholders by a simple majority. 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 up to the maximum number provided in our articles of association. Any director so appointed will hold office until the next annual meeting of the shareholders. Our board of directors currently consists of six members.

In addition, the Companies Law provides that a person will not be elected and will not serve as a director in a public company if he or she does not have the required qualifications and the ability to dedicate an appropriate amount of time for the performance of his or her director position in the company, taking into consideration, among other factors, the special needs and size of the company. A general shareholders meeting of a company whose shares are publicly traded, at which the election of a director is to be considered, will not be held unless the nominee has declared to the company that he or she complies with the above-mentioned requirements, and the details of his or her applicable qualifications are provided, and in case such nominee is an "independent director" as defined in the Companies Law (see below), that such nominee has also declared that he or she complies with the independence criteria under the Companies Law. Each of our elected directors has declared to our board of directors that he or she complies with the required qualifications under the Companies Law for appointment as a member of our board of directors, detailing his or her applicable qualifications, and that he or she is capable of dedicating the appropriate amount of time for the performance of his or her role as a member of our board of directors.

Alternate Directors

Our Amended and Restated Articles of Association provide that any director, other than the external directors, 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 and that external director may not appoint alternate director, except under very limited circumstances. An alternate director has the same responsibility as a director, and shall possess all the required qualifications to serve as a director.

Adoption of Companies Regulation Leniency with Respect to Composition of Board of Directors

On August 18, 2016, our Board resolved to adopt the corporate governance structure set forth in Regulation 5D of the Israeli Companies Regulations (Relief for Public Companies with Shares Listed for Trading on a Stock Market Outside of Israel), 5760-2000. In accordance with such Regulation, a public company with securities listed on certain foreign exchanges, including NASDAQ, that satisfies the applicable foreign country laws and regulations that apply to companies organized in that country relating to the appointment of independent directors and composition of audit and compensation committees are exempt from the composition requirements set forth in the Israeli Companies Law.

In accordance with such resolution, for so long as the Company does not have a controlling shareholder as defined in the Companies Law, the Company shall comply with the NASDAQ Listing Rules in connection with the number of independent directors on the Board, and the composition of each of the Audit Committee and the Compensation Committee, in lieu of such requirements set forth under the Israeli Companies Law.

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, who have been designated as such by the audit committee.

Board Committees

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

Audit committee

Due to recent amendments to Israel legislation, as mention above, “dual listed” companies are not required to comply with the Companies law requirement regarding the Audit committee composition, subject to full compliance with SEC and Nasdaq requirement.

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 four members, all of whom meet all requisite independence and other professional requirements. Our audit committee operates in accordance with a charter. 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 consolidated 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 comprised solely of independent directors or by a majority of independent directors. For a foreign private issuer, such as our company, NASDAQ rules allow foreign private issuers to follow "home country practice". On September 3, 2015 the board approved the exemption from the requirement to select board nominees by the nomination committee. 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.

An "independent director" is defined as an external director or a director who meets the following conditions: (i) satisfies certain conditions for appointment as an external director and the audit committee has determined that such conditions have been met and (ii) has not served as a director of the company for more than nine consecutive years, with any interruption of up to two years in service not being deemed a disruption in the continuity of such service Or for a "dual listed" company like us and independent director may be considered as such through compliance with Nasdaq requirements.

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 Alon Bachar, Nitzan Gozlan and Nadav Livni.

Compensation Committee

Due to recent amendments to Israeli legislation, as mentioned above, "dual listed" companies that: (i) has no Controlling (as such term is defined under the Companies Law) shareholder; and (ii) are in compliance with SEC and Nasdaq requirements regarding nomination of independent directors and regarding the composition of the audit committee and compensation committee); are exempt, inter alia, from the requirement to comply with the Companies law provisions regarding the compensation committee composition.

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 Nitzan Gozlan, Boaz Lifschitz and Alon Bachar.

Financial Statements Review Committee

Pursuant to the Israeli Companies Regulations the financial reports of a public company such as our company may be brought for discussion and approval of the board only after such committee has discussed and formulated recommendations to the board in connection with: (1) the valuations and estimates used in connection with the consolidated financial statements; (2) the internal controls related to financial reporting; (3) the completeness and appropriateness of disclosure in the consolidated financial statements; (4) the accounting policy adopted and accounting treatment applied in the material matters of the company; and (5) valuations, including the assumptions and estimates underlying them, on which data in the consolidated financial statements is provided. The Financial Statements Review Committee must consist of at least three members, the chairperson of the committee must be an independent Director, and the majority of its members must be directors who meet certain independence requirements of the Companies Law, and, among other criteria, all of its members must be able to read and understand financial statements, with at least one of the members having "financial and accounting expertise" (as defined above).

Pursuant to the Companies Regulations, the audit committee may serve as the Financial Statements Review Committee subject to fulfillment of the aforementioned conditions.

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 Shapira, 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 10B - Memorandum and Articles of Association".

D. EMPLOYEES

As of March 31, 2018, we employed or contracted 5 persons as employees, administration and managerial services, all of whom work out of our headquarters in Israel. As of March 31, 2018, PC had 11 employees and consultants in the Netherlands, Greece and India.

As of March 31, 2017, we employed or contracted 7 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, 2017, PC had 61 employees, consultants and part time employees in the Netherlands, CEE, Greece and India. As of March 31, 2017, our Hotel division had 402 employees.

As of March 31, 2016, we employed or contracted 9 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, 2016, PC had 83 employees, consultants and part time employees in the Netherlands, CEE, Greece and India. As of March 31, 2016, our Hotel division had 420 employees.

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

E. SHARE OWNERSHIP

None of our officers and/or directors beneficially own at least 1% of the Company's share capital.

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 in October 2016 (the "**Chairman's Incentive Plans**"), Mr. Hadassi was granted options exercisable in to 38,445 ordinary shares, no par value, of the Company, constituting approximately 0.4% of our issued and outstanding share capital on a fully diluted basis. In addition Mr. Hadassi has been granted with 12,298,913 options convertible into maximum 6,149,456 shares of Elbit Medical constituting approximately 0.33% of our issued and outstanding share capital on a fully diluted basis.

2011 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 19,829,625 options exercisable into 9,930,437 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 exercising option holder shares of Elbit Medical (owned by the Company) 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 19,829,625 to 23,463,500 and resolved to grant an additional 3,633,875 options to employees and officer of the Company. Further, the Board had decided 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 September 2014, we granted an additional 1,800,000 options to past and present officers of Elbit Medical with an exercise price of NIS 0.115 per share.

In March 2016, we granted an additional 1,250,000 options to the new appointed chief financial officer of Elbit Medical at a price of NIS 0.10 per share.

In October 2016, we granted an additional 1,537,364 options to our chairman of the Board with an exercise price of NIS 0.106 per share .In March 2017 our board of directors has approved a grant of additional 62,500 options to an employee of the company and decided to extend the terms of the option to December 31, 2018 for the Company's officers and June 30, 2019 for the company's employees who served at Elbit at that time

As of March 31, 2018, 2,821,455 options were outstanding under the 2011 Plan of which 127,543,835 were vested.
All options under the 2011 Employees Stock Option plan has expired.

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 338,385 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, 2018, 253,520 options to purchase ordinary shares were outstanding under PC's Option Plan of which 253,520 options were vested.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

We had 9,190,808 ordinary shares outstanding as of April 26, 2018. The voting rights of all shareholders are the same. The following table sets forth certain information as of April 26, 2018, 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]	1,802,428	19.6%
Davidson Kempner Capital Management LP and/or certain funds and/or accounts managed by it or its affiliates [2]	1,314,528	14.3%
All of our officers and directors as a group. [3]	12,815	0.14%

(1) Based on the Schedule 13D filed with the SEC on February 14, 2017.

(2) Based on information provided by the shareholder to the Company.

(3) Taking into account options that are vested.

York Capital Management Global Advisers LLC and Davidson Kempner Capital Management LLC, together with their respective affiliates, are holders of the Notes and PC Notes. For further detail, see note 18D to our annual consolidated financial statements incorporated herein by reference.

B. RELATED PARTY TRANSACTIONS

Repayment of Elbit Medical debt to the Company

On March 9, 2018, we announced that following Elbit Medical's public offering of a new series of notes, Elbit Medical had transferred approximately NIS 151 million (approximately $ 43.7 million) to the Company as an early repayment on account of its debt to the Company. The balance of Elbit Medical's debt to the Company, in the total amount of approximately NIS 2 million (approximately $ 580 thousand) was converted into approximately NIS 2 million of par value notes from the new series.

York's investment in InSightec Series E Investment Agreement

See "Item 4B – Business Overview – Medical Companies – InSightec – Preferred stock investment round E."

InSightec Amendment to Series D Investment Agreement

In June 2014, InSightec entered into a Series D Preferred Share Purchase agreement with York Global Finance II S.à r.l. (an affiliate of York which is a related party of the Company) and other investors for an investment of up to USD 62.5 million in series D preferred shares of InSightec which than constitutes approximately 25% of InSightec's issued and outstanding share capital on a fully diluted basis. By the end of May 2015 the entire amount was invested ("**Series D Preferred Share Purchase Agreement**") .On December 31, 2015, InSightec and some of its existing and new shareholders signed and executed an amendment to the Series D Preferred Share Purchase Agreement, as amended from time to time (the "**Amendment to the Share Purchase Agreement**"), under which InSightec completed an investment of $22 million in consideration for approximately 7.3% of InSightec's outstanding share capital, on a fully diluted basis. The terms and conditions of the investment were the same as in the original Series D Preferred Share Purchase Agreement, based on the same pre-money valuation and subject to certain adjustments. InSightec.

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 share capital. 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 purpose 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. Following the approval of the Audit committee of PC and us we agreed that we will have the full rights in the Kochi Project and the amount outstanding from the Company to PC will be repaid in installments as scheduled in the agreement. As of the filing of this annual report the total amount outstanding under this loan is approximately €2.7 million.

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 shares 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 2017, 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 10B – Memorandum and Articles of Association – Insurance, Indemnification and Exemption".

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 5B – Operating and Financial Review and Prospects – Liquidity and Capital Resources – "Loans" above.

Under the terms of a management agreement with Elbit Medical, we provide services of chairman of the board (20% working time) and chief executive officer and chief financial officer (each 50% working time) for a monthly payment of NIS 67,000 per month. The management agreement was approved by Elbit's audit committee, board of directors and shareholders and is in effect until November 9, 2020.

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

Legal Proceedings

For information regarding the legal proceeding we are involved in, see "Item 4 – Information on the Company – History and Development of the Company – Recent Events, and note 13B 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.

B. SIGNIFICANT CHANGES

There are no significant changes that have occurred since December 31, 2015, 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:

	NASDAQ		TASE	
Year Ended December 31,	**High ($)**	**Low ($)**	**High ($)**	**Low ($)**
2017	**3.63**	**2.22**	**3.6**	**2.16**
2016	4.01	2	4.18	1.88
2015	2.14	0.65	2.09	0.64
2014	26.4	1.25	26.48	1.21
2013	70	13.8	68.2	14.6

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

	NASDAQ		TASE	
Financial Quarter	**High ($)**	**Low ($)**	**High ($)**	**Low ($)**
2018				
Q1	3.04	2.70	2.92	2.64
Q2 (through April 23, 2018)	2.75	2.69	2.66	2.65
2017				
Q1	3.63	3.23	3.60	3.27
Q2	3.54	2.83	3.44	2.75
Q3	3.20	2.77	3.12	2.75
Q4	2.90	2.22	2.93	2.16
2016				
Q1	3.00	2.00	2.76	1.88
Q2	2.85	2.33	2.65	2.28
Q3	4.01	2.31	4.18	2.28
Q4	3.96	3.39	3.83	3.37

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

	NASDAQ		TASE	
Month	**High ($)**	**Low ($)**	**High ($)**	**Low ($)**
April 2018 (through April 23)				
March 2018	2.80	2.75	2.76	2.67
February 2018	2.85	2.70	2.83	2.64
January 2018	3.04	2.78	2.92	2.72
December 2017	2.90	2.30	2.93	2.27
November 2017	2.48	2.22	2.44	2.16
October 2017	2.80	2.47	2.75	2.43

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

The Companies Law imposes approval requirements for the compensation of office holders. Every Israeli public company is required to adopt a compensation policy, recommended by the compensation committee, and approved by the board of directors and the shareholders. The shareholder approval requires a special 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 (part of them, by a special majority noted above). 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, and amended compensation policy at the extraordinary general meeting of our shareholders held on March 31, 2016 and at the annual general meeting of our shareholders held on October 13, 2016.

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 Amended 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 office 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 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 and any shareholder who knows that he possesses power to determine the outcome of the shareholders' vote at a general meeting, 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 compensation 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 11,666,667 ordinary shares, of no par value, of which 9,190,808 ordinary shares were issued and outstanding as of April 27, 2018.

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 8A – 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. 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 33.33% 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.

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 3D – 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.

Issuance of a new series of convertible notes by Elbit Medical

For discussion about the issuance of a new series of convertible notes by EI – See "Item 4 – Information on the Company – History and Development of the Company – Recent Events – "Issuance of a New Series of Notes by Elbit Medical and Payment of Debt from Elbit Medical to the Company".

Sale of Belgian Hotels

For discussion about the sale of our hotels in Antwerp Belgium –See "Item 5 - Sources of Cash from Major Transactions and Events – 2015."

Sale of the Radisson Complex

For a discussion of the sale of the Radisson Hotel Complex see "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Sale of our holdings in the Radisson complex in Bucharest, Romania"

Sale of plot in Bangalore, India

For a discussion of sale agreement of our plot in Bangalore (including amendment thereto) see "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Agreement to Sell a Plot in Bangalore, India".

Acquisition of a loan to control the Liberec Plaza

For a discussion regarding our acquisition of Liberec Plaza, see "Item 5 – Operating and Financial Review and Prospects – 2015".

Debt repayment agreement and Sale of Zgorzelec Plaza commercial Center

For a discussion regarding debt repayment agreement and the sale of Zgorzelec commercial center see "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Debt repayment agreement and Sale of Zgorzelec Plaza Shopping Commercial Center".

Acquiring bank loan for PC's plot in Brasov, Romania

For a discussion regarding acquiring bank loan in Brasov, Romania see "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Acquiring bank loan for PC's plot in Brasov, Romania".

The Debt Restructuring

For a discussion of the Debt Restructuring, see above "Item 4 – Information on the Company – History and Development of the Company – Recent Events – "Our Debt Restructuring".

The PC Debt Restructuring

For a discussion of the Amended PC Plan, see above "Item 4 – Information on the Company – History and Development of the Company – Recent Events – PC Debt Restructuring".

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Issuance of Series I Notes

For a discussion of the our Series I Notes, see above "Item 5 – Operating and Financial Review and Prospects – Liquidity and Capital Resources – Liquidity – Other Loans".

Medical

For information regarding the investment in InSightec by Koch Disruptive Technologies, York Global Finance II S.à r.l., an affiliate of York Capital Management which is a related party of the Company certain other investors see Item 4 - Information on the Company – History and Development of the Company – Recent Events – "InSightec Equity Round".

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 Israeli individuals from the sale of shares 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 2015 tax year, 25% for the 2016 tax year, 24% for the tax year 2017 and 23% for the 2018 tax year and thereafter) 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.

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.

At the sale of securities traded on a stock exchange a detailed return, including a computation of the tax due, must be filed and an advanced payment must be paid on January 31 and June 30 of every tax year in respect of sales of securities made within the previous six months. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and regulations promulgated thereunder the aforementioned return need not be filed and no advance payment must be paid. Capital gain is also reportable on the annual income tax return.

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. As of January 1, 2014, any distribution of dividends from income attributed to a Preferred Enterprise under the Law for the Encouragement of Capital Investments, 1959 ("**Investment Law**") is generally subject to a tax at a rate of 20%. However, if such dividends are distributed to an Israeli company, no tax is imposed. As of January 1, 2014, dividends distributed from income attributed to an Approved Enterprise and/or a Benefited Enterprise under the Investment Law, are subject to a tax rate of 20%. Notwithstanding the above, a reduced 15% tax rate will be applicable if the dividend was distributed out of income of: (i) Approved Enterprise activated prior to 2014; or (ii) Benefited Enterprise with a "Year of Election" prior to 2014.

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", 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.

Excess Tax

Individuals who are subject to tax in Israel are also subject to an additional tax at a rate of 2% for the tax year 2016 and at a rate of 3% for the tax year 2017 and thereafter on annual income exceeding a certain threshold (approximately NIS 811,000 for 2016 and NIS 640,000 for 2017, which amount is linked to the annual change in the Israeli consumer price index), including, but not limited to income derived from, dividends, interest and capital gains.

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 (i) if, in general, 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 shares (by vote or value); 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 an entity treated as a partnership or other pass-through entity for U.S. Federal income tax purposes holds our ordinary shares, the tax treatment of the entity and an equity owner in such entity will generally depend on the status of the equity owner and the activities of the entity. Such an equity owner or entity 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 may 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 (1) if 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 U.S. dollar amount of the dividend (including any non-U.S. taxes withheld therefrom), based upon the exchange rate in effect on the date of the distribution. U.S. holders will have a tax basis in the NIS for U.S. federal income tax purposes equal to that U.S. 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 non-recognition transactions), a U.S. holder will generally 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 U.S. 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 U.S. dollar, which will generally be U.S. source ordinary income or loss.

Net Investment Income

Subject to certain limitations and exceptions, certain non-corporate U.S. holders may be subject to an additional 3.8% 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 net investment income tax on their investment in our ordinary shares.

Tax Consequences if we are a Passive Foreign Investment Company

We will be 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 2017. 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, 2018 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 Backup 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 receipt 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 24%) 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 otherwise establishes that such holder is 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, 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, 2017, 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.

In addition a significant part of our business/investments are denominated in foreign currencies (Euro for the commercial center business and plots in Eastern Europe, US dollar for the Medical business and INR for the plots in India) while the corporate obligations of us and PC and Elbit Medical (mainly notes) are linked to the Israeli NIS. Our main source to serve these corporate debts will arrive mainly from the sale of these assets/investments. Therefore a devaluation of each of these currencies against the NIS until the date of the execution of the relevant sale transaction may significantly affect us and PC cash flow and our ability to repay our debts in a timely manner. As of the filling of this annual report we do not actively hedge this risk.

The following table details sensitivity analysis to a change of 10% in our main foreign currencies, as of December 31, 2017, 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):

	Functional currency	Linkage currency	Change in the exchange rate (%)	Profit (loss)
		(In NIS thousands)		
Financial assets				
Cash and deposits	NIS	EURO	+10%	368
Cash and deposits	NIS	USD	+10%	131
Cash and deposits	Euro	PLN	+10%	174
Cash and deposits	Euro	USD	+10%	243
Cash and deposits	Euro	NIS	+10%	13,305
Total				**14,221**
Financial Liabilities				
Loans at amortized cost	Euro	PLN	+10%	(2,125)
Notes at amortized cost	RON	Euro	+10%	(46,425)
Total				**(48,550)**

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 its activity, our commercial centers business do not materially exposed to credit risks stemming from dependence on a given customer. Our company examined on an ongoing basis the credit amounts extended to its customers and, accordingly, records a provision for doubtful debts based on those factors it considers having an effect on specific customers.

Interest rate risk

Fair value risk

A significant portion of our long term loans and notes bearing 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.

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 1% in the LIBOR rate with respect to financial assets and liabilities as of December 31, 2017, which are exposed to cash flow risk (before tax and before capitalization to qualifying assets):

	Profit (loss) NIS thousands
Notes linked to the PLN	(213)

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 1	2	3	4	5	Total
€	PLN	6M WIBOR+6	7.8	21.2	-	-	-	-	21.2
€	NIS (linked to CPI)	6-6.9	6-6.9	(*)213.1	223.2	53.9	-	-	490.2
NIS	NIS (linked to CPI)	6	6	296.2	275.6	-	-	-	571.8
				530.5	498.8	53.9	-	-	1,083.2

(*) Regarding PC Notes - the repayment take into account the minimum contractual payments on the PC Notes to achieve the Deferral see note 11 E.

Israeli consumer price index risk

A significant part 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 2% in the Israeli consumer price index will cause an increase in our finance expenses for the year ended December 31, 2017 (before tax) in the amount of NIS 19 million (approximately $5 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 relies, 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 the balance sheet date. The estimation of fair value is carried out, as mentioned above, according to the discount rates in proximity to the date of the balance sheet 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 consolidated 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 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 and non-current assets and current liabilities -** (cash and cash equivalents, deposits and marketable securities, trade receivables, other current assets and assets related to discontinued operations, **loans and deposits which bear variable interest rate**, 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.

b) **Financial instruments included in long-term liabilities** - the fair value of the traded liabilities (notes) is determined according to closing prices as of the balance sheet date 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 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 approximate to those presented in the balance sheet.

The following table presents the book value and fair value of our financial assets (liabilities), which are presented in our consolidated financial statements at other than their fair value:

	As of December 31, 2017	
	Book Value	**Fair Value**
Notes	(1,024,168)	(911,051)

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

PC Debt Restructuring

On November 18, 2013, our subsidiary PC announced that it had filed for reorganization proceedings and submitted a restructuring plan to the Dutch Court proposed to its creditors, which was further amended. For more information, see "Item 4 – Information on the Company – History and Development of the Company – Recent Events –PC Debt Restructuring" and "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Amendment of the Restructuring Plan of PC".

Our Debt Restructuring

See "Item 4 – Information on the Company – History and Development of the Company – Recent Events –PC Debt Restructuring" and "Item 4 – Information on the Company – History and Development of the Company – Recent Events – Our Debt Restructuring".

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, 2017.

There can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within our company to disclose information otherwise required to be set forth in our reports. Nevertheless, our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based on this evaluation, our principal executive officer and chief financial officer concluded that, as of December 31, 2017, 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 (COSO)(2013). Based on the above, our management has assessed and concluded that, as of December 31, 2017, our internal control over financial reporting is effective.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding effectiveness of our internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report as we are a non-accelerated filer.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting other than the recommendations of the special committees as described below:

Potential violation of the requirements of the FCPA in Casa Radio Project in Romania

In March 2016 PC announced that its board became aware of certain issues with respect to certain agreements that were executed in the past by PC in connection with the Casa Radio Project in Romania that may indicate potential violation of the requirements of the FCPA, including the books and records provisions of the FCPA.

In order to address this matter, PC's Board appointed the chairman of its Audit Committee to investigate the matters internally. PC's Board also appointed independent law firms to perform an independent review of the issues raised. PC has approached and is co-operating fully with relevant Romanian authorities regarding the matters that have come to its attention in this respect, and it has submitted its findings to the Romanian authorities.

Following PC's report to us, our audit committee decided to appoint a special committee to examine the matters raised in PC's announcement, including any internal control and reporting issues. The special committee has concluded its examination of these matters and submitted its recommendations to the Company's Board. The main recommendations are as follows:

- Amending the Company's internal control policies and procedures to strengthen control over its subsidiaries and develop mechanisms to ensure adequate internal control policies and procedures are followed by subsidiaries.
- Appointing Compliance Officer whose responsibilities shall include, among others, development and regular monitoring of the Company's and its subsidiaries' internal control policies and procedures, including as they relate to FCPA and other relevant anti-bribery statutes.
- Assigning the Company's officer to be responsible for implementation of internal control policies and procedures and for making sure relevant employees are aware of such policies and procedures.

The Company's Board fully adopted the special committee's recommendations, and is working to implement them.

Potential violation of the requirements of the FCPA in Agency and SEC agreement from 2011

In addition, in April 2017 our Board of Directors and PC's Board of Directors became aware of certain issues with respect to an agency and commission agreement from 2011 regarding the sale in 2012 of property in the U.S. jointly owned by PC and the Company. The agreement was between the Company, PC and another party, the beneficial owners of which had not been identified.

The characteristics of the contract could raise red flags that this contract may be a potential violation of the requirements of the FCPA, including the books and records provisions of the FCPA. In order to address this matter, our Board has appointed a joint committee with PC to investigate and examine the issues raised, including any internal control and reporting issues.

The joint committee has concluded its examination of these matters and submitted its recommendations to the Company's Board. The main recommendations are as follows:

- Enhance the Company's supervision over its subsidiaries by holding regular meetings among all of the group's compliance officers and requiring that compliance reports be regularly shared with the Company's compliance officer.
- Verify that the Company's policies and procedures are fully implemented in all of its subsidiaries.
- Amend PC Global Compliance Policy to ensure adequate internal controls.
- Improve the Company's and PC corporate governance and related party transaction procedures and questionnaires to better conform to the requirements of auditing standard IAS 24 Related Party Disclosures issued by the International Accounting Standards Board.

- Require each of the third parties to the Third Parties Agreements to sign that they are in compliance with the anti-bribery provisions of PC's compliance policy.

The Company's Board fully adopted the joint committee's recommendations, and, among other steps, is working to implement specific changes to its internal control policies and procedures.

None of the adjustments are expected to have a materially affect our internal control over financial reporting or financial statements.

For more information see "Item 4 – Information on the Company – History and Development of the Company – Recent Events –Approval of an offer of Settlement with the SEC in the matter of Alleged PC Violations of FCPA".

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

In accordance with Nasdaq Corporate Governance Rules, our board of directors has determined that both Mr. Alon Bachar and Mr. Nadav Livni 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 Shimshon 3, Petah Tikva, Israel and should include a return mailing address.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees billed by Deloitte and by EY for professional services for each of the last two fiscal years were as follows:

Services Rendered	EY 2017 Fees	EY 2016 Fees	Deloitte 2016 Fees
Audit (a)	$ 723,477	$ 1,096,498	$ 382,484
Audit-related (b)	$ 16,007	-	$ 2,574
Tax (c)	$ 48,023	$ 57,354	$ 14,804
All other fees (d)	-	-	-
Total	$ 787,506	$ 1,153,852	$ 399,862

(a) Audit Fees

"Audit Fees" are the aggregate fees billed for the audit of our annual consolidated 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 consolidated financial statements and are not reported under Audit Fees.

In 2015, Audit-Related Fees included mainly work related to conversion of our Registration Statement on Form F-1 to a Registration Statement on Form F-3.

(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.

(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 consolidated 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 and/or EY 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 2016.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

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 10B – Memorandum and Articles of Association – "Voting Rights"; (ii) executive sessions of independent directors, which are not required under the Companies Law; (iii) that director nominees either be selected, or recommended for the board's selection, either by independent directors constituting a majority of the board's independent directors or by a nominations committee comprised solely of independent directors, and (iv) 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, 2017 are found at the end of this Annual Report, beginning on page F-1.

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 4.1 of our Registration Statement on Form F-1 filed on March 13, 2014).
4.1	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).
4.2	English translation of the Company's compensation policy for officers and directors, adopted on August 14, 2014, as amended on March 31, 2016 and on October 13, 2016 (incorporated by reference to our Report on Form 6-K filed on September 6, 2016).
4.3	Restructuring Plan of Plaza Centers N.V as approved by the District Court of Amsterdam in the Netherlands on July 10, 2014 (incorporated by reference to Exhibit 4.12 of our Annual Report on Form 20-F filed on April 30, 2015).
4.4	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).
4.5	Series D Preferred Share Purchase Agreement, dated as of June 26, 2014, among certain purchasers and InSightec, as amended on September 7, 2014, December 15, 2014, June 10, 2015 and on December 30, 2015 (incorporated by reference to Exhibit 4.13 of our Annual Report on Form 20-F dated April 30, 2015).
4.6	Fourth Supplement and Amendment dated June 10, 2015 to the Series D Preferred Share Purchase Agreement among certain purchasers and InSightec dated June 26, 2014 (incorporated by reference to Exhibit 4.6 of our Annual Report on Form 20-F dated April 21, 2016).
4.7	Fifth Supplement and Amendment dated December 30, 2015 to the Series D Preferred Share Purchase Agreement among certain purchasers and InSightec dated June 26, 2014 (incorporated by reference to Exhibit 4.7 of our Annual Report on Form 20-F dated April 21, 2016)
4.8	Share Purchase Agreement, dated May 7, 2015, Astrid Hotel Holdings B.V and Astrid JV S.A.R.L (incorporated by reference to Exhibit 4.8 of our Annual Report on Form 20-F dated April 21, 2016).
4.9*	Fifth Amendment Agreement to Facilities Agreement, dated March 10, 2016, between Raiffeisen Bank International Ag, Raiffeisen Bank S.A., and Bucuresti Turism S.A, and the Company and Term Facility Agreement, dated March 10, 2016 between Raiffeisen Bank International Ag, Raiffeisen Bank S.A., and Bucuresti Turism S.A, and the Company (incorporated by reference to Exhibit 4.9 of our Annual Report on Form 20-F dated April 21, 2016).
4.10	Securities Purchase Agreement and Supplemental Agreement, dated December 2, 2015, as was amended on June 16, 2017, between AAYAS Trade Services Private Limited, Elbit Plaza India Real Estate Holdings Limited, Koyenco Limited, Minerva Infratech Private Limited, and Mantri Developers Private Limited (incorporated by reference to Exhibit 4.10 of our Annual Report on Form 20-F dated November 13, 2017).
4.11	Consensual Terms of Loan Transfer, dated September 29, 2015 between MKB Bank Zrt. and Plaza Centers Enterprises B.V with respect to Liberec Plaza commercial center (incorporated by reference to Exhibit 4.11 of our Annual Report on Form 20-F dated April 21, 2016).
4.12	Bank loan acquired by PC, dated December 6, 2016 which is held against PC's plot in Brasov, Romania (incorporated by reference to Exhibit 4.12 of our Annual Report on Form 20-F dated November 13, 2017).
4.13	Debt Repayment Agreement in relation to Zgorzelec Plaza commercial in Poland, dated June 28, 2016 (incorporated by reference to Exhibit 4.13 of our Annual Report on Form 20-F dated November 13, 2017).
4.14	Receivable Transfer Contract regarding the Acquisition of a loan to control the Liberec Plaza commercial center, dated March 31, 2016 (incorporated by reference to Exhibit 4.14 of our Annual Report on Form 20-F dated November 13, 2017).
4.15**	Amended and restated Securities Purchase Agreement dated March 27, between AAYAS Trade Services Private Limited, Elbit Plaza India Real Estate Holdings Limited, Koyenco Limited, Minerva Infratech Private Limited, and Mantri Developers Private Limited.
4.16**	Master Agreement for the Sale and Purchase of Shares in Bucuresti Turism s.a., Bea Hotels Eastern Europe (Romania) s.a. and indirectly Romextur s.a.
4.17**	Trust Deed for Elbit Medical Technologies (Series C) convertible notes issued on February 2018.
4.18**	Trust Deed for the Company's (Series I) notes issued on February 2014.
8.1**	List of subsidiaries
12.1**	Certification of the principal executive officer and 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**	Table of advisors relied upon in the consolidated financial statements as of December 31, 2017 for the years ended December 31, 2017, 2016 and 2015.
15.2**	Consent of Colliers international
15.3**	Consent of Cushman and Wakefield
15.4**	Consent of Cushman and Wakefield
15.5**	Consent of Jones Lang LaSalle Services SRL
15.6**	Consent of Pulvernis Bareket Ben-Yehuda Ltd.
15.7**	Consent of Greenberg Olpiner and Co.
15.8**	Consent of Jones Lang LaSalle SP. Z o.o.
15.9**	Consent of Jones Lang LaSalle Kft.
15.10**	Consent of BRIGHTMAN ALMAGOR ZOHAR and CO for the Company's consolidated financial statements.
15.11**	Consent of BRIGHTMAN ALMAGOR ZOHAR and CO for InSightec's consolidated financial statements.
15.12**	Consent of KOST FORER GABBAY and KASIERE for the Company's consolidated financial statements.

* Confidential treatment granted with respect to certain portions of this Exhibit.
** Filed herewith

ELBIT IMAGING LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

ELBIT IMAGING LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Elbit Imaging Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Elbit Imaging Ltd and its subsidiaries (the "Company"), as of December 31, 2017 and 2016, the related consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2017 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations, changes in equity, and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also audited the adjustments described in Note 19 that were applied to adjust the 2015 consolidated financial statements due to discontinued operation. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2015 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 consolidated financial statements taken as a whole.

We did not audit the financial statements of an associate, in which the Company has an 22.5% interest and are accounted for using the equity method, stated at NIS 0 thousand and NIS 5,300 thousand as of December 31, 2017 and 2016, respectively, and the Company's share of its losses amounted to NIS 5,300 thousand for the years ended December 31, 2017 and NIS 49,670 thousand for the year ended December 31, 2016. The financial statements of this associate were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this associate is based solely on the reports of the other auditors.

Emphasis of matters:

1. Note 1(C) to the consolidated financial statements, which describes the Company's financial position and the resources until November 2019 that are expected to serve the repayment of Company's liabilities. The Company's management and board of directors are of the opinion, based on its projected cash flows and the assumptions described, that the Company can execute its plans and that it would be able to serve its indebtedness in the foreseeable future.

2. Note 7(B)(2) to the consolidated financial statements, which describes conditions that indicate the existence of a material uncertainty that casts significant doubts about the ability of Company's subsidiary to continue as a going concern. Subsidiary's management plans with regard to these matters are discussed in Note 7(B)(2). The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company's subsidiary were unable to continue as a going concern.

3. Note 4(C)(1)(c) which discloses potential irregularities regarding to Casa Radio project in Romania and their potential implications.

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

4. Note 4(c)(1)(b) which discloses the risk that the public authorities my seek to terminate the Public Private Partnership Agreement ("PPP Agreement") and/or relevant permits and/or could seek to impose delay penalties on the basis of perceived breaches of the subsidiary's commitments under the PPP Agreement. In the event that the public authorities seek to terminate the PPP Agreement and/or seek to impose penalties, the Company's subsidiary may incur penalties and/or recover less than the carrying amount of the Casa radio asset recorded in the consolidated financial statements as at year end (NIS 209.7 million).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2017.

Tel-Aviv, Israel
April 25, 2018

Deloitte.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Elbit Imaging Ltd.

We have audited, before the effects of the retrospective adjustments for the discontinued operations discussed in Note 19 to the consolidated financial statements, the consolidated statements of income, comprehensive income, changes in equity, and cash flows of Elbit Imaging LTD and its subsidiaries (the "Company") for the year ended December 31, 2015 (the 2015 consolidated financial statements before the effects of the adjustments discussed in Note 19 to the consolidated financial statements are not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2015 consolidated financial statements, before the effects of the retrospective adjustments for the discontinued operations discussed in Note 19 to the consolidated financial statements, present fairly, in all material respects, the financial performance and cash flows of Elbit Imaging Ltd and subsidiaries for the year ended December 31, 2015, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments for the discontinued operations discussed in Note 19 to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

Without qualifying our opinion, we draw attention to:

1. Note 4 (c) (1) (c) and note 13 (c) (12) in the consolidated financial statements which disclose, among other things, potential irregularities concerning the Casaradio Project in Romania and their potential consequences, including Foreign Corrupt Practice Act implications as of December 31, 2015.

2. As discussed in Note 13, claims have been filed against Group companies as of December 31, 2015, one of which was certified as a class action.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu

Tel-Aviv, Israel

March 31, 2016

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | Fax: +972 (3) 609 4022 | info@deloitte.co.il

Jerusalem	Haifa	Beer Sheva	Eilat	Petah Tikva	Netanya	Nazareth
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510 D. BOX 45396	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	12 Alumot Omer Industrial park P.O.B. 1369 Omer, 8496500	The City Center P.O.B. 583 Eilat, 8810402	Deloitte Analytics 7 Hasivim P.O.B. 6712 Petah Tikva, 4959368	Seker - Deloitte 7 Giborey Israel St. P.O.B. 8458 Netanya, 4250407	9 Marj Ibn Amer St. Nazareth, 16100
Tel: +972 (2) 501 8888 Fax:+972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax:+972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 690 9500 Fax: +972 (8) 690 9600 info-beersheva@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4163 Fax:+972 (3) 919 0372 info@deloitte.co.il	Tel: +972 (9) 892 2444 Fax:+972 (9) 892 2440 info@deloitte.co.il	Tel: +972 (73) 399 4455 Fax:+972 (73) 399 4455 info-nazareth@deloitte.co.il

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ELBIT IMAGING LTD.

CONSOLIDATED STATEMENT FINANCIAL POSITION

	Note	December 31 2017	2016	Convenience translation (note 2d) 2017
		NIS in thousands		USD in thousands
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		465,739	89,688	134,335
Short-term deposits and investments	(3a)	10,495	39,527	3,027
Trade accounts receivables	(3b)	-	34,168	-
Other receivables	(3c)	7,222	13,344	2,083
Inventories		-	1,865	-
		483,456	178,592	139,445
NON-CURRENT ASSETS				
Trading property	(4)	492,619	1,310,549	142,088
Deposits, loans and other long-term balances	(3d)	34,874	23,484	10,058
Investments in associates and joint venture	(5,6)	5,592	26,949	1,613
Property, plant and equipment, net	(8)	830	721,635	239
		533,915	2,082,617	153,998
		1,017,371	2,261,209	293,443
CURRENT LIABILITIES				
Current maturities of long term borrowings and short-term credits	(9)	780,861	1,128,768	225,226
Suppliers and service providers		2,720	34,160	785
Payables and other credit balances	(10)	63,293	46,699	18,255
		846,874	1,209,627	244,266
NON-CURRENT LIABILITIES				
Borrowings	(11)	243,311	852,870	70,179
Other liabilities	(4c1d), (4d2)	75,970	57,155	21,913
Deferred taxes	(12)	-	92,942	-
		319,281	1,002,967	92,092
Commitments, Contingencies, Liens and Collaterals	(13)			
Shareholders' Equity	(14)			
Share capital and share premium		1,105,974	1,105,974	319,000
Reserves		(870,043)	(787,765)	(250,951)
Retained losses		(430,366)	(406,698)	(124,131)
Attributable to equity holders of the Company		(194,435)	(88,489)	(56,082)
Non-controlling interest		45,651	137,103	13,167
		(148,784)	48,614	(42,915)
		1,017,371	2,261,209	293,443

April 25, 2018		
Date of approval of the financial statements	Yael Naftali Chief Financial Officer	Ron Hadassi Chairman of the Board of Directors and Chief Executive Officer

The accompanying notes are an integral part of the consolidated financial statements.

ELBIT IMAGING LTD.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	note	Year ended December 31 2017	(*)2016	(*)2015	Convenience translation (note 2d) 2017
		NIS in thousands			USD in thousands
REVENUES AND GAINS					
REVENUES					
Revenues from sale of commercial centers		782,829	126,019	200,078	225,794
Total revenues		782,829	126,019	200,078	225,794
GAINS AND OTHER					
Rental income from commercial centers		31,997	66,417	83,849	9,229
Gain from sale of investees		-	-	6,712	-
Total gains		31,997	66,417	90,561	9,229
Total revenues and gains		814,826	192,436	290,639	235,023
EXPENSES AND LOSSES					
Cost of commercial centers	16a	805,623	159,806	290,360	232,369
General and administrative expenses	16b	14,930	10,257	16,678	4,306
Share in losses of associates, net	6,7	20,202	54,313	42,925	5,827
Financial expenses	16c	112,296	124,354	207,721	32,390
Financial income	16d	(1,811)	1,056	(2,154)	(522)
Change in fair value of financial instruments measured at fair value through profit and loss	16e	-	(2,707)	2,568	-
Write-down, charges and other expenses, net	16f	101,120	162,318	99,292	29,166
		1,052,360	509,397	657,390	303,536
Loss before income taxes		(237,534)	(316,961)	(366,751)	(68,513)
Income taxes expenses	12	11,244	3,020	4,402	3,243
Loss from continuing operations		(248,778)	(319,981)	(371,153)	(71,756)
Profit (loss) from discontinued operations, net	19	(152,903)	7,913	56,231	(44,102)
Loss for the year		(401,681)	(312,068)	(314,922)	(115,858)

(*) Reclassified (discontinued operations). Refer to Note 19.

The accompanying notes are an integral part of the consolidated financial statements.

ELBIT IMAGING LTD.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS (Cont.)

	note	Year ended December 31			Convenience translation (note 2d)
		2017	(*)2016	(*)2015	2017
		NIS in thousands (Except share and per share data)			USD in thousands
Attributable to:					
Equity holders of the Company		(338,034)	(194,830)	(186,150)	(97,500)
Non-controlling interest		(63,647)	(117,238)	(128,772)	(18,358)
		(401,681)	(312,068)	(314,922)	(115,858)
Loss from continuing operations					
Equity holders of the Company		(185,132)	(202,724)	(242,709)	(53,398)
Non-controlling interest		(63,647)	(117,257)	(128,463)	(18,358)
		(248,779)	(319,981)	(371,172)	(71,756)
Profit (loss) from discontinued operation, net					
Equity holders of the Company		(152,903)	7,893	56,540	(44,102)
Non-controlling interest		-	20	(309)	-
		(152,903)	7,913	56,231	(44,102)
Loss per share - (in NIS)	(16J)				
Basic and diluted earnings (loss) per share:					
From continuing operation		(20.14)	(22.05)	(21.73)	(5.8)
From discontinued operations		(16.64)	0.85	1.48	(4.8)
		(36.78)	(21.20)	(20.25)	(10.6)

(*) Reclassified (discontinued operations). Refer to Note 19.

The accompanying notes are an integral part of the consolidated financial statements.

ELBIT IMAGING LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31			
	2017	2016	2015	Convenience translation (note 2d) 2017
	NIS in thousands (Except share and per share data)			USD in thousands
Loss for the year	(401,681)	(312,068)	(314,922)	(115,858)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translation of foreign operations	(13,597)	(33,933)	(91,319)	(3,926)
Gain from cash flow hedge	-	1,670	2,081	-
Reclassification adjustments relating to foreign operations disposed of in the year	213,848	-	(32,454)	61,681
	200,251	(32,263)	(121,692)	57,755
Items not to be reclassified to profit or loss in subsequent periods (*):				
Additions during the year	9,763	90,410	83,582	2,816
	9,763	90,410	83,582	2,816
Other comprehensive income (loss)	210,014	58,147	(38,110)	60,571
Comprehensive loss	(191,667)	(253,921)	(353,032)	(55,287)
Attributable to:				
Equity holders of the Company	(127,918)	(128,114)	(206,504)	(36,896)
Non-controlling interest	(63,749)	(125,807)	(146,528)	(18,387)
	(191,667)	(253,921)	(353,032)	(55,283)
Loos from continuing operations				
Equity holders of the Company	(198,441)	(211,394)	(206,597)	(57,236)
Non-controlling interest	(63,935)	(127,281)	(143,610)	(18,441)
	(262,376)	(227,675)	(350,208)	(75,677)
Profit (loss) from discontinued operation, net				
Equity holders of the Company	70,895	83,279	(3,226)	20,449
Non-controlling interest	(186)	1,474	402	(54)
	70,708	84,753	(2,824)	20,395

(*) All amounts are presented net of related tax.

The accompanying notes are an integral part of the consolidated financial statements.

ELBIT IMAGING LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital and premium	Other reserves (*)	Revaluation of property, plant and equipment	Stock-based compensation reserve	Foreign currency translation reserve	Retained losses	Attributable to shareholders of the company	Non-Controlling interest	Total shareholders' equity
	NIS in thousands								
Balance -January 1, 2015	1,055,056	(201,848)	130,549	49,527	(734,176)	(67,129)	231,979	481,258	713,237
Loss for the year	-	-	-	-	-	(186,150)	(186,150)	(128,772)	(314,922)
Other comprehensive income (loss)	-	8,007	60,783	-	(109,649)	20,504	(20,355)	(17,756)	(38,111)
Stock based compensation expenses	-	-	-	845	-	-	845	(175)	670
Transaction with non-controlling interest	-	(148,066)	37,413	-	94,933	8,142	(7,578)	(50,565)	(58,143)
Expiration of options held by minority	-	-	-	546			546	787	1,333
Cancelation of treasury stock and old stock	50,918	-	-	(50,918)	-	-	-	-	-
Balance -December 31, 2015	1,105,974	(341,907)	228,745	-	(748,892)	(224,633)	19,287	284,777	304,064

(*) Includes transactions with non-controlling interest reserve and hedging reserve.

ELBIT IMAGING LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Cont.)

	Share capital and premium	Other reserves (*)	Revaluation of property, plant and equipment	Stock-based compensation reserve	Foreign currency translation reserve	Retained losses	Attributable to shareholders of the company	Non-Controlling interest	Total shareholders' equity
	NIS in thousands								
Balance -January 1, 2016	1,105,974	(341,907)	228,745	-	(748,892)	(224,633)	19,287	284,777	304,064
Loss for the year	-	-	-	-	-	(194,830)	(194,830)	(117,238)	(312,068)
Other comprehensive income (loss)	-	2,015	76,025	-	(24,089)	12,765	66,716	(8,569)	58,147
Stock based compensation expenses	-	-	-	27	-	-	27	149	176
Transaction with non-controlling interest	-	40,903	-	-	(27,369)	-	13,534	(15,239)	(1,705)
Forfeiture of stock options granted	-	6,777	-	-	-	-	6,777	(6,777)	-
Balance -December 31, 2016	1,105,974	(292,212)	304,770	27	(800,350)	(406,698)	(88,489)	137,103	48,614

(*) Includes transactions with non-controlling interest reserve and hedging reserve.

ELBIT IMAGING LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Cont.)

	Share capital and premium	Other reserves (*)	Revaluation of property, plant and equipment	Stock-based compensation reserve	Foreign currency translation reserve	Retained losses	Attributable to shareholders of the company	Non-Controlling interest	Total shareholders' equity
	NIS in thousands								
Balance -January 1, 2017	1,105,974	(292,212)	304,770	27	(800,350)	(406,698)	(88,489)	137,103	48,614
Loss for the year	-	-	-	-	-	(338,034)	(338,034)	(63,647)	(401,681)
Other comprehensive income (loss)	-	-	(1,960)	-	200,518	11,556	210,114	(100)	210,014
Stock based compensation expenses	-	-	-	199	-	-	199	503	702
Disposal as a result of sale of subsidiary (see note 19)	-	-	(302,810)	-	-	302,810	-	(6,433)	(6,433)
Change in holding rate in subsidiary	-	1,537	-	-	-	-	1,537	(1,537)	-
Forfeiture of stock options granted	-	20,238	-	-	-	-	20,238	(20,238)	-
Balance -December 31, 2017	1,105,974	(270,437)	-	226	(599,832)	(430,366)	(194,435)	45,651	(148,784)

(*) Includes transactions with non-controlling interest reserve and hedging reserve.

The accompanying notes are an integral part of the consolidated financial statements.

ELBIT IMAGING LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Cont.)

	Share capital and premium	Other reserves (*)	Revaluation of property, plant and equipment	Stock-based compensation reserve	Foreign currency translation reserve	Retained losses	Attributable to shareholders of the company	Non-Controlling interest	Total shareholders' equity
	USD in thousands								
Balance -January 1, 2017	319,000	(84,284)	87,906	8	(230,848)	(117,305)	(25,523)	39,545	14,022
Loss for the year	-	-	-	-	-	(97,500)	(97,500)	(18,358)	(115,858)
Other comprehensive income (loss)	-	-	(565)	-	57,836	3,333	60,604	(29)	60,575
Stock based compensation expenses	-	-	-	57	-	-	57	145	202
Disposal as a result of sale of subsidiary (see note 19)	-	-	(87,341)	-	-	87,341	-	(1,856)	(1,856)
Change in holding rate in subsidiary	-	443	-	-	-	-	443	(443)	-
Forfeiture of stock options granted	-	5,837	-	-	-	-	5,837	(5,837)	-
Balance -December 31, 2017	319,000	(78,004)	-	65	(173,012)	(124,131)	(56,082)	13,167	(42,915)

(*) Includes transactions with non-controlling interest reserve and hedging reserve.

The accompanying notes are an integral part of the consolidated financial statements.

ELBIT IMAGING LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31			
	2017	2016	2015	Convenience translation (note 2d) 2017
	NIS in thousands			USD in thousands
Cash Flows From Operating Activities				
Loss for the year	(401,681)	(312,068)	(321,796)	(115,858)
Adjustments to profit (loss):				
Tax expenses recognized in profit and loss	11,164	2,906	5,631	3,220
Finance expenses recognized in profit and loss, net	344,434	142,336	239,598	99,346
Income tax paid in cash	(1,856)	(803)	(509)	(535)
Depreciation, amortization and other (including impairment)	119,694	196,141	123,145	34,524
Realization of foreign currency translation reserve in connection with sale operations	-	-	(56,063)	-
Profit from realization of subsidiary (Appendix A)	(56,544)	-	(4,147)	(16,309)
Profit from realization of investments in associates and joint venture	-	-	(6,713)	
Share in losses of associates, net	20,202	54,312	42,925	5,827
Profit from realization of assets and liabilities	(3,204)	(7,973)	(4,872)	(924)
Stock based compensation expenses	719	189	1,047	207
Other	(759)	(412)	(488)	(219)
Change in trade accounts receivables	10,000	(22,797)	3,415	2,884
Change in receivables and other debit balances	(21,657)	61	10,968	(6,247)
Change in Inventories	187	106	(118)	54
Change in trading property	385,127	18,708	181,680	111,084
Change in suppliers and service providers	(1,301)	20,929	(7,095)	(375)
Change in payables and other credit balances	29,287	(14,605)	(13,241)	8,447
Net cash provided by operating activities of continuing operations	433,812	77,030	193,367	125,126
Net cash used in discontinued operating activities	-	-	(2,014)	-
Net cash provided by operating activities	433,812	77,030	191,353	125,126

ELBIT IMAGING LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont.)

	Year ended December 31			
	2017	2016	2015	Convenience translation (note 2d) 2017
	NIS in thousands (Except share and per share data)			USD in thousands
Cash flows from investing activities				
Proceeds from realization of investments in subsidiaries (a)	442,708	-	192,026	127,693
Proceeds from realization of investments in associates and joint venture	1,983	83,792	76	572
Purchase of property plant and equipment, and other assets	(4,095)	(2,872)	(23,630)	(1,181)
Proceeds from realization of property plant and equipment	3,635	22,278	12,916	1,048
Proceed from realization of long-term deposits and long-term loans	1,085	7,128	10,197	313
Investment in long-term deposits and long-term loans	974	(10,851)	-	281
Interest received in cash	-	328	1,404	-
Change in short-term deposits and marketable securities, net and changes in restricted cash	12,916	(9,917)	5,070	3,725
Net cash provided by continued investing activities	459,206	89,886	198,059	132,451
Net cash provided by discontinued investing activities	-	-	37,737	-
Net cash provided by investing activities	459,206	89,886	235,796	132,451

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont.)

	Year ended December 31			
	2017	2016	2015	Convenience translation (note 2d) 2017
	NIS in thousands (Except share and per share data)			USD in thousands
Cash flows from financing activities				
Interest paid in cash	(75,584)	(107,297)	(129,350)	(21,801)
Purchase of non-controlling interest	-	(701)	(62,059)	-
Proceeds from long-term borrowings	16,364	204,615	-	4,720
Repayment of long-term borrowings	(460,523)	(332,553)	(377,406)	(132,830)
Proceeds (payments) from hedging activities through sale of options and forwards	-	2,677	(1,610)	-
Repayment of short-term credit	-	-	(6,997)	-
Net cash used in continued financing activities	(519,743)	(233,259)	(577,422)	(149,911)
Net cash used in discontinued financing activities	-	-	(2,135)	-
Net cash used in financing activities	(519,743)	(233,259)	(579,557)	(149,911)
Increase (decrease) in cash and cash equivalents	373,275	(66,343)	(152,408)	107,665
Cash and cash equivalents at the beginning of the year	89,688	157,851	323,182	25,869
Cash and cash equivalents related to discontinued operations at the end of the year	-	-	-	-
Net effect on cash due to currency exchange rate changes	2,776	(1,820)	(12,923)	801
Cash and cash equivalents at the end of the year	465,739	89,688	157,851	134,335
(a) Proceeds from realization of investments in subsidiaries:				
Working capital (excluding cash), net	1,426	-	(15,591)	411
Long term deposits	9,302	-	-	2,683
Property, plant equipment and other assets	705,809	-	203,470	203,579
Bank loans	(231,631)	-	-	(66,810)
Deferred taxes	(92,309)	-	-	(26,625)
Non- controlling interests	(6,433)	-	-	(1,855)
Profit from realization of subsidiaries	56,544	-	4,147	16,309
	442,708	-	192,026	127,692

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Elbit Imaging Ltd. ("the Company") was incorporated in 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. Following debt restructuring plan approved in 2014 the Group main focus is to reduce corporate debt by early repayments following sale of assets and to continue with efficiency measures and cost reduction where possible.

b. The Group engages, directly and through its investee companies, in Israel and abroad, mainly in the following areas:

- Medical industries and devices - through the Company indirect holdings in two companies which operates in the field of life science: (i) INSIGHTEC which operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; and (ii) Gamida which operates in the field of research, development and manufacture of products designated for certain cancer diseases.

- Plots in India - plots designated for sale which were initially designated to residential projects.

- Plots in Eastern Europe initially designated for development of commercial centers - includes plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("PC") whose business strategy is to no longer develop commercial centers but to dispose of its real estate assets at optimal market conditions.

- With regards to the sale of Radisson hotel Complex in Bucharest Romania on December 18, 2017, see note 19. Accordingly, this operation is presented in these financial statements as discontinued operation.

c. Financial position as of December 31, 2017:

As of the financial statements' approval date, the Company's standalone financial position includes liabilities to Series H and Series I notes in the aggregate principal amount of approximately NIS 271 million. An amount of approximately NIS 50 million (principal plus future accrued interest) is due to Series H notes until May 30, 2018. The remaining amount of approximately NIS 250 million (principal plus future accrued interest) will become due until November 2019. In addition, until November 2019 the Company has certain operational expenses and other current liabilities for its ongoing operations in the amount of approximately NIS 28 million.

The Company has prepared a projected cash flow that outlines the relevant resources until November 2019 that are expected to serve the repayments to Series H and I notes which includes the following resources : (i) cash and cash equivalents (on a standalone basis) of approximately NIS 113 million; (ii) proceeds from payments on account of the sale of the Company's plot in Bangalore (India) in the amount of approximately NIS 51 million based on the current valuation which is lower than the sale agreement signed on March 2018 as mentioned in note 4 d.; (iii) proceeds from the Company's plot in Chennai in the amount of NIS 28 million based on the current valuation of the plot (iv) proceeds from sale of the Company's shares in Elbit Medical.

NOTE 1:- GENERAL (Cont.)

c. Financial position as of December 31, 2017 (Cont.):

The Company's management and board of directors are of the opinion, based on the projected cash flow and the assumptions described, that the Company can execute its plans and that it would be able to serve its indebtedness in the foreseeable future.

In light of the foregoing, the Company's management and board of directors are of the opinion that no significant doubts exist as to the Company's ability to act as going concern.

d. Financial position as of December 31, 2015:

Within the Company's consolidated financial statements as of December 31, 2015 which was published on March 30, 2016, the Company has included, inter alia, note with respect to its financial position which stated that the Company had prepared a projected cash flow until June 2018, which included the anticipated sources that to the Company's estimation, were expected to serve the repayment of its financial liabilities. As of December 31, 2015 the Company's Board of directors was of the opinion, based on the projected cash flow, that the Company can execute its plans and that it would be able to serve its indebtedness in the foreseeable future.

In light of the foregoing, the Company's board of directors was of the opinion that, the Company is a going concern and hence, the consolidated financial statements of the Company as of December 31, 2015 were prepared based on going concern assumption.

f. Definitions:

The Company	-	Elbit Imaging
Group	-	The Company and its Investees
Investees	-	Subsidiaries, joint ventures and associates
PC	-	Plaza Centers N.V. Group, a subsidiary of the Company, which in past operated mainly in the field of commercial centers and is traded in the Main Board of the London Stock Exchange, the Warsaw stock Exchange ("WSE") and Tel Aviv Stock Exchange. As of December 31, 2017, the Company holds 44.9% in PC.
Elbit Medical	-	Elbit Medical Technologies Ltd., a public Israeli company traded on the Tel Aviv Stock Exchange. As for December 31, 2017, the Company holds approximately 89% of Elbit Medical share capital (88.7% on a fully diluted basis).
Related parties	-	As defined in International Accounting Standard ("IAS") no. 24 see note 17.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance:

The audited consolidated 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 audited consolidated 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 (see note 2w.(1)a.); and (iii) certain property, plant and equipment (hotels) were presented until their disposal at the revaluation model (based on fair value). The principal accounting policies are set out below.

c. Presentation of the income statements:

The Group 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, 2017, and statement of income, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended have been translated into USD using the representative exchange rate as of that date (USD 1= NIS 3.467). Such translation was made solely for the convenience of the U.S. readers. The USD amounts so presented in these financial statements should not be construed as representing amounts receivable or payable in USD or convertible into dollars but only a convenience translation of reported NIS amounts into USD, unless otherwise indicated. The convenience translation supplementary financial data is audited and is not presented in accordance with IFRSs.

e. Operating cycle:

The Group is unable to clearly identify its actual operating cycle with respect to trading property. As such, the Group's operating cycle relating to trading property and corresponding borrowings is 12 months. Trading property and borrowings associated therewith are presented as non-current assets and non-current liabilities, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Basis for consolidation:

1. Assessment of control:

The audited consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("Subsidiaries"). Control is achieved where the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As for de facto control of the Company in PC see w (2) below.

2. Changes in the Group's ownership interests in existing subsidiaries:

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Investments in associates and joint ventures:

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these audited consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

In circumstances where the Group's interest in an investee company is in the form of mixed securities (such as ordinary shares, preferred shares or other senior securities, or loans), the Group records equity losses in excess of the Group's investment in the ordinary shares of the investee based on the priority liquidation mechanism, that is, allocating the loss to the other components in reverse order to their seniority in liquidation.

Where necessary, adjustments are made to the financial statements of associates to adjust their accounting policies with those of the Company.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Foreign currency:

1. Foreign currency transactions:

The financial statements of each individual entity of the Group are presented based on its functional currency. Transactions in currencies other than each individual entity's functional currency (foreign currency) are translated into that entity's functional currency based on the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the foreign exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value that are denominated at foreign currency are translated at the exchange rates prevailing at the date when the fair value was determined.

Exchange rate differences as a result of the above are recognized in statement of income, except for: (i) exchange rate differences charged to foreign currency translation reserve (see (2) below); and (ii) exchange rate differences charge to revaluation of property plant and equipment carried at fair value (see l below)

2. Financial statements of foreign operations:

For the purpose of the audited consolidated financial statements, the assets and liabilities of foreign operations (the functional currency of each foreign operation is the currency of the primary economic environment in which it operates) are translated to New Israeli Shekels ("NIS") which is the functional currency and the presentation currency of the Company, based on the foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to the functional currency of the Company based on exchange rates as at the date of each transaction or for sake of practicality using average exchange rates for the period.

Foreign exchange rate differences arising from translation of foreign operations are recognized directly to foreign currency translation reserve within other comprehensive income.

Exchange rate differences attributable to monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are also included in the foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in the equity reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Foreign currency (Cont.):

2. Financial statements of foreign operations (Cont.):

In the case of a partial disposal that does not result in loss of control by the Group over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to or from non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. Rates of exchange of NIS, in effect, in relation to foreign currency (in NIS) are as follows:

	December 31	
	2017	2016
USD ($)	3.467	3.845
EURO (EUR)	4.153	4.044
Romanian New Lei (RON)	0.8912	0.8905
Indian Rupee (INR)	0.0544	0.0565

Scope of change in the exchange rate, in effect, of the NIS in relation to the foreign currencies (%):

	December 31,		
	2017	2016	2015
USD ($)	(10)	(1)	-
EURO (EUR)	3	(5)	(10)
Romanian New Lei (RON)	(3)	(5)	(11)
Indian Rupee (INR)	(4)	(4)	(5)

i. Cash and cash equivalents:

Cash equivalents include unrestricted readily convertible to a known amount of cash, maturity period of which, as at the date of investments therein, does not exceed three months.

j. Financial assets:

Financial assets of the Group are classified mainly as loans and receivables. Financial assets are initially measured at fair value

Loans and receivable consist of trade receivables, deposits in banks, and financial institutions, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest is considered immaterial.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Trading property

Real estate properties for future sale are classified as trading properties and are stated at the lower of cost and net realizable value.

Net realizable was determined based on the residual method using the estimated selling price less cost for completion and executing the sale discounted in the applicable discount rate without taking into account the developer's profit and assuming that marketing period is restricted to a period which is lower than the normal one or the comparable method taking into account the specific restrictions that the Group has on the property. See also 2 w (1)a below and note 4 c (1) and note 4 d.

Costs of commercial centers include costs directly associated with their purchase (including payments for the acquisitions of leasehold rights and borrowing cost and all subsequent direct expenditures for the development and construction of such properties. Cost of trading property is determined mainly on the basis of specific identification of their individual costs.

As for borrowing costs capitalized to trading property - see s below.

As for write down of trading property - see w1a) below.

As for the operating cycle of trading property - see e above.

l. Property plant and equipment:

1. The Group's hotel was presented in the consolidated balance sheets according to the revaluation model.

   Revaluations are carried out on a regular basis (generally each half year). A change in the value of the hotel resulting from revaluation or from exchange rate differences is attributable to other comprehensive income (any revaluation reserve is net of applicable deferred taxes).

   The reserve derived from the revaluation of the hotel is transferred to retained earnings over the period for which the hotel is used by the Group. The transferred amounts equal the difference between the depreciation charge based on the revalued carrying amounts of the hotel and the depreciation charge based on the hotels' original cost. When a revaluated hotel is sold, the remaining amount in the revaluation reserve with respect to the same hotel (including any tax expenses) is directly transferred to retained earnings.

   Other property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Improvements and renovations are charged to cost of assets. Maintenance and repair costs are charged to the statement of income as incurred.

2. Depreciation is calculated by the straight-line method over the assets estimated useful lives. Leasehold improvements are amortized over the estimated useful period of use not exceeding the lease period (including the period of renewal options that the Group intends to exercise).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Property plant and equipment (Cont.):

Annual depreciation rates are as follows:

	%
Hotel	5
Other buildings	2.0 - 2.5
Building operating systems	7.0 (average)
Others (*)	6.0 - 33.0

(*) Consists mainly: office furniture, machinery and equipment, electronic equipment, computers and peripheral equipment.

m. Income taxes:

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current taxes:

Tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are non-taxable or deductible for tax purposes. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred taxes:

Deferred taxes are calculated in respect of all temporary differences, including (i) differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit; and (ii) tax losses and deductions that may be carried forward for future years or carried backwards for previous years.

Deferred taxes are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The calculation of deferred tax liabilities does not include taxes that would have arisen in the event of a realization of investments in certain investee companies or upon receiving their retained earnings as dividends, since it is management's policy not to realize these investees nor to declare dividend out of their retained earnings, or other form of profit distributions, in the foreseeable future, in a manner which entails additional substantial tax burden on the Group. For certain other Group's investee companies, which management's intention is to realize or to distribute their retained earnings as taxable dividend, tax liabilities (current and deferred) are recorded.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is to be settled or the asset is to be realized, based on tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Income taxes (Cont.):

Deferred taxes (Cont.):

Deferred tax asset is recorded to the extent that it is probable that it would be realized against future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity or in other comprehensive income, in which case the tax effect is also recognized directly in equity or in other comprehensive income;

n. Financial liabilities and equity instruments issued by the Group:

Equity instruments:

An equity instrument is any contract that represents a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issuance costs.

Financial liabilities:

Financial liabilities at amortized cost of the Group consist of short-term credits, current maturities of long-term borrowing suppliers and service providers, borrowings and other payables, which are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, unless recognition of interest is immaterial.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial liability (for example, prepayment, call and similar options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

When the Group revises its estimates of payments, it adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. The adjustment is recognised in profit or loss as a financial expense.

The Company has Consumer Price Index ("CPI")-linked financial liabilities that are not measured at fair value through profit or loss. For these liabilities, the Company determines the effective interest rate as a real rate plus linkage differences according to the actual changes in the CPI through each balance sheet date. Rate of decrease in the Israeli CPI in 2016 was 0.3% (2015- decrease of 0.9%; 2014 - increase of 0.1%).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Financial liabilities and equity instruments issued by the Group (Cont.):

Buyback of notes and loans:

The Group derecognizes a financial liability from its statement of financial position when repurchasing its notes or its loans. The difference between the carrying amount of the notes or the loans repurchased at the repurchase date and the consideration paid is recognized in profit or loss.

o. Derivative financial instruments and hedge accounting:

The Group enters into a variety of derivative financial instruments, some of which are intended to mitigate its exposure to interest rate and foreign exchange rate risks, including interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured at their fair value each balance sheet date. The resulting gain or loss from a derivative is immediately recognized in profit and loss. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the derivative is more than 12 months and as a current asset or a current liability if the remaining maturity of the derivative is less than 12 months.

p. Provisions:

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely than not (probable) that the Group will be required to settle the obligation, and a reliable estimate can be measured with respect to the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the balance sheet date, taking into account the risks and uncertainties associated with the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the result of the discounted expected cash flows, as long as the effect of discounting is material.

q. Share-based payments:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The Fair value is measured using the Black and Scholes (“B&S”) model except for capped-Stock Appreciation Rights (“SAR”) for which the Group is using the binomial model. The expected life used in the B&S model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis for each award over the vesting period, based on the Group’s estimate of shares that will eventually vest.

r. Revenue recognition:

General - The Group recognizes revenue and gains when the amount of revenue, or gain, can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Rental income from commercial centers - Revenues from leasing of property and management fees, as well as rental income relating to the operations of commercial centers are measured at the fair value of the consideration received or receivable. The lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

   The leases generally provide for rent escalations throughout the lease term. For these leases, the rental income is recognized on a straight line basis so as to produce a constant periodic rent over the term of the lease. Accordingly, accrued rental income recognized on a straight line basis, represents unbilled rent receivables that the Group will receive only if the tenant makes all rent payments required through the expiration of the initial term of the lease. The leases may also provide for contingent rent based on a percentage of the lessee's gross sales or contingent rent indexed to further increases in the Consumer Price Index (CPI). For contingent rentals that are based on a percentage of the lessee's gross sales, the Group recognizes contingent rental income when the change in the factor on which the contingent lease payment is based, actually occurs. Rental income for lease escalations that are indexed to future increases in the CPI, are recognized once the changes in the index have occurred.

2. Revenues from hotel operations are recognized upon performance of service.

3. Revenues and Gains from sales of real estate assets (including hotels), property, plant and equipment and trading properties are recognized when all the following conditions are satisfied:

   a) the Group has transferred to the buyer the significant risks and rewards of ownership of the asset sold;
   b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the asset sold;
   c) the amount of income can be measured reliably;
   d) it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);
   e) the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
   f) there are no significant acts that the Group is obliged to complete according to the sale agreement.

   For the Group, these conditions are usually fulfilled upon the closing of a binding sale contract.

s. Capitalization of borrowing costs:

   Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get it ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Capitalization of borrowing costs (Cont.):

Borrowing costs qualified for capitalization include mainly: Interest expenses and amortization of cost of raising debt.

Capitalization of borrowing costs to qualifying assets commences when the Group starts the activities for the preparation of the asset for its intended use or sale and continues, generally, until the completion of substantially all the activities necessary to prepare the asset for its designated use or sale (i.e. when the commercial center is ready for lease).

In certain cases, the Group ceases to capitalize borrowing cost if management decides that the asset can no longer be defined as a "qualifying asset". In other circumstances, capitalization is suspended for certain time periods, generally where the efforts to develop a project are significantly diminished due to inter-alia lack of external finance, or ongoing difficulties in obtaining permits. The conclusions whether an asset is qualified for capitalization or not, or whether capitalization is to be suspended, are also dependent on management plans with regard to the specific asset, such as the ability to raise bank loans, find anchors and local market conditions that support or postpone the construction of the project.

t. Earning (loss) per share:

The Company presents basic and diluted earnings (loss) per share with respect to continued and discontinued operation. Basic earnings per share is computed by dividing income (loss) attributable to holders of ordinary shares of the Company, by the weighted average number of the outstanding ordinary shares during the period. In the computation of diluted earnings per share, the Company adjusts its income (loss) attributable to its ordinary shareholders for its share in income (loss) of investees by multiplying their diluted earnings per share by the Company's interest in the investees including its holding in dilutive potential ordinary shares of the investees. In addition, the Company adjusts the weighted average outstanding ordinary shares for the effects of all the dilutive potential ordinary shares of the Company. On June 27, 2016, the Company executed reverse share split of its ordinary shares, therefore the earnings (loss) per share for previous periods was retrospectively adjusted. See also note 14.

u. Statement of cash flows:

Investments in, and payments on account of, trading property are included as cash flow from operating activities. Interest and dividend received from deposits and investments are included as cash flow from investing activities. Interest paid on the Group's borrowings (including interest capitalized to qualifying assets) and cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are included as cash flow from financing activities.

v. Discontinued operation:

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

(1) Represents a separate major line of business or geographical area of operations;
(2) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(3) Is a subsidiary acquired exclusively with a view to re-sale.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Discontinued operation (Cont.):

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and cash flow is re-presented as if the operation had been discontinued from the start of the comparative year.

w. Critical judgment in applying accounting policies and use of estimates:

In the application of the Group's accounting policies, management is 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 the Group's 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 the Group's accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

1. Use of estimates:

a) Write down of trading properties

The recognition of a write down to the Group's 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 the Group's audited 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 the lack of transactions in the real estate market in the CEE and India for same or similar properties.

Management is responsible for determining the net realizable value of the Group's trading properties. In determining net realizable value of the vast majority of trading properties, management utilizes the services of an independent third party recognized as a specialist in valuation of properties.

For special assumption see note 4b, 4c1e and 4d.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Critical judgment in applying accounting policies and use of estimates (Cont.):

1. Use of estimates (Cont.):

b) Litigation and other contingent liabilities:

The Group is involved in litigation, tax assessments and other contingent liabilities in substantial amounts including class actions, FCPA and potential legal acts (see also note 4c1, 13b and note 13c). The Group recognizes a provision for such litigation when it is probable that the Group will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The Group evaluates 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. The Group periodically evaluates these estimations and makes appropriate adjustments to the provisions recorded in the audited consolidated financial statements. In addition, as facts concerning contingencies become known, the Group reassesses its position and makes appropriate adjustments to the audited consolidated financial statements. In rare circumstances, when the case is unique, complicated and involves prolong and uncommon proceedings, the Group cannot reliably estimate the outcome of said case

c) Accounting for income taxes:

The calculation of the Group's 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 the Group operates and which vary from time to time. In addition, tax authorities may interpret certain tax issues in a manner other than that which the Group has adopted. Should such contrary interpretive principles be adopted upon adjudication of such cases, the tax burden of the Group may be significantly increased. In calculating its deferred taxes, the Group is required to evaluate (i) the probability of the realization of its deferred income tax assets against future taxable income and (ii) the anticipated tax rates in which its deferred taxes would be utilized.

d) Potential penalties, guarantees issued and expired building permits:

Penalties and guaranties are part of the on-going construction activities of the Group, and result from obligations the Group has towards third parties, such as banks and municipalities. The Group's management is required to provide estimations regarding risks evolving from penalties that the Group may have to settle. In addition, the Group's operations in the construction area are subject to valid authorizations and building permits from local authorities. Under certain circumstances the Group is required to determine whether the building permits it obtained have not yet expired. It may occur that building permits have expired which might impose on the Group additional costs and expenses, or delays and even abandon project under construction see also note 4c1.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Critical judgment in applying accounting policies and use of estimates (Cont.):

1. Use of estimates (Cont.):

e) Fair value of hotel:

The fair value of the Radisson Complex 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 the Radisson Complex is performed by and independent appraisals with a local knowledgeable in the hotels business.

2. Critical judgment in applying accounting policies:

De facto Control:

As for December 31, 2017 and 2016, the Company holds approximately 44.9% of PC share capital; DK holds approx. 26.3% of PC share capital and the rest is widely spread by the public. The Company's management is 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, it has a sufficiently dominant voting interest to meet the power criterion, therefore the Company has de facto control over PC.

x. New accounting standards and interpretation issued, that are not yet effective:

The following are new accounting standards, amendments to standards and clarifications which are applicable or expected to be applicable, to the Group, and which have not yet become effective:

- ***IFRS 9 Financial Instruments***

'In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. New accounting standards and interpretation issued, that are not yet effective (Cont.):

- ***IFRS 9 Financial Instruments (Cont.)***

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

Loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, adoption of IFRS 9 will not have a material effect on the classification and measurement of financial assets.

In addition, on adoption of IFRS 9, effective interest rate calculated on Company's bonds at amortized costs, will be adjusted as necessary in order to reflect the change in accounting policy related to modification of trust deeds terms.

The initial application of IFRS 9 will impact the Group's accounting treatment for the modification of financial liabilities without this resulting in derecognition.

Under IAS 39, no gain or loss was recognized at the date of modification of the loans' terms, instead the difference between the original and modified cash flows was amortized over the remaining term of the modified liability by re-calculating the effective interest rate.

Under IFRS 9, a gain or losses should be recognised in profit or loss. These gains or losses, under IFRS 9, will be calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

In summary, the impact of IFRS 9 adoption is expected to be, as follows:

Impact on equity (increase/(decrease)) as of 31 December 2017:

	Adjustments	NIS000
Liabilities and shareholders' equity		
Bonds at amortized cost		(5,751)
Total liabilities		(5,751)
Net impact on equity		(5,751)
Retained earnings		(5,751)

- ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. New accounting standards and interpretation issued, that are not yet effective (Cont.):

- ***IFRS 15 Revenue from Contracts with Customers (Cont.)***

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date using a modified retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

1. Sale of goods

For contracts with customers in which the sale of trading property is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the trading property. In preparing to adopt IFRS 15, the Group is considering the following:

a) Variable consideration

One contract with a buyer provide a final agreed value depends on sustainable NOI following 12 months of operation of the mall, followed by re-examined NOI again after 24 and 36 months of operation which may lead to an upward price adjustment. Currently, the Group recognizes revenue from the sale of trading property measured at the fair value of the consideration received or receivable. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15 and will be required to be estimated at contract inception and updated thereafter.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group does not expect that application of the constraint will result in more revenue being deferred than undercurrent IFRS.

b) Warranty obligations

The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with buyers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. New accounting standards and interpretation issued, that are not yet effective (Cont.):

- ***IFRS 15 Revenue from Contracts with Customers (Cont.)***

1. Sale of goods (Cont.)

c) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will not be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation.

In addition, as required by IFRS 15, the Group will disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

- ***IFRS 16, "Leases":***

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. New accounting standards and interpretation issued, that are not yet effective (Cont.):

- ***IFRS 16, "Leases" (Cont.):***

  Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements. Since the Company's lease contracts are not significant, the Company estimates that the adoption of the new Standard will not have a material impact on the Company's assets and liabilities. However, at this stage, the Company is unable to quantify the impact on the financial statements.

- ***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

NOTE 3:- DEPOSITS, RECEIVABLES AND OTHER INVESTMENTS

a. Short-term deposits and investments

	December 31	
	2017	2016
	NIS in thousands	
Deposits at banks:		
EURO (1)	-	26,795
NIS (2)	6,463	6,426
Other restricted deposits (3)	-	2,215
	6,463	35,436
Available for sale financial assets	4,032	4,091
	10,495	39,527

(1) As of December 31, 2016, EUR 4 million (NIS 16 million) and EUR 2.5 million (NIS 10 million) is restricted mainly in respect of bank facilities agreements signed to finance Projects in Poland and Serbia, respectively. During 2017 the project's companies have been sold.
(2) As of December 31, 2017 and December 31, 2016 NIS 4.6 million and NIS 4 million respectively is restricted due to the Company's settlement agreement as described in note 13a1.
(3) As of December 31, 2016 Euro 0.5 million (NIS 2 million) is secured tenants deposit in respect of Suwalki and Torun malls that were sold during 2017.

b. Trade account receivable

	December 31,	
	2017	2016
Trade receivables (1)	-	38,210
Less - Allowance for doubtful debts	-	(4,042)
	-	34,168

(1) In December 31, 2016 Includes EUR 5.6 million (NIS 23 million) from sale of plots see also note 4c.

c. Other Receivables

	December 31	
	2017	2016
	NIS in thousands	
Income taxes	1,258	1,298
Governmental institutions	936	6,362
Advance to suppliers	-	525
Prepaid expenses	1,818	3,510
Interest to receive	46	514
Other	3,164	1,135
	7,222	13,344

NOTE 3:- DEPOSITS, RECEIVABLES AND OTHER INVESTMENTS (Cont.)

d. Deposits and other long-term balances

	December 31,	
	2017	2016
	NIS in thousands	
Deposits at banks (1)	-	11,453
Available for sale financial assets	1,596	1,596
Vendor loan (see note 19)	33,221	-
Prepaid expenses	-	7,064
Other	57	3,371
	34,874	23,484

(1) Was deducted in 2017 due to the sale of the Company's subsidiary that holds the Radisson Complex (see note 19).

NOTE 4:- TRADING PROPERTY

a. Composition:

	December 31,	
	2017	2016
	NIS in thousands	
Balance as of January, 1	1,310,549	1,467,760
Construction costs (1)	7,895	108,511
Disposal during the year (2)	(736,484)	(158,786)
Write-down to net realizable value (see b below)	(92,398)	(196,333)
Firstly consolidated entity (see note 4d2)	-	154,598
Foreign currency translation adjustments	3,057	(65,201)
Balance as of December, 31	492,619	1,310,549

(1) 2017 and 2016 - mainly due to construction activities in Serbia.
(2) As for disposition of trading properties in 2017 see c2- c10 below.

Composition of trading property per stages of development:

	December 31,	
	2017	2016
	NIS in thousands	
Projects designated for development	-	226,449
Other trading properties	492,619	1,084,100
Total	492,619	1,310,549

NOTE 4:- TRADING PROPERTY (Cont.)

b. Additional information:

Composition of trading property distinguished between freehold and leasehold rights:

	December 31,	
	2017	2016
	NIS in thousands	
Freehold	212,075	973,217
Leasehold	280,544	337,332
	492,619	1,310,549

Write down trading properties per project:

	Year ended December 31,	
	2017	2016
	NIS in thousands	
Project name (City, Country)		
Chennai (Kadavantara, India) (see d1 below)	7,879	24,564
Bangalore (Aayas, India) (see d2 below)	35,178	-
Helios Plaza (Athens, Greece)	-	2,992
Lodz Plaza (Lodz, Poland)	4,983	1,618
Krusevac (Krusevac, Serbia)	1,661	809
Casa radio (Bucharest, Romania) (See c1 below)	41,946	137,117
Constanta (Constanta, Romania)	-	3,445
Ciuc (Ciuc, Romania)	-	3,842
Timisoara (Timisoara, Romania)	-	10,514
Lodz residential (Lodz, Poland)	415	-
Kielce (Kielce, Poland)	-	4,448
BAS (Romania)	-	3,235
Arena Plaza extention (Budapest, Hungary)	336	3,749
	92,398	196,333
Change in provision in respect to PAB	(1,641)	(6,741)
	90,757	189,592

The 2017 write-downs were caused mainly due to the following factors:

- EUR 1.2 million (NIS 5 million) of write-down in Lodz Plaza project, Poland, which reflects a discount rate of 30% on the market value under special assumption that the marketing period is limited to 12-15 months.

  EUR 9.7 million (NIS 40 million) of write-down (net of change in provision in respect to PAB) in Casa Radio project, Romania due to the following: a slight increase in construction cost, a slight decrease in financing interest rate, prolongation of lead-in period in half a year and an increase in the discount factor for restricted marketing period from 25% to 35%. As compared to 2016, deals take longer to exchange as the level of due diligence and scrutiny is heightened domestically and internationally. As a consequence a restricted marketing period would have a marked impact on the realizable value as a greater discount would be sought by a purchaser.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property:

1. Casa radio:

One of PC's most significant projects under development is the Casa radio project in Bucharest, Romania. The Casa radio Project cost in the Group's financial statements as of December 31, 2017, amount to NIS 263 million (2016 - NIS 296 million).

In 2006 PC entered into an agreement according to which it acquired 75% interest in a company ("Project SPV") which is under a PPP agreement with the Government of Romania to develop the Casa radio site in the center of Bucharest ("Project"). After signing the PPP agreement, PC holds indirectly 75% of the shares in the Project SPV, the remaining 25% are held by the Romanian authorities (15%) and a third party private investor (10%).

As part of the PPP, the Project SPV was granted with development and exploitation rights in relation to the site for a period of 49 years, starting December 2006 (37 years remaining at the end of the reporting period). As part of its obligations under the PPP, the Project SPV has committed to construct a Public Authority Building ("PAB") measuring approximately 11.000 square meters for the Romanian Government at its own cost.

Large scale demolition, design and foundation works, financed by loans given to the Project SPV by PC were performed on the construction site until 2010, when current construction and development was put on hold due to lack of progress in the renegotiation of the PPP agreement with the Authorities, as discussed in subsection (c) below, and the global financial crisis. These circumstances (and mainly the bureaucratic deadlock with the Romanian Authorities to deal with the issues specified below caused the Project SPV not to meet the development timeline of the Project, as specified in the PPP. However, PC management believes that it had legitimate reasons for the delays in this timeline, as discussed in subsection (c) below.

a) Obtaining of the Detailed Urban Plan ("PUD") permit

The Project SPV obtained the PUD related to this project in September 2012. Furthermore, on December 13, 2012, the Court took note of the waiver of the claim submitted by certain plaintiffs and rejected the litigation aiming to cancel the approval of the Zonal Urban Plan ("PUZ") related to the Project. The court decision is irrevocable.

As the PUD is based on the PUZ, the risk that the PUD would be cancelled as a result of the cancellation of the PUZ was removed following the date when the PUZ was cleared in court on December 13, 2012.

b) Discussions with authorities on construction time table deferral

Following the Court decision with respect to the PUZ, the Project SPV was required to submit a request for building permits within 60 days from the approval date of the PUZ/PUD and commence development of its project within 60 days after obtaining the building permit. The building permits have not been obtained.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

1. Casa radio (Cont.):

b) Discussions with authorities on construction time table deferral (Cont.)

However, due to substantial differences between the approved PUD and stipulations in the PPP agreement as well as changes in the EU directives concerning environmental considerations in buildings used by public authorities the Project SPV attempted to renegotiate the future development of the Project with the Romanian Authorities on items such as time table, structure and milestones as well as adaptation of the PAB development to the current EU requirements. Despite many notifications sent to the Romanian Authorities expressing a wish to renegotiate the existing PPP agreement no major breakthrough could be achieved. PC could be subject to significant delay penalties under the terms of the PPP agreement if it is determined that PC was at fault in causing the delays.

Because of the failure of the public authorities to cooperate, negotiate and adjust the PPP agreement, the Project SPV was not able to meet its obligations under the PPP. This resulted in a situation where the Project SPV could not "de facto" continue the execution of the Project and created a risk that the public authorities could attempt to terminate the PPP agreement. In the event that the public authorities seek to terminate the PPP Agreement and/or seek to impose penalties, PC may incur penalties and/or recover less than the carrying amount of the Casa radio asset recorded in the consolidated financial statements as at year end (NIS 209.7 million). As of the date of approval of PC's consolidated financial statements the Project SPV did not receive any termination notification by the public authorities.

PC believes that although there is no formal obligation for the Romanian Authorities to renegotiate the PPP agreement, such obligation is implicitly provided for the situation when significant unexpected circumstances arise and that the unresponsiveness of the authorities is a violation of the general undertaking to support the Project SPV in the execution of the Project as agreed in the PPP agreement.

PC believes that the risk that the public authorities may seek to terminate the PPP and/or relevant permits on the basis of the perceived breach of the PC's commitments and/or may seek to impose delay penalties on the basis of the PPP contract is unlikely given the public authorities have not sought to do such since the perceived breach in 2012 and given PC believes that it has basis for counter claims against the relevant public authorities.

In the case of termination for breach under the PPP agreement the relationship and compensation between the parties is to be decided by a competent court of arbitrations. PC's management believe that, in the case of termination, PC has a strong case to claim compensation for damages.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

1. Casa radio (Cont.):

b) Discussions with authorities on construction time table deferral (Cont.)

Since 2016 PC's management has taken a number of steps in order to unblock the development of the project and mitigate the risk of termination of the PPP agreement, including commencing a process to identify third party investors willing and capable to join PC for the development of the project and/or potential buyers for the Project. PC's management believes that reputable investors with considerable financial strength can enhance PC's negotiation position vis-à-vis the public authorities and assist in advancing an amicable agreement with the relevant authorities with respect to the development of the project.

PC's management considers the risk of termination of the PPP agreement and/or the imposition of penalties by the authorities to be unlikely and the consolidated financial statements do not include any provision in respect to any potential future penalties in respect to the breach of the PPP agreement.

c) Co-operation with the Romanian Authorities regarding potential irregularities:

In 2015, PC's board and management became aware of certain issues with respect to certain agreements that were executed in the past in connection with the Project. In order to address this matter, PC's board appointed the chairman of it's Audit Committee to investigate the matters and independent law firms to analyze the available alternatives in this respect. The chairman of the Audit Committee did not conclude the investigation as the person with key information was not available to answer questions. PC's Board, among other steps, implemented a specific policy in order to prevent the reoccurrence of similar issues and appointed the chairman of the audit committee to monitor the policy's implementation by PC's management. In addition, it was decided that in the future certain agreements will be brought to PC's board's approval prior to signing.

PC has approached and is co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention and it has submitted its initial findings in March 2016 to the Romanian Authorities. PC, during this process has been verbally informed by the Romania Authorities that it has received immunity from certain potential criminal charges and received further verbal assurance that the mentioned investigation should have no effect on the PC's existing legal rights to the Project and the PPP Agreement. As the investigation by the Romanian Authorities is still on-going, PC in unable to comment further on any details related to this matter. PC's management is currently unable to estimate any monetary sanctions in respect to the potential irregularities, consequently no provision has been recorded in connection with these matters.

For more information see note 13 b12.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

1. Casa radio (Cont.):

d) Provision in respect of PAB:

As mentioned in point a above, when PC entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own costs for the benefit of the Romanian Government. Consequently, the statement of financial position includes a provision in the amount of EUR 12.8 million (NIS 53 million) in respect of the construction of the PAB (December 31, 2016: EUR 13.2 million) which is presented as part of other non-current liabilities. During 2017, the Company recorded income in total amount of EUR 0.4 million from change in PAB provision as part of write down of trading properties (in 2016 - EUR 1.7 thousand).

PC's management believes that the current level of provision is an appropriate estimation in the current circumstances. Upon reaching concrete agreements with Authorities, PC will be able to further update the provision.

e) Casa radio valuation was prepared based on the assumption that the net realizable value ("NRV") refers to the net amount that the Group expects to realize from the sale of its trading property in the ordinary course of business.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

1. Casa radio (Cont.):

Significant estimates:

The following table shows the valuation techniques used in measuring the net realizable value of the Casa radio project:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development; Restricted marketing period	• Estimated weighted average monthly rental prices per sqm is EUR 26 for the mall, EUR 16 for offices and 14.2 for Hotel/Conference Center (2016: EUR 26.3 for the mall, EUR 15.8 for offices, EUR 14.2 for Hotel/Conference Center); • The Estimated Exit Yield is 8.75% for the mall, 9.25 % for the office component and 10.25% for Hotel/Conference center including additional 1.5% yield to cover for several risks related to the complexity and large scale of the project (2016 - the same) • The construction hard costs of the project are 760 EUR/sqm for the mall; 1,098 EUR/sqm for Hotel; 751 EUR/sqm for the offices; 370 EUR/sqm for parking (2016: 780 EUR/sqm for the mall; 740 EUR/sqm for the offices; 1,010 EUR/sqm for Hotel, 370 EUR/sqm for parking); • The development finance rate is 5.25% (2016:5.5%); • The scheme would compose the following components: (i) retail; (ii) offices; (iii) hotel & conference center; • Developers profit -15% (2016: 15%); • Discount to Market Value - 35% (2016: 25%); • Start of construction in 3.5 years (2016: 3 years).	The estimated fair value would increase (decrease) if: • The estimated rental prices per sqm were higher (lower); • The estimated yield rates were lower (higher); • The construction cost of the project were lower (higher); • The developer's profit provision for the project were lower (higher); • The development finance provision for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The occupancy of the mall were higher (lower); • The characteristics of the project would be changed; • The discount to market value would decrease (increase)

The following tables provide a sensitivity analysis on the value of PC's certain trading properties (in millions of NIS) assuming the following changes in key inputs used in the valuations:

Plots	Exit Yield					Rental income for all phases					Construction Cost					Delay in construction commencement date (months)				
	0	+15bps	+25bps	+40bps	+50bps	-10%	-5%	0	+5%	+10%	-10%	-5%	0	+5%	+10%	0	6	12	18	24
Casa Radio	209.7	193.2	182.7	167.3	157.6	111.3	160.5	209.7	258.6	307.6	285.6	248.1	209.7	171	132.4	209.7	204.3	198.9	194	189

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

2. Sale of Suwalki Plaza commercial center:

On February 1, 2017 PC has completed the sale of SPV holding Suwalki Plaza commercial center in Poland to an investment fund. On completion PC has received approximately EUR 16.7 million (NIS 69 million) net cash and recorded a gain of EUR 0.8 million (NIS 3.3 million) and revenue of EUR 43.1 million (NIS 174.7 million) from the disposal.

3. Sale of plot in Shumen:

On February 23, 2017 PC concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria for approximately EUR 1 million (NIS 4 million). PC recorded a gain of Euro 0.2 million (NIS 0.8 million) and revenue of EUR 1 million (NIS 3.9 million) from the disposal.

4. Sale of SPV holding Belgrade Plaza commercial center:

On March 2, 2017, an indirect subsidiary of the PC, has completed the sale of SPV holding Belgrade Plaza commercial center (the "SPV"), to a subsidiary of BIG Shopping Centers Ltd. (the "Purchaser").

The shopping center, which was over 97% pre-let, opened on 20th of April 2017 and PC had remained responsible for the development and leasing of the asset until the opening.

Upon completion of the transaction, PC has received an initial payment of EUR 31.7 million (NIS 125 million) from the purchaser, further EUR 2 million (NIS 8 million) has been received following the opening, further payment of EUR 13.35 million (NIS 53 million) has been received during September 2017 and additional payments are contingent upon certain operational targets and milestones being met. The Purchaser has provided a guarantee to secure these future payments. The received consideration is after the deduction of the bank loan (circa EUR 15.4 million) (NIS 60 million).

The final agreed value of Belgrade Plaza, which will comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% as well as the sustainable NOI after 12 months of operation, which PC estimates will be approximately EUR 6.2-6.5 million per annum.

Further instalments will be due to PC during the first year of operation based on this 12-month figure. The NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price.

PC recorded revenue of EUR 62.5 million (NIS 246 million) from the disposal and a gain of EUR 3.2 million (NIS 13 million). Expected future purchase price adjustment are not included.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

5. Final agreement for sale of Kielce Plaza, Poland:

On June 19, 2017, PC has signed the final sale agreement for the disposal of its 2.47-hectare plot in the center of Kielce, Poland, for EUR 2.28 million (NIS 9 million).

PC received a down payment of EUR 0.465 million (NIS 1.8 million) when the preliminary sale agreement was signed at 2016 and the remaining EUR 1.815 million (NIS 7.2 million) has been paid to PC during June 2017.

PC recorded revenue of EUR 2.2 million (NIS 9 million) from the disposal no gain was recorded.

6. Completed sale of Plot in Leszno, Poland:

In July 2017, PC has signed the final sale agreement for the disposal of a 1.8-hectare plot in the city of Leszno for EUR 0.81 million (NIS 3 million). PC recorded revenue of EUR 0.81 million (NIS 3 million) from the disposal.

7. Sale of plots in Timisoara and Constanta, Romania:

On August 7, 2017 PC has completed the sale of a plot totaling approximately 32,000 sqm in Timisoara, Romania, for Euro 7.25 million (NIS 30.9 million) and a plot totaling approximately 30,000 sqm in Constanta, Romania, for Euro 1.3 million. (NIS 5.5 million).

8. Sale of Land plot in Budapest, Hungary:

On October 2, 2017 PC's subsidiary has concluded the transaction with an international investor, NEPI Rockcastle (the "Buyer"), on the termination of land use right and preliminary easement agreement which created certain easement rights over the Arena Plaza plot registered in favor of PC subsidiary In consideration for termination of the land use right and the preliminary easement agreement, PC's subsidiary received the net sum of EUR 2.5 million (NIS 10.4 million) and recorded revenue in the amount of EUR 2.5 million (NIS 10.4 million).

9. Sale of SPV holding of the Torun Plaza shopping and entertainment center in Poland:

On November 21, 2017 PC has completed the sale of shares with an investment fund (the "Purchaser") regarding the sale of SPV holding of the Torun Plaza shopping and entertainment center in Poland. PC has received a net cash of approximately Euro 28.3 million, (NIS 117.1 million). This net cash is after the deduction of the bank loan (circa EUR 43.3 million) (NIS 179.3). The above-mentioned sums do not include the earn out payments in an amount of EUR 0.35 million (NIS 1.4 million), reduced by NAV adjustment of EUR 0.2 million (NIS 0.8 million). PC recorded revenue of EUR 71.6 million (NIS 296.4 million) from the disposal and recorded a loss from the sale in amount of EUR 1.5 million (NIS 6.4 million) (not including the earn-out payment mentioned).

10. Disposal of plot in Belgrade, Serbia:

Following the sale of "MUP" plot in Belgrade, Serbia, PC was entitled to an additional contingent consideration of EUR 0.6 million (NIS 2.5 million) once the purchaser successfully develops at least 69,000 sqm above ground. The consideration was received in September 2017 and is recorded as revenue from disposal of trading properties.

NOTE 4:- TRADING PROPERTY (Cont.)

c. Additional information in respect of PC's trading property (Cont.):

Additional information in respect of trading property:

The following table summarizes general information regarding the Group's significant trading property projects.

Project	Location	Purchase/ transaction date	Rate of ownership by the group (%)	As of December 31, 2017 Nature of rights	As of December 31, 2017 Carrying Amount (MNIS)	As of December 31, 2016 Carrying Amount (MNIS)
Operational						
Suwalki Plaza	Poland	Jun-06	100	Ownership	Sold	163.5
Torun Plaza	Poland	Feb-07	100	Ownership	Sold	281.8
Undeveloped lands designated for development						
Sport-Star Plaza	Serbia	Dec-07	100	Ownership	Sold	226.2
Undeveloped lands not designated for development						
Casa Radio (see c1 above)	Romania	Feb-07	75	Leasing for 37 years	(*)262.5	(*)296.4
Lodz residential	Poland	Sep-01	100	Ownership/ Perpetual usufruct	1.7	2.0
Timisoara Plaza	Romania	Mar-07	100	Ownership	Sold	28.3
Lodz - plaza	Poland	Sep-09	100	Perpetual usufruct	16.2	20.6
Kielce Plaza	Poland	Jan-08	100	Perpetual usufruct	Sold	8.9
Lesnzo Plaza	Poland	Jun-08	100	Perpetual usufruct	Sold	3.2
Miercurea Csiki Plaza	Romania	Jul-07	100	Ownership	4.2	4.0
Constanta Plaza	Romania	July-09	100	Ownership	Sold	5.3
Shumen Plaza	Bulgaria	Nov-07	100	Ownership	Sold	3.2
Arena Plaza Extension	Hungary	Nov-05	100	Land use rights	Sold	6.1
Helios Plaza	Greece	May-02	100	Ownership	13.7	13.3
Bangalore (see d below)	India	Mar-08	100	Ownership	113.7	154.6
Chennai (see d below)	India	Dec-07	100	Ownership	73.4	84.5
Other small plots, grouped					7.2	8.6
					492.6	1,310.5

(*) Represents gross value including commitment for PAB construction, which is presented as non-current provision in amount of NIS 53 million as of December 31, 2017, (in 2016 – NIS 54 million).

NOTE 4:- TRADING PROPERTY (Cont.)

d. Additional information in respect of trading property in India:

The following information relates to trading property held by Elbit-Plaza India Real Estate Holding Limited ("EPI"), the total amount of which as of December 31, 2017, amounts to NIS 187.1 million. EPI is jointly controlled by the Company and PC (see note 7c).

1. Chennai, India:

In December 2007, EPI executed agreements for the establishment of a special purpose vehicle ("Chennai Project SPV") together with a local developer in Chennai ("Local Partner"). The Chennai Project SPV acquired 74.73 acres of land situated in the Sipcot Hi-Tech Park in Siruseri District in Chennai ("Property").

On September 16, 2015, EPI has obtained a backstop commitment from the Local Partner for the purchase of its 80% shareholding in the Chennai SPV by January 15, 2016, for a net consideration of approximately INR 161.7 Crores (NIS 87 million). Since the Local Partner had breached its commitment, EPI exercised its rights and forfeited the Local Partner's 20% holdings in the Chennai Project SPV. Accordingly, as of the balance sheet date EPI has 100% of the equity and voting rights in the Chennai Project SPV.

During 2016, Chennai Project SPV has signed a Joint Development Agreement with a local developer ("Developer" and "JDA", respectively) with respect to the Property.

Under the terms of the JDA, the Chennai Project SPV granted the property development rights to the Developer" who shall bear full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

Development will commence subject to the obtainment of the required governmental/ municipal approvals and permits, and it is intended that 67% of the Property will be allocated for the sale of plotted developments (whereby a plot is sold with the infrastructure in place for the development of a residential unit by the end purchaser), while the remainder will comprise residential units fully constructed for sale.

The Chennai Project SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units.

In order to secure its obligation, the Developer paid a total refundable deposit of INR 10 Crores (NIS 5.5 million) following the signing and registration of the JDA.

The JDA may be terminated in the event that the required governmental approvals for establishment of access road to the Property has not been achieved within 12 (twelve) months period from the execution date of the JDA. The required approvals have not yet been obtained at the target date, but none of the parties has canceled the agreement at this juncture. Upon such termination, the Developer shall be entitled to the refund of the relevant amounts paid as Refundable Deposit and any other cost related to such access road or the title over the Property. The JDA may also be terminated by the Chennai Project SPV, inter alia, if the Developer has not obtained certain development milestone and/or breached the terms of the JDA.

NOTE 4:- TRADING PROPERTY (Cont.)

d. Additional information in respect of trading property in India (Cont.):

1. Chennai, India (Cont.):

Due to this fact, the financial statements of the SPV include a provision in an amount of INR 30 Crores (NIS 16 million) for cost reimbursement, including INR 10 Crores (NIS 5.5 million) advanced payment received.

Net realizable value measurement of Chennai project

The valuation of the property is based on the comparable method.

The following parameters have been considered to arrive at the land value of the subject property:

Parameter	Premium (Discount)
Accessibility	-12.5%
Discount for shape and contiguity	-20%
Location and Neighborhood profile	-5%
Size	-10%
Negotiation	-5%
Conversion	5%
Topography	-5%
Additional cost to be incurred at the site due to illegal excavation	-5%
Total	-58%

2. Bangalore:

In March, 2008 EPI entered into a share subscription and framework agreement (the "Agreement"), with a third party local developer (the "Partner"), and a wholly owned Indian subsidiary of EPI which was designated for this purpose ("SPV"), to acquire together with the Partner, through the SPV, up to 440 acres of land in Bangalore, India (the "Project") in certain phases as set forth in the Agreement. As of December 31, 2017, the Partner has surrendered sale deeds to the SPV for approximately 54 acres (the "Plot"). In addition, under the Agreement the Partner has also been granted with 10% undivided interest in the Plot and have also signed a Joint Development Agreement with the SPV in respect of the Plot.

NOTE 4:- TRADING PROPERTY (Cont.)

d. Additional information in respect of trading property in India (Cont.):

2. Bangalore (Cont.):

2015 agreement

On December 2, 2015 EPI has signed an agreement to sell 100% of its interest in the SPV to the Partner (the "Sale Agreement"). The total consideration upon completion of the transaction was INR 3,210 million (approximately EUR 42 million) which should have been paid no later than September 30, 2016 ("Long Stop Date"). On November 15, 2016, the Partner informed EPI that it will not be able to execute the advance payments.

As a result of the foregoing, the Company has received from the escrow agent the sale deeds in respect of additional 8.3 acres (the "Additional Property") which has been mortgaged by the Partner in favour of the SPV in order to secure the completion of the transaction on the Long Stop Date. The Additional Property has not yet been registered in favour of the SPV. In addition, as per the Sale Agreement, the Company took actions in order to get full separation from the Partner with respect to the Plot and specifically the execution of the sale deed with respect of the 10% undivided interest, all as agreed in the Sale Agreement.

As a result of the failure of the Partner to complete the transaction under the Sale Agreement and in accordance with the provisions thereto, EPI has 100% control over the SPV and the partner is no longer entitled to receive the 50% shareholding.

2017 agreement

In June 2017, EPI signed a revised sale agreement with the former partner (the "Purchaser").

The Purchaser and EPI have agreed that the purchase price will be amended to INR 338 Crores (approximately Euro 44.2 million) instead of the INR 321 Crores (approximately Euro 42 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately Euro 14.4 million) will be paid by the Purchaser in instalments until the Final Closing. The Final Closing will take place on September 1, 2018, when the final instalment of INR 228 Crores (approximately Euro 29.8 million) will be paid to EPI.

If the Purchaser defaults before the Final Closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreement will remain in place until the Final Closing.

2018 agreement

In January 2018, the Purchaser has notified EPI that due to a proposed zoning change (initiated by the Indian authorities) which could potentially impact the development of the land, all remaining payments under the Agreement will be stopped until a mutually acceptable solution is reached on this matter. EPI has rejected the Purchaser's claims, having no relevance to the existing Agreement, and started to evaluate its legal options.

Since the signing of the revised agreement, the Purchaser has paid non-refundable advance payments totaling INR 55 Crores (circa NIS 30 million).

NOTE 4:- TRADING PROPERTY (Cont.)

d. Additional information in respect of trading property in India (Cont.):

2. Bangalore (Cont.):

In March 2018, the Company signed an amended revised agreement as follows: The Purchaser and EPI have agreed that the total purchase price shall be increased to INR 350 Crores (approximately NIS 190 million). Following the signing of the revised agreement the Purchaser paid EPI additional INR 10 Crores (approximately NIS 5 million) further to the INR 45 Crores (approximately NIS 25 million) that were already paid during the recent year. Additional INR 83 Crores (approximately NIS 45 million) will be paid by the Purchaser in unequal monthly installments until the Final Closing. The Final Closing will take place on 31 August 2019 when the final installment of INR 212 Crores (approximately NIS 115 million) will be paid to EPI against the transfer of the outstanding share capital of the SPV.

If the Purchaser defaults before the Final Closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreements will remain in place until the Final Closing.

As of 31 December 2017 advances received from the Purchaser in the amount of NIS 21.8 million are included in the financial statements as part of other non-current liabilities.

Environmental update on Bangalore project - India:

On May 4, 2016, the National Green Tribunal ("NGT"), an Indian governmental tribunal established for dealing with cases relating to the environment, passed general directions with respect to areas that should be treated as "no construction zones" due to its proximity to water reservoirs and water drains ("Order"). The restrictions in respect of the "no construction zone" are applicable to all construction projects.

The government of Karnataka had been directed to incorporate the above conditions in respect of all construction projects in the city of Bangalore including the Company's project which is adjacent to the Varthur Lake and have several storm-water crossing it.

An appeal was filed before the Supreme Court of India against the Order. The Supreme Court has stayed the operation of certain portions of the Order. At this stage, it is difficult to predict the amount of time that the Supreme Court of India will take to decide on the matter.

Net realizable value measurement of Bangalore project

As for December 31, 2017 and 2016 the Group measured the net realizable value of the project.

NOTE 4:- TRADING PROPERTY (Cont.)

d. Additional information in respect of trading property in India (Cont.):

2. Bangalore (Cont.):

The plot in Bangalore is still in land stage and therefore the value of the plot has been derived using land comparable method. The valuation of the property reflects the risk related to NGT order described above, the interest that the partner still holds in the plot (10% as described above), the size of the plot and the non-contiguous land parcel. The decrease in the value during 2017 is attributable mainly to the proposed change in zoning regulations. The local authorities have proposed a revised master plan for Bangalore under which it is proposed to change certain regulations pertaining to zoning of the plot which if given effect might adversely affect the development prospects on the plot. The Company being aggrieved by the proposed change was entitled to and has filed the necessary objections with the concerned authorities and believes that the current zoning regulations will be maintained. Management believes that the current discount rate used towards this end is an appropriate estimation in the current circumstances.

The following parameters have been considered to arrive at the land value of the subject property:

Parameter	Premium (Discount)
Accessibility	10%
FSI permissible	10%
Location and Neighborhood profile	5%
Contiguous Land Parcel	-15%
Size	-10%
Negotiation (Trans/Quote)	-15%
Total Premium/Discount	-15%
Discount on account of NGT order and presence of Drain	-20%
Presence of minority shareholder	-20%
Discount on account of possible change in zoning (open space/parks)	-25%

NOTE 5:- INVESTMENTS IN ASSOCIATES

a. InSightec Ltd. ("InSightec"):

1. Insightec Ltd. (the "Company") was incorporated in the State of Israel in March 1999 and commenced operations in the development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment shortly thereafter. The Company operates in one operating segment.

   As for December 31, 2017, the Company holds (directly and indirectly, through Elbit Medical), 22.5% of InSightec's voting and equity rights (18.6% on a fully diluted basis). Yet, due to the fact that the Group invested in preferred shares and regular shares which are subordinated to the share granted in the last rounds of investment, the Group share in InSightec loss is 41.5%.

   Substantially all of InSightec's current sales are derived from a few applications of InSightec's products. Other applications of InSightec's technology are in the early stages and there can be no assurance that these applications will be successful. InSightec is continuing research and development for additional applications for such products.

2. Financing round in Insightec:

   On December 14, 2017 InSightec Ltd. ("Insightec"), has signed a Share Purchase Agreement with Koch Disruptive Technologies, pursuant to which Koch Disruptive Technologies together with other investors will invest in Insightec a total amount of between US$75 million and US$150 million, in consideration for the issuance of a new series of preferred stock of Insightec (Preferred E share). The main terms of the Transaction are as follows:

   1) The Transaction reflects a pre money valuation for Insightec of approximately USD 460 million (on a fully-diluted basis).

   2) Holders of Preferred E share shall have preferred rights in the event of a dividend distribution and certain material events as set forth in the transaction documents.

   3) The transaction documents also set forth the rights of Koch Disruptive Technologies and other major shareholders of Insightec (in an amended Securityholders Agreement and amended Articles of Association), including, that following the consummation of the Transaction, Insightec's board of directors shall consist of a maximum of nine (9) board members. Each of the four major shareholders in Insightec (including Elbit Medical) will be entitled to appoint one director for as long as each of them holds at least 5% of the outstanding share capital of Insightec. The directors appointed by three of the major shareholders (including the one appointed by Elbit Medical) may together appoint up to four (4) additional directors. The CEO of Insightec will also serve as director.

      On December 28, 2017 Insightec completed the initial closing of the transaction in which it raised approximately US$90 million (out of which US$75 million was invested by Koch Disruptive Technologies).

      On January Insightec has completed the second (and final) closing of its Series E investment round in a total amount of $60 million.

NOTE 5:- INVESTMENTS IN ASSOCIATES (Cont.)

a. InSightec Ltd. ("InSightec") (Cont.):

2. Financing round in Insightec (Cont.):

The lead investor in the round was Koch Disruptive Technologies (a subsidiary of Koch Industries, Inc.) who invested in total $100 million in Insightec. York participated in this round as well in the total investment of 6 million $.

The Series E Preferred Shares of Insightec issued in the first and second closings represent, immediately following their issuance, approximately 29.1% of the outstanding share capital (24.7% on a fully-diluted basis) of INSIGHTEC's share capital. The Company did not participate in the investment rounds.

Following the completion of the second closing, the Company holds (directly and indirectly through its subsidiary - Elbit Medical Technologies Ltd.) approximately 19.8% (16.7% on a fully-diluted basis) and York holds 22.6% of InSightec issued and outstanding share capital (19.1% on a fully diluted basis).

3. Significant events in Insigctec during 2016-2017:

- On November 14, 2017 the Taiwanese Food and Drug Administration (TFDA) has approved its Exablate Neuro system for the treatment of essential tremor in patients who do not respond to medication.
- On December 14, 2017 The Centers for Medicare and Medicaid Services (the "CMS") updated the reimbursement code for Exablate Neuro treatment for essential tremor, as follows:

  1. On November 2016 the CMS has decided to associate Insightec's Exablate Neuro system (for essential tremor treatment), a reimbursement code with a payment level of USD 9,751.

  2. Beginning January 1, 2018, the primary procedure code for Movement Disorders (essential tremor) is assigned to new technology level and will be paid at USD 17,500.50 for medicare beneficiaries (if deemed medically appropriate).

  3. The CMS decision is only one of the necessary conditions necessary to receive an insurance compensation for the treatment. Pursuant to the CMS approval, the approval of each of the regional CMS representatives in the USA is required in order to receive insurance compensation for patients for the treatment. As of the date, an approval from a CMS representative in one area only (National Government Services Medicare, local Medicare contractor (MAC) for jurisdictions 6 & K[1] (has been received and Insightec is acting to receive the rest of the CMS representatives' approvals, but cannot estimate when whether these approvals will be received.

- On May 24, 2016, InSightec Health Canada has approved InSightec's Exablate Neuro system for the treatment of essential tremor.

- On July 2016, the FDA has approved InSightec's Exablate Neuro system for a non-invasive treatment of essential tremor (ET) in patients who have not responded to medication.

  Exablate Neuro uses focused ultrasound waves to precisely target and ablate issue deep within the brain with no incisions or implants. The treatment is done under Magnetic Resonance Imaging (MRI) guidance for real time treatment monitoring.

1 This region refers to the following states: Illinois, Minnesota, Maine, Massachusetts, New Hampshire, Connecticut, New York, Rhode Island Vermont and Wisconsin.

NOTE 5:- INVESTMENTS IN ASSOCIATES (Cont.)

a. InSightec Ltd. ("InSightec") (Cont.):

3. Significant events in Insigctec during 2016-2017 (Cont.):

- **Insightec has signed a cooperation agreement with Siemens**

  On August 15, 2016, INSIGHTEC has signed a non-exclusive cooperation agreement with Siemens Healthcare GmbH ("Siemens"), a leading manufacturer and developer of diagnostic imaging equipment in general and Magnetic Resonance scanners specifically, to develop compatibility between INSIGHTEC's MRI guided Focused Ultrasound Systems (MRgFUS) and Siemens MRI scanners (the "Systems") with the intention to expand the MRgFUS market globally (the "Agreement"). According to the Agreement, the Parties will cooperate regarding the performance of R&D, integration, testing and approving the compatibility of the Parties' Systems. Each Party shall be solely responsible, at its own cost, to obtain the regulatory approval for its systems, and InSightec shall be solely responsible, at its sole cost, to obtain the regulatory approval for the combined system. Each Party shall bear all of its internal and external costs relating to its performance under the Agreement, except that InSightec shall reimburse Siemens an amount agreed upon in the Agreement, for its R&D costs. The Agreement also determines that each Party shall act independently in the marketing and sales of its component portion of the Combined System, and determines the amount InSightec shall pay Siemens for sales of the Combined Systems.

The term of the Agreement is five (5) years from the first commercial sale of the combined system and shall automatically renew for additional 1-year periods, unless either Party has provided a notice for its non-renewal or of its termination, it in accordance with the terms of the Agreement. Each Party shall have a limited liability towards the other Party for direct damages only. In addition, each Party is required to maintain a minimal insurance coverage for the purpose of the Agreement during the term of the Agreement and for a few years thereafter.

b. Gamida Cell Ltd. ("Gamida"):

1. Gamida is engaged in developing cellular and immune therapies for the treatment of cancer and orphan genetic diseases. As of December 31, 2017, the Group holds, through Elbit Medical, approximately 16% in Gamida's voting and equity rights (approximately 12% on a fully diluted basis).

   Gamida is devoting substantially all of its efforts toward research and development activities. In the course of such activities, Gamida has sustained operating losses and expects such losses to continue in the foreseeable future. Gamida's accumulated deficit as of December 31, 2017, is USD 116,282 thousand and negative cash flows from operating activities for years ended December 31, 2017 are $17,760. Gamida requires additional financing in order to continue to fund its current operations and pay existing and future liabilities

   Gamida's auditor' report with respect to Gamida's 2017 financial statements includes emphasize of matter with respect to going concern uncertainty.

NOTE 5:- INVESTMENTS IN ASSOCIATES (Cont.)

b. Gamida Cell Ltd. ("Gamida") (Cont.):

2. Financing round in Gamida:

On July 9, 2017, the Company was informed by Gamida that an approximately $40 million private financing investment has been completed ("the Investment"). The Investment was led by Shavit Capital Fund joined by the pharmaceutical company Novartis and additional investors, including VMS Investment Group, Israel Biotech Fund, IHCV and Clal Biotechnology Industries (the "Investors"). Following the Investment, a preferred shares were allotted to the Investors, based on $120 million pre-money valuation to Gamida (the "Allotted Shares"). In addition, the investors received options to preferred shares in the amount of 60% of the Allotted Shares. The exercise price of the options is 120% of the shares price which have been paid on the Investment closing date. The options will expire 5 years after the Investment closing date. The Company did not participate in the investment rounds.

3. Significant events in Gamida during 2016-2017:

On October 10, 2016, Gamida informed the Company that U.S. Food and Drug Administration ("FDA") has granted Breakthrough Therapy Designation status to Gamida's NiCord® ("Nicord"), due to improvement in absorption of neutrophils blood cells in bone marrow transplant for patients with high risk hematological malignancies (blood cancers).

Breakthrough therapy designation is granted to a drug that is intended to treat serious or life-threatening diseases, and that preliminary clinical evidence indicates that the drug may demonstrate substantial improvement on a clinically significant endpoint(s) over available therapies.

A breakthrough therapy designation entitles the company to various benefits, such as: intensive FDA guidance, involvement of senior FDA managers in the process, option for a FDA rolling review of Nicord marketing approval application in the U.S (i.e. the FDA may agree to review parts of the application file which are submitted in phases, with no obligation of filling the whole file prior to the review commencement).

On March 23, 2017, the Company was informed by Gamida, that the orphan drug designation which has been granted by the European Medicines Agency's (EMA) Committee for Orphan Medicinal Products (COMP) regarding NiCord® has been broadened and now includes any treatment which based on blood system stem cells (haematopoietic stem cells) transplant.

On December 12, 2017 Gamida presented final results from the phase I/II trial evaluating NiCord® (the "Trial") at the annual meeting of the American Society for Hematology (ASH). The Trial that included 36 patients with hematologic malignancies, met its primary endpoint as well as safety and efficiency targets

NOTE 5:- INVESTMENTS IN ASSOCIATES (Cont.)

c. Aggregate information of associates:

	Year ended December 31	
	2017	2016
	NIS in thousands	
The Group's share of loss from continuing operations	(20,202)	(57,630)
The Group's share of total comprehensive income	(20,202)	(57,630)
Aggregate carrying amount of the Group's interests in these associates	-	21,215

NOTE 6:- INVESTMENTS IN JOINT VENTURES

a. Investment in joint venture held in Kochi, India:

The Company has rights under certain share subsection agreement to hold 50% shareholding in Indian SPV ("Project SPV"). The Project SPV has entered into an agreement for the purchase of a land located in Kochi, India according to which it has acquired 13 acres ("Property A") for a total consideration of INR 1,495 million (NIS 84 million) payable subject to fulfilment of certain obligations and conditions by the seller. Up to the balance sheet date the Project SPV has paid INR 720 million (NIS 40 million) to the seller in consideration for the transfer of title in Property A to the Project SPV. The Company's share in such acquisition amount to approximately NIS 20 million.

On January 14, 2016, the Company has signed an agreement to waive any of its rights and interest in the Project SPV. The total consideration for the Company is INR 10 Crores (approximately NIS 5 million), which will be paid to the Company upon the closing of the transaction.

The transaction is subject to certain conditions precedent, and closing will take place (as extended) once these conditions are met and no later than June 30, 2018. The local Investor has provided certain security in order to guarantee the aforementioned deadline.

b. Aggregate information of joint ventures that are not individually material:

	December 31	
	2017	2016
	NIS in thousands	
The Group's share of profit (loss) from continuing operations	-	3,317
The Group's share of total comprehensive income (loss)	-	3,317
Aggregate carrying amount of the Group's interests in these joint ventures	5,592	5,750

NOTE 7:- ADDITIONAL INFORMATION AS TO INVESTMENTS IN MATERIAL SUBSIDIARIES AND CHANGES THEREOF

a. Elbit Medical Technologies:

Elbit Medical Technologies Ltd., is an Israeli company traded on the TASE ("Elbit Medical") which holds the medical business of the Group through the holdings of two portfolio companies: InSightec (approximately 19% holding on a fully diluted basis) and Gamida (approximately 13% holding on a fully diluted basis). For additional information in respect of InSightec and Gamida - see note 5a and 5b.

As for December 31, 2017, the Company holds 89% (88.7% on a fully diluted basis) of the issued and outstanding share capital of Elbit Medical.

For the issuance of convertibles notes by Elbit Medical after the balance sheet date see note 13c11.

b. Plaza Center N.V. ("PC"):

1. PC conducts its activities in the field of establishing, selling and operating (until their sale) Commercial centers, as well as other mixed use projects (retail, office, residential) in Central and Eastern Europe. As of December 31, 2017, the Group holds 44.9% in PC's voting and equity rights (42.7% on a fully diluted basis).

2. Going concern and liquidity position of PC:

PC consolidated financial statements have been prepared on a going concern basis, which assumes that PC will be able to meet the mandatory repayment obligations of its bonds and other working capital requirements.

PC primary need for liquidity is to repay its debts and fund general corporate purposes. PC has incurred losses and experienced negative operating cash flows for the past several years, and accordingly, it has taken a number of actions to continue to support its operations and meet its obligations.

As at December 31, 2017 PC's outstanding obligations to bondholders are EUR 123.2 million (NIS 512 million).

In November 2016, PC agreed with its bondholders to amend the terms of the early repayment requirement under the original debt restructuring plan (the "Restructuring Plan"). On March 15, 2017, PC repaid the required minimum early repayment to its bondholders and thus obtained a deferral of one year for the remaining contractual obligations of the bonds. In January 2018, a settlement agreement was signed by and among PC and the two Israeli Series of Bonds including a new repayment schedule (See Note 11e3).

Information concerning the PC's obligations and commitments to make future payments under contracts such as debt agreements in the 15 months starting April 1, 2018 is aggregated in the following tables.

NOTE 7:- ADDITIONAL INFORMATION AS TO INVESTMENTS IN MATERIAL SUBSIDIARIES AND CHANGES THEREOF (Cont.)

b. Plaza Center N.V. ("PC") (Cont.):

2. Going concern and liquidity position of PC (Cont.):

	Total Payment Due by period (in TEUR)		Total Payment Due by period (in TNIS)	
Liquidity Requirements	**Within 1 year**	**Within 1-1.25 years**	**Within 1 year**	**Within 1-1.25 years**
Debentures including current portion and interest	(*) 23,700	36,700	(*) 98,426	152,415
General & administrative	3,100	600	12,874	2,492
Total liquidity requirements	26,800	37,300	111,300	154,907
Total Sources (**)	16,300	4,400	67,694	18,273
Total deficit	(10,500)	(32,900)	(43,606)	(136,634)

(*) An amount of circa EUR 37.45 million (NIS 155.5 million) was repaid (excluding interest) following the balance sheet date.

(**) The Company expects to increase the amount of its liquid balances during the 15 months starting April 1, 2018, by sale of plots of lands (including India) and others.

PC's board and management estimate that there are significant doubts regarding the PC's ability to serve its entire debt according to the current repayment schedule. Moreover, following the new payment structure for the sale of the project in Bangalore, India, it is expected that PC will not be able to meet its entire contractual obligations in the following 12 months.

PC'S Management acknowledges that the above expected cash flows are based on forward-looking plans and estimations which rely on the information known to PC management at the time of the approval of these financial statements. The materialization of the above forecast is not certain and is subject to factors beyond PC's control. Therefore, delays in the realization of the PC's assets and investments or realization at lower price than expected by management could have an adverse effect on the PC's liquidity position and its ability to meet its contractual obligations on a timely manner.

PC'S management further acknowledges that the PC is exposed to foreign currency risk derived from borrowings denominated in currency other than the functional currency of the PC, more specifically a further devaluation of the EUR against the NIS can significantly increase the remaining contractual obligation to bondholders.

As of December 31, 2017 PC is not in compliance with Coverage Ratio Covenant ("CRC") as defined in the restructuring plan. This may entitle the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

NOTE 7:- ADDITIONAL INFORMATION AS TO INVESTMENTS IN MATERIAL SUBSIDIARIES AND CHANGES THEREOF (Cont.)

b. Plaza Center N.V. ("PC") (Cont.):

2. Going concern and liquidity position of PC (Cont.):

PC's financial statements as of December 31, 2016 include an auditor's opinion with emphasis of matter to going concern uncertainty as well as auditor's review report on interim financial statements as of June 30, 2017 include the same. As a result, there is a risk that the bondholders could argue that there exists a substantial suspicion with respect to the PC's ability to repay its obligations that entitles them to immediate repayment.

In addition, based on trust deeds in case of material deterioration in the PC's business and substantial suspicion exists that the PC will not be able to repay the bonds on time, the bondholders may declare immediate repayment of bonds.

In the case that the bondholders would declare their remaining claims to become immediately due and payable, PC would not be in a position to settle those claims and would need to enter to an additional debt restructuring or might cease to be a going concern. As at the date of these financial statements the bondholders have not taken steps to assert their rights.

A combination of the abovementioned conditions indicates the existence of a material uncertainty that casts significant doubt about the PC's ability to continue as a going concern.

3. PC's non-controlling interest details:

Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			December 31			
	2017	2016	2017	2016	2017	2016
			NIS'000	NIS'000	NIS'000	NIS'000
Netherland	55%	55%	(51,986)	(109,934)	60,617	121,615

4. PC's summarized financial information (The summarized financial information below represents amounts before intragroup eliminations):

	December 31	
	2017	2016
	NIS in thousands	
Current assets	189,546	94,721
Non-current assets	394,622	1,207,882
Current liabilities	(496,081)	(1,098,525)
Non-current liabilities	(53,353)	(55,990)
Equity attributable to owners of the Company	25,884	(26,473)
Non-controlling interests	(60,617)	(121,615)

NOTE 7:- ADDITIONAL INFORMATION AS TO INVESTMENTS IN MATERIAL SUBSIDIARIES AND CHANGES THEREOF (Cont.)

b. Plaza Center N.V. ("PC") (Cont.):

4. PC's summarized financial information (The summarized financial information below represents amounts before intragroup eliminations) (Cont.):

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
Revenue	814,826	192,435	283,926
Expenses	(923,646)	(394,085)	(500,262)
Loss for the year from continuing operations	(108,820)	(201,650)	(216,336)
Loss for the year	(108,820)	(201,650)	(216,336)
Loss attributable to owners of the Company	(48,833)	(91,080)	(97,122)
Loss attributable to the non-controlling interests	(59,987)	(110,570)	(119,214)
Loss for the year	(108,820)	(201,650)	(216,336)
Other comprehensive income attributable to owners of the Company	(3,095)	519	5,452
Other comprehensive income attributable to the non-controlling interests	(3,798)	636	6,690
Other comprehensive income for the year	(6,893)	1,155	12,142
Total comprehensive (loss) attributable to owners of the Company	(51,928)	(90,561)	(91,670)
Total comprehensive (loss) attributable to the non-controlling interests	(63,785)	(109,934)	(112,524)
Total comprehensive (loss) for the year	(115,771)	(200,495)	(204,194)
Net cash inflow (outflow) from operating activities	(1,637)	(260,148)	(10,481)
Net cash inflow (outflow) from investing activities	400,812	165,014	92,273
Net cash (outflow) from financing activities	(239,979)	(144,980)	(159,363)
Net cash inflow (outflow)	159,196	(240,114)	(77,571)

5. Pursuant to PC's restructuring PC shall not make any dividend distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Notes has been repaid 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.

   Notwithstanding the aforesaid, in the event an additional capital injection of at least NIS 85 million occurs, then after one year following the date of the additional capital injection million, no restrictions other than those under the applicable law shall apply to dividend distributions in an aggregate amount of up to 50% of such additional capital injection.

6. Pursuant to PC's restructuring plan, PC will assign 75% of the net proceeds received from the sale or refinancing of any of its assets to early repayment of the Unsecured Debt.

   As for the amendment to an early prepayment term under the restructuring plan see note 11e

c. Elbit- Plaza India Real Estate Holding Ltd. ("EPI"):

The Company and PC each holds 47.5% of the shares of of Elbit Plaza India Real Estate Holdings Limited ("EPI") which holds plots in Bangalore and Chennai, India (see note 4d). The remaining 5% equity rights are held by the Company's former Executive Vice Chairman (VC) of the Board. The VC Shares shall not be entitled to receive any distributions or payment from the EPI until the Group's investments (principal and interest calculated in accordance with a mechanism provided for in the agreement) in EPI have been fully repaid. The Company and PC each have the right to appoint 50% of the board members of EPI.

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT

a. Composition:

	December 31, 2017			
	Real estate			
	Hotels at revaluation model	At cost model		
	Operating	Land and buildings	Other fixed assets	Total
	NIS in thousands			
Cost:				
Balance as of January, 1	711,906	15,236	31,516	758,658
Adjustment of Depreciation and amortization balance as of December 31, 2017	(28,880)	-	-	(28,880)
Additions during the year	3,156	-	-	3,156
Revaluation of hotels during the year	11,637	-	-	11,637
Disposals during the year (*)	(696,072)	(15,288)	(3,685)	(715,045)
Foreign currency translation adjustments	(1,748)	72	463	(1,213)
Balance as of December, 31	-	20	28,294	28,314
Accumulated depreciation:				
Balance as of January 1,	-	7,482	25,051	32,533
Adjustment of Depreciation and amortization balance as of December 31, 2017	(28,880)	-	-	(28,880)
Additions during the year	28,880	52	71	29,003
Disposals during the year	-	(7,514)	(2,528)	(10,042)
Foreign currency translation adjustments	-	-	380	380
Balance as of December, 31	-	20	22,974	22,994
Provision for impairment:				
Balance as of January, 1	-	-	4,490	4,490
Balance as of December, 31	-	-	4,490	4,490
Net book value	-	-	830	830

(*) See also Note 19.

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

a. Composition (Cont.):

	December 31, 2016				
	Real estate				
	Hotels at revaluation model (*)		At cost model		
	Operating	plot designated for hotel	Land and buildings	Other fixed assets	Total
	NIS in thousands				
Cost:					
Balance as of January, 1	678,516	18,700	16,049	38,078	751,343
Adjustment of Depreciation and amortization balance as of December 31, 2016	(37,017)	-	-	-	(37,017)
Additions during the year	2,473	-		68	2,541
Revaluation of hotels during the year	106,842	-	-	-	106,842
Disposals during the year	-	(18,700)	-	(5,712)	(24,412)
Foreign currency translation adjustments	(38,908)	-	(813)	(918)	(40,639)
Balance as of December, 31	711,906	-	15,236	31,516	758,658
Accumulated depreciation:					
Balance as of January 1,	-	-	7,858	31,129	38,987
Adjustment of Depreciation and amortization balance as of December 31, 2016	(37,032)	-	-	-	(37,032)
Additions during the year	37,032	-		307	37,339
Disposals during the year	-	-		(5,513)	(5,513)
Foreign currency translation adjustments	-	-	(376)	(872)	(1,247)
Balance as of December, 31	-	-	7,482	25,051	32,533
Provision for impairment:					
Balance as of January, 1	-	3,700	-	4,490	8,190
Balance as of December, 31	-	-	-	4,490	4,490
Net book value	711,906	-	7,754	1,975	721,635

(*) Had the Group continued to present the hotel based on the cost model, their net book value as of December 31, 2016, would have been NIS 284 million.

b. Composition of real estate assets included in property plant and equipment distinguished between freehold and leasehold rights:

	Year ended December 31,	
	2017	2016
	NIS in thousands	
Freehold rights	-	711,906
Leasehold rights	-	-
Net book value	-	711,906

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

c. Annual depreciation rates - see note 2l.

d. On June 23, 2016, the Company announced a termination of the lease agreement with the Israel Land Administration ("ILA") in respect of plot located in, Tiberias Israel.

Following the termination of the Agreement, ILA released two bank guarantees in the aggregated amount of approximately NIS 13 million, which have been provided to ILA in order to secure the Company's undertakings under the lease agreement and an additional amount of approximately NIS 27 million. The company recorded in the year ended December 31 2017 and 2016 a gain in the amount of NIS 3 million and NIS 8 million respectively.

NOTE 9:- CURRENT MATURITIES OF LONG TERM BORROWING AND SHORT-TERM CREDITS

a. Composition:

	December 31,	
	2017	2016
	NIS in thousands	
Current maturities and short term credits (*) (**)	780,861	1,128,768

(*) The Balance as of December 31, 2017, is comprised mainly:

(I) PC's notes in the total amount of NIS 486 million which was reclassified as current liabilities due to the breach of covenants set in trust deeds (see note 7 b 2).

(II) The Company notes in the amount of NIS 295 which are due on May 2018 (see note 11d).

(**) During December 2017, the Company repaid the entire loan to Bank Hapoalim in amount of approximately NIS 59 million.

(***)Following the sale of PC subsidiaries, all PC bank loan were derecognized in amount of approximately NIS 333 million.

b. For liens - see note 13d.

NOTE 10:- PAYABLES AND OTHER CREDIT BALANCES

	December 31,	
	2017	2016
	NIS in thousands	
Income taxes	437	3,070
Other governmental institutions	14	1,235
Wages and fringe benefits	6,488	2,235
Derivative (i)	-	1,831
Provision for real estate tax (see also note 13.b13)	4,213	-
Income in advance	136	6,429
Provision in respect of plots in India (see also note 4.d.)	16,308	5,646
Provision (see also note 13)	29,167	15,354
Accrued expenses, and others	6,530	10,899
	63,293	46,699

NOTE 11:- BORROWINGS

a. Composition:

	December 31,	
	2017	2016
	NIS in thousands	
At amortized cost:		
Loans from banks and financial institutions (see c below)	-	761,710
Notes issued by the Company (see d below)	538,668	498,637
Notes issued by PC (see e below)	485,504	721,292
	1,024,172	1,981,639
Less - current maturities (see note 9)	(780,861)	(1,128,769)
	243,311	852,870

b. Linkage basis and interest rates:

	December 31, 2017	
	Interest rates	NIS in thousands
	%	
NIS	Israeli CPI + 6 - 6.9	1,002,913
PLN	6m Wibor + 6	21,259

NOTE 11:- BORROWINGS (Cont.)

c. The following table provides breakdown of the Group's loans from banks and financial institutions:

	December 31,	
	2017	2016
	NIS in thousands	
Loans provided to the Company (*)	-	59,082
Loans provided to PC (mainly with respect to trading property) (**)	-	332,705
Loans provided to SPV holding the Radisson Complex (see note 19)	-	369,923
	-	761,710

(*) During December 2017, the Company repaid the entire loan to Bank Hapoalim in amount of approximately NIS 59 million.
(**) Following the sale of PC subsidiaries, all PC bank loan were derecognized in amount of approximately NIS 333 million.

For collaterals see also note 13d.

d. 1. Issuance of notes by the Company:

On February 20, 2014 two series of notes were issued by the Company:

The first series of notes ("Series H") was in the aggregate principal amount of NIS 448 million, repayable in a single payment at May 31, 2018. The second series of notes ("Series I") was in the aggregate principal amount of NIS 218 million, repayable in a single payment at December 1, 2019. Both series of the notes are bearing interest at the rate of 6% per annum and are linked to the Israeli consumer price index. Interest on the series H notes will be payable in cash on a semi-annual basis, while interest on series I notes will be accrued to the principal and will be payable on the final maturity date.

In addition, the notes include mandatory prepayment provisions in the event the Company pays a cash dividend or makes any other distribution, such that the Company is obligated to prepay an amount equal to the amount distributed by the Company, in the following order: (i) first, towards all unpaid amounts under the Series H, and (ii) secondly, towards all unpaid amounts under Series I.

NOTE 11:- BORROWINGS (Cont.)

The following table present the terms of the Company's Notes as for December 31, 2017:

	Effective interest rate	interest rate	Principal final maturity	Adjusted par value	Carrying amounts as at December 31, 2017
	%	%		NIS in thousands	
Series H notes	9.47	CPI+6	2018	296,160	295,363
Series I notes	12.8	CPI+6	2019	217,279	184,955
Accumulated interest on Series I notes				58,350	58,350
				571,789	538,668

The Company's notes as for December 31, 2016:

	Effective interest rate	interest rate	Principal final maturity	Adjusted par value	Carrying amounts as at December 31, 2016
	%	%		NIS in thousands	
Series H notes	9.47	CPI+6	2018	296,160	282,935
Series I notes	12.8	CPI+6	2019	217,279	172,954
Accumulated interest on Series I notes				42,748	42,748
				556,187	498,637

For collaterals see note 13d2.

2. Buyback and early repayment plan of Company's debentures:

Series H

As for December 31, 2017, the Company purchased NIS 150 million par value from series H, for a total consideration of NIS 138 million, resulting in a gain of NIS 2.3 million in 2016 and NIS 3.4 million 2015 which was recorded in the statement of income. All the notes repurchased have been fully redeemed. See also note 16c.

On January 5, 2018, the Company repaid an early repayment of NIS 240 million par value of Series H.

During March 2018 the Company repurchase NIS 7.1 million par value of series H for a total consideration of NIS 7.2 million. As a result, no material income/expenses is expected to be recorded in the statement of profit and loss.

The remaining amount of Series H as for the date of approving the financial statement is NIS 50 million and are due on May 2018.

Series I

During March 2018, the Company purchased NIS 42.2 million par value from series I, for a total consideration of NIS 49.2 million. As a result, the Company is expected to be recorded NIS 2 million expenses in the statement of profit and loss.

The remaining amount of Series I as for the date of approving the financial statement is NIS 226 million and are due on November 2019.

NOTE 11 - BORROWINGS (Cont.)

e. PC's notes:

The following table present PC's notes as of December 31, 2017:

	Effective interest rate	Contractual interest rate	Principal final maturity(*)	Adjusted par value	Carrying amounts as at December 31 2017
	%	%		NIS in thousands	
Series A Notes	9.47%	CPI+6	2020	198,974	190,865
Series B Notes	13.48%	CPI+6.9	2019	291,333	273,380
Polish Notes	10.46%	6%+ 6M WIBOR	2018	21,176	21,259
				511,483	485,504

The following table present PC's notes as of December 31, 2016:

	Effective interest rate	Contractual interest rate	Principal final maturity (*)	Adjusted par value	Carrying amounts as at December 31 2016
	%	%		NIS in thousands	
Series A Notes	9.47%	CPI+6	2020	257,772	248,716
Series B Notes	13.48%	CPI+6.9	2019	453,264	429,871
Polish Notes	10.46%	6%+ 6M WIBOR	2018	42,988	42,705
				754,024	721,292(*)

(*) The Debentures are classified as current liabilities (see note 7 b2).

(1) Pursuant to PC's Restructuring Plan, PC will assign 75% of the net proceeds received from the sale or refinancing of any of its assets as early repayment.

(2) Approved amendment to an early prepayment term under the Restructuring

PC has implemented the restructuring plan that was approved by the Dutch court on July 9, 2014 (the "Restructuring Plan").

Under the Restructuring Plan, principal payments under the notes that originally due in the years 2013 to 2015 were deferred for a period of four and a half years, and principal payments originally due in 2016 and 2017 were deferred for a period of one year (the "Extended Repayment Schedule").

The Restructuring Plan further provides that, if PC does not prepay an aggregate amount of at least NIS 434 million on the principal of the notes on or before December 1, 2016 (the "Early Prepayment"), the principal payments due under the Extended Repayment Schedule will be advanced by one year (the "Accelerated Repayment Schedule").

NOTE 11 - BORROWINGS (Cont.)

e. PC's notes (Cont.):

On November 29, 2016, PC's note holders approved to a postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (a reduction of 12% on the original amount).

In addition, PC agreed to pay to its Noteholders, on March 31, 2018, a one-time consent fee in the amount of approximately EUR 488 thousand (NIS 2 million) (which is equal to 0.25% from the Company's outstanding debt under the Notes at that time) (the "Consent Fee"). The consent Fee has been paid to PC's Noteholders on a pro rata basis.

During first three months 2017, PC paid to its bondholders a total amount of NIS 191.7 million as an early redemption. Upon such payments, the PC complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

In addition to the above, the following terms were approved by the Note holders:

a. Casaradio proceeds - If PC shall sell the Casaradio project located in Romania (hereinafter: the "Project") to a third party, including by way of selling its holdings in any of the entities through which the Company holds the Project (and said sale shall be carried out before the full repayment of the debentures and until no later than December 31, 2019 ("Final Date"), for an amount which exceeds EUR 45 million net (.e. after brokerage fees (if any), taxes, fees, levies or any other obligatory payment due to any authority in respect to the said sale) which shall actually be received by PC, then the holders of notes shall be eligible for a one-time payment (which shall come in addition to the principal and interest payments in accordance with the repayment schedule), in certain amounts specified in tranches.

b. Registering of Polish bonds for trade - PC has committed to undertake best efforts to admit the Polish bonds for trading on the Warsaw Stock Exchanges and proceeding in this respect are ongoing.

(3) Settlement agreement with Bondholders of Israeli Series of Bonds

In January 2018, a settlement agreement was signed by and among the PC and the two Israeli Series of Bonds ("Settlement Agreement"). In the Settlement Agreement it was agreed, inter alia, to approve:

- New repayment ratios between the two Israeli Series of Bonds (new ratio: Bond A- 39% Bond B- 61%);
- An increase in the level of the mandatory early repayments from 75% to 78% of the relevant net income;
- New repayment schedule;
- An increase in the compensation to be paid to the Bondholders in the event of successful disposal of Casa Radio Project;
- A waiver of claims to the PC and its directors and officers; and
- To waive the request for publication of quarterly financial reports by the Company.

NOTE 11 - BORROWINGS (Cont.)

e. PC's notes (Cont.):

As a result of settlement agreement signing, Series A Bondholders withdraw their request for immediate repayment.

It is clarified that the Settlement Agreement is a separate agreement among the parties thereto with respect to the PC's restructuring plan, and as such has no effect on the Polish Bondholders.

On January 31, 2018 the PC paid the bondholders a total amount of principal and interest of EUR 38,487 thousands.

(4) The net cash flow received by the 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 assets 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 the four shopping centers only 50% of the interest) and 78% 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.

Mandatory repayment of subsequent to the reporting date (without early repayments):

As a result of the non-substantial modifications of terms regarding the approved amendment described above, PC calculated a new effective interest rate as follows:

	EUR	NIS
2018	24,175	100,398
2019	84,568	351,210
2020	14,417	59,874
	123,160	511,482

For PC's notes collaterals and covenants - see note 13d2 13c2. For liens - see note 13d13c.

NOTE 12 - INCOME TAXES

a. Composition:

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
Current	-	804	2,166
For previous year	11,404	-	-
Deferred	(160)	2,216	2,236
	11,244	3,020	4,402

b. Principle tax laws applicable the major Group companies in their country of residence:

1. Israel:

a) Corporate tax rate applicable to companies in Israel in 2017 and 2018 is 24% and 23% respectively (in 2016 was 25% and in 2015 - 26.5%).

b) As from January 1, 2003, certain statutory provisions came into force and effect, concerning, among other things, the tax reform in Israel in respect of the following:

1) (a) Taxation of profits of foreign companies considered as Controlled Foreign Companies ("CFC"), if all the following conditions are met: (i) its shares or its rights on it are not listed in a stock exchange, however if they are partly listed, then less than 30% of the shares or of the rights of the company were offered to the public (ii) majority of revenues thereof are passive, as same is defined by law, or majority of profits thereof derive from passive revenues; (iii) the tax rate applying to the passive profits thereof in their country of residence does not exceed 20%; and (iv) more than 50% of the means of control therein are held, directly or indirectly, by Israeli residents. In accordance with the statutory provisions, a controlling shareholder in those companies having unpaid profits, as defined by law, is deemed to have been distributed as a dividend representing its respective share in such profits ("Deemed Dividend").

(b) Taxation of a dividend received in Israel, out of profits generated or accrued abroad, as well as a dividend originating abroad.

A Deemed Dividend and/or the distribution of dividends, as stated, will be subject to a tax rate of 25%, less withholding taxes which would have been paid abroad in respect of such dividend, had it in fact been distributed. Each Israeli resident company has the right to elect, at its sole discretion, to be assessed according to the Israeli corporate tax rate less taxes payable abroad in respect of these profits (including under certain circumstances taxes payable by a company held by the distributing company), as the case may be.

NOTE 12 - INCOME TAXES (Cont.)

b. Principle tax laws applicable the major Group companies in their country of residence (Cont.):

1. Israel (Cont.):

2) Capital gain from the realization of assets which were acquired subsequent to January 1, 2003 will be taxed at a rate of 25%. Capital gain for assets which were acquired before January 1, 2003, will be taxed at a rate of 25% for the portion of the gain relating to the period subsequent to this date up to the realization date and corporate tax rate for the portion of the gain relating to the period from the acquisition date up to January 1, 2003.

3) Method of loss offsetting - regarding business losses, capital losses, passive losses, marketable securities losses and CFC losses.

2. The Netherlands:

a) Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25%. The first EUR 200,000 of profits is taxed at a rate of 20%. Tax losses may be carried backwards for one year and carried forward for nine years.

b) The Dutch participation exemption gives a full exemption from corporation tax applies to benefits such as dividends and capital gains derived from a qualifying participation. The participation exemption generally applies if the parent Company holds at least 5 percent of the shares in the participation. The requirements to meet the participation exemption are as follows:

1. The parent Company has an interest of at least 5 percent in the participation; and

2. At least one of the following three tests is met:

a) The parent Company’s objective with respect to its participation is to obtain a return that is higher than a return that may be expected from normal active asset management (“Motive Test”); or

b) The participation is subject to a “reasonable taxation” according to Dutch tax standards (“Subject-to-Tax Test”); or

c) The direct and indirect assets of the participation generally consist of less than 50 percent of ‘low taxed free passive investments’ (“Asset Test”).

d) Dividend distributions from a Netherlands company to qualifying Israeli corporate shareholders holding at least 25% of the shares of such Netherlands company is subject to withholding tax at a rate of 5% provided certain compliance related formalities have been satisfied.

NOTE 12 - INCOME TAXES (Cont.)

c. Effective tax rate:

The following is reconciliation between the income tax expenses computed on the pretax income at the ordinary tax rates applicable for the Company ("the theoretical tax") and the tax amount included in the consolidated statement of operations:

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
Profit (loss) before income taxes	(237,534)	(316,961)	(366,751)
Israeli company's statutory tax rate (%)	24	25	26.5
The theoretical tax	(57,008)	(79,241)	(97,189)
Differences in tax burden in respect of:			
Exempt income, net of unrecognized expenses	11,139	673	9,991
Prior-year losses for which deferred taxes had not previously been recorded, including utilization	(940)	(2,873)	(17,805)
Losses and other timing differences for which deferred taxes had not been recorded	39,272	60,545	104,115
The effect of different measurement principles applied for the financial statements and those applied for income tax purposes (including exchange differences)	5,330	(1,493)	7,457
Differences in tax rates on income of foreign subsidiaries	(2,034)	11,830	(13,916)
The Group's share in results of associated companies	4,849	13,579	11,620
Taxes for prior years	11,404	-	-
Other differences, net	(768)	-	129
	11,244	3,020	4,402

d. Carry forward losses and deductions:

As of December 31, 2016, the Group companies had accumulated tax losses and deductions amounting to NIS 1,207 million, which may be utilized in the coming years against taxable income at rates ranging from 12.5% to 35% depending on the country of residence. The realization of the carry-forward losses is subject to taxable income available in those periods when these losses are deductible.

Tax laws in respect of certain Group subsidiaries operating outside of Israel have set a time limitation on the utilization of losses. Accordingly, the right to utilize carry-forward losses in the amount of NIS 1,207 million, against taxable income, will gradually expire over the following years:

	December 31 2017
	(in thousand NIS)
2018	3,339
2019	26,157
2020	47,601
2021 and thereafter	805,601
	882,698

NOTE 12 - INCOME TAXES (Cont.)

e. Deferred income taxes:

1. Composition:

	Year ended December 31, 2017				
	Balance as of January 1, 2017	Charge to profit and loss account	Deconsolidation (*)	Foreign currency translation adjustments	Balance as of December 31, 2017
	NIS in thousands				
Differences between book value of property, plant and equipment and value for income tax purposes	(92,472)	-	92,472	-	-
Temporary difference associated with investment in subsidiaries	(7,216)	7,216	-	-	-
Timing differences - income and expenses	(8,654)	1,880	-	291	(6,483)
Carry forward tax losses and deductions	15,400	(8,936)	-	19	6,483
Net deferred taxes	(92,942)	160	92,472	310	-

(*) See Note 19.

	Year ended December 31, 2016				
	Balance as of January 1, 2016	Charge to profit and loss account	Charged to revaluation reserve	Foreign currency translation adjustments	Balance as of December 31, 2016
	NIS in thousands				
Differences between book value of property, plant and equipment and value for income tax purposes	(82,990)	1,319	(17,046)	6,245	(92,472)
Temporary difference associated with investment in subsidiaries	-	(7,216)	-	-	(7,216)
Timing differences - income and expenses	(15,969)	6,721	(319)	913	(8,654)
Carry forward tax losses and deductions	17,900	(425)	-	(2,075)	15,400
Net deferred taxes	(81,059)	399	(17,365)	5,083	(92,942)

NOTE 12 - INCOME TAXES (Cont.)

e. Deferred income taxes (Cont.):

2. The Group did not record deferred tax assets in respect of the following items:

	December 31,	
	2017	2016
	NIS in thousands	
Timing differences - income and expenses	1,429	1,602
Carry forward tax losses and deductions	271,542	270,882
	272,971	272,484

f. Final tax assessments:

The Company and certain Israeli subsidiaries have received final tax assessments, through 2010. Currently the Company is discussing the tax assessments for the years 2011-2014. Certain foreign group companies have received final tax assessments while others have not been assessed since incorporation.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS

a. Claims:

Certain legal claims have been filed against the Group's companies, including a claim that has been applied to certify as class actions suits.

In the opinion of the managements of the Group, which is based, inter alia, on legal opinions as to the probability of the claims, including the applications for their approval as class action, appropriate provisions have been included in the financial statements, with respect to the exposure involved in such claims.

In the opinion of the managements of the Group's companies, the amount of the additional exposure as of December 31, 2017, in respect of claims with chances to be realized which are not remote, amounts to approximately NIS 7 million, excluding the class action and VAT assessments. Said amount does not include interest. In respect to motions to certify a claim as class actions, see items (1) below. In respect of VAT assessments see (3) below.

Following are the Group's material claims as of December 31, 2017:

1. The Company - application for 1999 class action:

In November 1999, a number of institutional and other investors (the "Plaintiffs"), holding shares in Elscint Ltd.(a subsidiary of the Company which was merged into the Company ("Elscint") instituted a claim against the Company, Elscint, the Company's former controlling shareholders, past officers in the said companies and others. Together with the claim a motion was filed to certify the claim as a class action on behalf of everyone who was a shareholder in Elscint on September 6, 1999 and until the submission of the claim, excluding the Company and certain other shareholders.

The plaintiffs argued that a continued and systematic oppression of the minority shareholders of Elscint took place, causing the minority monetary damage. According to the plaintiffs, said oppression started with the oppressive agreements made by Elscint for the realization of its main assets, continued with the sale of the control in the Company by Elron Ltd (and therefore indirectly also in Elscint) to companies held by former controlling shareholders ("Harmful Sale"),continued further with the breach of a tender offer made by Company to purchase the minority shares in Elscint ("Breach of Tender Offer") and ended with an agreement between Elscint and companies held by the former controlling shareholder for the acquisition by Elscint of the hotels portfolio and the Arena commercial center in Israel in exchange to excessive payment from Elscint. ("Hotels and Marina Transactions"). It should be mentioned that the Harmful Sale allegation is directed first and foremost against Elron which was the controlling shareholder of the Company at that time.

Due to these acts the Plaintiffs allege that the value of Elscint's shares dropped during the period between February 24, 1999 and the date at which the claim was instituted from USD 13.25 per share to USD 7.25. The main relief sought in the original claim was an order for the Company to consummate the purchase offer for USD 14 per share, and alternatively, to purchase Elscint's shares held by the Plaintiffs at a price to be set by the court. Further alternatively, the plaintiffs asked the court to grant injunction prohibiting the execution of Hotels and Marina Transactions and for the restitution of all money paid in connection with the above-mentioned transactions.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

a. Claims (Cont.):

1. The Company - application for 1999 class action (Cont.):

In January 2009, the district court dismissed the Plaintiffs' motion to certify the claim as a class action, which was appealed by them to the Israeli Supreme Court in March 2009. In May 2012, the Israeli Supreme Court upheld the plaintiff's motion to certify the claim as a class action with regard to the Hotels and Marina Transactions. In addition, the Supreme Court has upheld the Harmful Sale allegation that related to Elron and rejected certain other claims that were included in the original proceedings.

The Supreme Court noted that even though the claim was based on 'countless' allegations and on 'dozens' of legal grounds, the claim was certified as a class action based on only two causes of action: oppression of minority on the one hand and breach of fiduciary duties and recklessness on the other hand. The Supreme Court remanded the case to the District Court with instructions.

On January 8, 2018, the District Court approved settlement agreement according to which the plaintiffs, their attorneys and the class members will receive NIS 50 million as a final compensation in a final court ruling. On March 15, 2018, the District Court have also ruled to approve the Additional Agreement.

The Company's share in the aforementioned compensation is NIS 4.6 million and the rest will be financed by the Company's D&O Insurance.

A motion for leave to appeal the District Court's ruling of 27 September, 2017 was filed by Be'eri to the Supreme Court, constituting of claims that are similar in nature to the claims that Be'eri had previously raised in his objection to the Settlement Agreement (that the settlement agreement is a result of a conspiracy, and so forth).

Initially, the court's secretary refused to receive Be'eri's motion and initiate an appeal procedure. Be'eri objected the secretary's decision, and on December 26, 2017 a Supreme Court Registrar decided to annul the secretary's decision and allow Be'eri to initiate a motion for leave to appeal.

However, Be'eri did not initiate such an appeal procedure, and on February 13, 2018 the court was asked by some of the defendants to declare that Be'eri is barred from appealing the District Court's decision due to his inactivity.

On March 12, 2018 Be'eri declared he does not have the means to pay the fees and deposits needed in order to initiate the motion for leave to appeal, and informed the Supreme Court that he intended to ask the court to exempt him from making such payments. No such motion for exemption was filed so far, and therefore the Supreme Court has not yet decided on the issue. Subsequently, no motion for leave to appeal was opened. On April 20, 2018 The Supreme Court decided that Be'eri is exempted from paying court fees but obligated to pay a 5,000 NIS deposit until May 6, 2018. Failing to pay the deposit could lead to striking out the appeal.

According to The District Court's decision of April 20, 2018, the compensation will be held by the Plaintiff's counsel in escrow and will not be distributed until it is clear that (a) Be'eri did not initiate an appellate procedure; or (b) an appellate procedure, if filed, would end without significantly changing the settlement agreement.

The Company based on its legal advisor cannot estimate the chances of an appellate procedure that was not filed yet, but considering the nature of Be'eri's claims the Company asses that his motion for leave to appeal, should it be filed, is more likely to be denied than successful.

As for a dispute with an insurer which insured this law suit, see c7 below.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

a. Claims (Cont.):

2. VAT and Customs assessments:

The Company received from the respective VAT and Customs authorities assessments for the years 2006-2012 in the total amount of approximately NIS 25 million (excluding interest linkage and penalties). The Company filed appeals on the assessments it received. Discussions were held and summaries were submitted by both sides to the court.

As of signing the financial statements, the Company is awaiting for the court ruling. Management, based on its tax advisor opinion, recorded an appropriate provision in the financial statement for this exposure.

3. Other legal proceedings in the ordinary course of business:

As of December 31, 2017, the Company and its subsidiaries are involved in various legal proceeding relating to their ordinary course of business. Although the final outcome of these claims cannot be estimated at this time, the managements of these companies believe based on legal advice, that the claims, individually and in the aggregate, are not expected to materially impact the Company's financial statements.

b. Other contingent liabilities:

1. Indemnification to directors and officers of the Company:

The General Meeting of the Company's shareholders has approved the grant of prospective indemnification undertaking to the Company's directors (including the controlling shareholder) and officers (including for their service as officers at the Company's subsidiaries, where applicable). The total aggregate indemnification shall not exceed USD 40 million, and all in excess of an amount paid (if paid) by insurance companies under applicable insurance policy/ies. The Company's Board of directors and Audit committee has also approved an exemption of officers from liability for any damage caused by breach of a duty of care towards the Company.

2. Indemnification to directors and officers of Elscint:

Elscint's shareholders have approved, at their General Meeting (on October 2000), the grant of prospective indemnification undertaking to directors and officers of Elscint (including for their service as officers of Elscint's subsidiaries where applicable). The total indemnification shall not exceed the lower of 25% of the shareholders' equity as set forth in Elscint's most recent audited consolidated financial statements prior to such payment or USD 50 million, in excess of any amounts paid (if paid) by insurance companies pursuant to the insurance policy maintained by the Company from time to time.

Elscint's shareholders have also approved an exemption of directors and officers from liability in respect of any damage caused to Elscint by breach of duty of care. On March 7, 2011 Elscint was merged into Elbit and ceased to exist. Upon and as a result from the merger, all Elscint's undertakings and liabilities were transferred to and assumed by Elbit.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

b. Other contingent liabilities (Cont.):

3. Indemnification to directors and officers of Plaza Centers:

PC has entered into an indemnity agreement with directors (including the Company's chairman of the board and other director of the Company at their role as directors of PC) and PC's senior management. The maximum indemnification amount to be granted by PC to its directors shall not exceed 25% of the shareholders' equity of PC based on PC's shareholders' equity set forth in PC last audited consolidated financial statements prior to such payment.

4. Indemnification to directors and officers of InSightec:

InSightec (an associated company) is obliged to indemnify and to hold harmless its directors and officers (including one of the Company's directors who serves as a director in InSightec), to the fullest extent permitted by the laws of any relevant jurisdiction, against any liability. The total indemnification for all InSightec's directors and officers, in accordance with the letter of indemnification (in addition to the amounts received from the insurers), shall not exceed the higher of USD 10 million or USD 2 million per office holder with the addition of the reimbursement of legal expenses totalling USD 1 million.

Furthermore, InSightec has granted its officers and directors an exemption from all responsibility and any damage that will be caused to InSightec by them, in case of breaching their duty of care towards InSightec, other than with respect to a breach of duty of care in connection with a Distribution, as defined in the Israeli Companies Law subject to the Israeli Companies Law.

5. Indemnification to directors and officers of Gamida:

Gamida has granted its directors, an indemnification undertaking letter for any monetary obligation with respect to a claim, including a compromise agreement or arbitration award, carried out in respect to actions taken by the director during the time of his/her service as Gamida's or Gamida's Subsidiary or Affiliate's (as such terms defined therein) Director and in such capacity, as well as with respect to reasonable legal expenses including payments of legal fees paid by the Directors as a result of an investigation or proceeding initiated against the Director. The indemnification is limited to USD 6 million.

6. Indemnification to directors and officers of Elbit Medical Technologies:

In November 2010, the shareholders' of Elbit Medical Technologies have approved the grant of an exemption and indemnification to directors and officers of Elbit Medical Technologies (including such that serve also as officers of the Company). In the framework of the exemption and indemnification undertaking letter (as amended pursuant to the approval Elbit Medical Technologies shareholders on July 2012), Elbit Medical Technologies exempted the recipients of the indemnification undertaking letters also from liability for actions performed while serving as officers of Elbit Medical Technologies or its subsidiaries or a company in which Elbit Medical Technologies is an interested party.

The total indemnification that Elbit Medical Technologies shall pay to each of the indemnified parties (in addition to amount received from the insurance companies according to the insurance policy) shall not exceed USD 40 million. The maximum indemnification amount shall not be affected by payment according to any insurance policy or its existence unless the indemnification amount claimed was already covered by the insurance companies or by any third party.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

b. Other contingent liabilities (Cont.):

7. The Company received, in 2003, a letter from a certain insurer ("the Insurer") of EIL, Elscint and the Company (the "Insured Companies"), which insured against, inter alia, the lawsuit as described in item b1 above, alleging against the Insured Companies, inter alia, that the Insured Companies have breached their disclosure duties under the Insurance Contract Law 1981, by failing to disclose to the Insurer material information prior to the issuance of additional cover to the policy purchased by EIL (the "Policy"), effective as of July 1999 (the "Additional Cover"), and prior to the replacement of the Policy and the Additional Cover by the issuance of a new policy effective as of August 1999 (the "Replacement Cover"). The letter states that the Policy, Additional Cover and Replacement Cover (the "Insurance Cover") issued by the Insurer will be cancelled unless the Insured Companies indicate that circumstances as at the issuance of the Insurance Cover differ from those stated in the letter. The Company's legal counsel replied on behalf of the Insured Companies in March 2003, rejecting all allegations. The parties conducted discussions between them pertaining to the matter referred to herein to negotiate a settlement.

8. Indemnifications relating to sale of real estate assets:

   In the framework of the transactions for the sale of the Group's real estate as well other transactions, the Group has 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 the Group 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 and (ii) Indemnifications in respect of other representation and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matter, environmental matters, employees and others). Such indemnifications are limited in time and are generally caped to certain percentages of the purchase price.

9. Pending lease payments to a purchaser of a commercial center:

   A former subsidiary of PC incorporated in Prague, Czech Rep. ("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 thereby, for a period of 30 years, with an option to extend the lease period by additional 30 years, in consideration for EUR 6.9 million (NIS 28 million), which as of the balance sheet date has been fully paid. According to the lease agreement, the Lessee has the right to terminate the lease subject to fulfilment of certain conditions as stipulated in the agreement.

   In case the Lessee leaves the mall before expiration of lease period PC will be liable to repay the remaining consideration in amount of EUR 1.9 Million (NIS 8 million) as of balance sheet date, unless the buyer finds other tenant that will pay higher annual lease payment than the Lessee. PC's management does not expect to bear a material loss.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

b. Other contingent liabilities (Cont.):

10. Waiver and reimbursement to Gamida and/or its officers:

In November 2010, Elbit Medical Technologies irrevocably undertook towards Gamida and/or its officers, that they shall not be under liability, of any kind, directly or indirectly, towards it, its interested parties, its officers and towards any other person and/or third party, regarding the prospectus published by Elbit Medical Technologies with respect to the transaction according to which the Company acquired control over Elbit Medical Technologies (hereinafter, respectively the "Prospectus" and the "Transaction") provided that Gamida's will provide the information in good faith and that such information must be at all times complete and accurate.

11. During February 2018, Elbit Medical completed the issuing of convertible Notes (Series C), which are convertible to regular shares of Elbit Medical and are secured by a lien on part of Elbit Medical's shares in Gamida Cell Ltd. (**"**Gamida") and Insightec Ltd. ("Insightec"). The lien on Gamida and Insightec's shares was made possible following an amendment to both of their Articles of association ('Articles') to reflect that the lien on Gamida and Insightec's shares does not constitute a Right of First Refusal that Gamida Cell and Insightec's shareholders have arising out of the Articles, and that solely realization of these shares will activate the aforementioned Right of First Refusal (the "Amendment").

As a precondition for the Amendment, Elbit Medical undertook to indemnify Insightec and each of its officers, directors, mangers, members, partners, employees and agents, shareholders and any other persons controlling Insightec or any of its affiliates (collectively: "Indemnified Persons") to the fullest extent lawful, from and against any liabilities, losses, damage or expenses (including payment to advisors) incurred that arises out of or in connection with the Amendment, whether or not resulting from an Indemnified Person's negligence ("Losses"), provided, however, that Elbit Medical shall not be responsible for any Losses that arise out of or are based on any action of or failure to act by Insightec to the extent such Losses are determined, by a final, non-appealable judgment by a court, to have resulted solely from Insightec's gross negligence or willful misconduct.

Likewise Elbit Medical Technologies has irrevocably undertaken, towards Gamida, its officers, Gamida's jointly controlled subsidiary and Teva Pharmaceutical Industries Ltd that, subject to the conditions specified in the undertaking document, it shall indemnify them, for any liability and/or damage and/or expense and/or loss that is caused to any of the aforementioned with respect to the Transaction and the Prospectus, as well as any reports or other action of the Company with respect to the aforementioned information and/or to Gamida, its activities, its business etc.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

b. Other contingent liabilities (Cont.):

12. Foreign Corrupt Practices Act (FCPA) Issues:

On March 12, 2018, the Securities and Exchange Commission ("SEC") approved an offer of settlement that was submitted to it by the Company regarding concerns of a violations of the books and records and internal accounting controls provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA"), as follows: 1. In March 2016 Plaza Centers N.V. (a subsidiary of the Company) ("PC") announced that its board of directors became aware of certain issues with respect to certain agreements that were executed in the past by PC in connection with the Casa Radio Project in Romania (see also note 4c1) that may indicate potential violation of the requirements of the FCPA, including the books and records provisions of the FCPA. 2. In addition, in April 2017 the Company's board of directors and PC's board of directors became aware of certain issues with respect to an agency and commission agreement from 2011 regarding the sale in 2012 of property in the U.S. jointly owned by PC and the Company. The characteristics of the said agreements could raise red flags that this agreements may be a potential violation of the requirements of the FCPA, including the books and records provisions of the FCPA. 3. Upon the discovery of each of the cases described above, the Company appointed an internal committees to examine these events and at the same time updated the SEC. 4.

The internal committees has concluded their examination of these matters and submitted their recommendations to the Company's board of directors. The Company's board of directors fully adopted the committee's recommendations, and is working to implement them. 5. Following discussions with the SEC regarding the potential violation of the requirements of the FCPA, the Company submitted an Offer of Settlement ("Offer"). 6. Solely for the purpose of the proceedings brought by or on behalf of the SEC and without admitting or denying the findings in the Offer (except as to the SEC's jurisdiction over it and the subject matter of these proceedings, which are admitted) the Company consented to the entry of an order containing the SEC's findings. -2- 15527/1403/7157186v1 7. The SEC has determined to accept the Offer and ordered that: 7.1. Pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), the Company cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. 7.2. The Company paid a civil money penalty in the amount of $500,000 to the SEC for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). 8. In determining to accept the Offer, the SEC considered remedial acts that the Company promptly undertook, its self-reporting, and its cooperation afforded to the SEC staff, including having conducted a thorough internal investigation, voluntarily providing detailed reports to the staff, fully responding to the staff's requests for additional information in a timely manner, and providing translations of certain documents.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

b. Other contingent liabilities (Cont.):

13. Contingent liability due to Tax:

- In respect of PC subsidiary which holds a plot in the Europe region, certain tax aspects have been raised in respect to the past. PC management decided, following a thorough analysis and based on it tax advisor's estimations, to record a provision in amount of EUR 1 million (NIS 4.2 million) for potential losses which are recorded in other losses in the profit or loss financial statements. In respect of a potential real estate tax claim, PC has been advised by its external advisors that notwithstanding the overall ambiguities of the applicable framework and its implementation that could result to a possible tax dispute there are good chances of success in case of litigation since the shares of the subsidiary are ultimately held by entities which shares are admitted for trading in regulated Stock Exchanges and therefore the substantial requirements for the tax exemption are met. Accordingly, no provision for any liability has been made in these financial statements.

- Following analysis of certain tax aspects, a provision of approximately NIS 8 million was recorded, at amount which management believes is appropriate.

c. Liens, collateral and guarantees:

1. The Company notes:

Series H notes are secured by a first ranking floating charge on all the Company's property and assets and first ranking charges over the Company's existing and future interest and rights in and to the Company's wholly owned subsidiaries and Elbit Ultrasound (Luxembourg) B.V./Sa.r.l ("EUL LUX"), including rights to any amount owed to the Company by EUL LUX. Series I notes has similar second ranking charges. In addition the Company has granted to both series H and series I notes) a corporate guarantee by EUL LUX and a negative pledge over the respective assets of EUL LUX. The collaterals securing the notes are subject to exceptions as set forth in the Arrangement. The Company holds through EUL LUX its shareholdings in PC.

The Company and its wholly owned subsidiaries, EUL LUX have not created, nor undertook to create any pledges contrary to their obligations under the notes.

In 2018, the Company mortgaged the repayments of the Vender loan (as mention in note 19), with a first-ranking lien, in favor of the trustee of holders of Series H.

And in a second lien in favor of the trustee of the holders of Series I.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

2. PC notes:

The following provisions will apply to PC's notes:

a) Restrictions on issuance of additional notes - PC undertake not to issue any additional notes other than as expressly provided for in the Restructuring Plan.

b) Restrictions on amendments to the terms of the bonds- PC shall not be entitled to amend the terms of the bonds, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and PC also obtains the approval of the holders of all other series of bonds issued by PC by ordinary majority.

c) Negative Pledge on Real Estate Asset ("REA") of PC - PC undertakes that until the notes has been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by PC except in the event that the encumbrance is created over PC's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.

d) Negative Pledge on the REA of Subsidiaries - PC's subsidiaries shall undertake that until the notes have been repaid in full, none of them will create any encumbrance on any of REA except in circumstances permitted under the provision of the notes.

e) Limitations on incurring new FI by PC and the subsidiaries - PC undertakes not to incur any new FI (including by way of refinancing an existing FI with new FI) until the outstanding notes debt (as of November 30, 2014,) have been repaid in full, except in circumstances permitted under the provision of the notes.

f) Limitation on distribution dividend - see note 7b5.

g) 75% mandatory early repayment - see note 11e to other sections in this note.

NOTE 13 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS (Cont.)

d. PC's notes financial covenants:

a) Coverage Ratio Covenant ("CRC"):

The CRC is a fraction calculated based on known Group valuations reports and consolidated financial information available at each reporting period. The CRC to be complied with by the Group is 118% ("Minimum CRC") in each reporting period. As of December 31, 2017 calculated CRC is 103%. In the event that the CRC is lower than the Minimum CRC, then as from the first cut -off date on which a breach of the CRC has been established and for as long as the breach is continuing, PC shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset ("REA") owned by PC or its subsidiaries, with the exception that it shall be permitted to sell the REA if it has an obligation to do so which was entered into prior to the said cut-off date, (b) investments in new REA's; 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 certain loan to cost ratio of the projects are met.

If a breach of the Minimum CRC has occurred and continued throughout a period comprising two consecutive quarterly reports following the first quarterly/year-end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds and Polish notes terms the bond holder shell be entitled to declare by written notice to PC that all or a part of their respective (remaining) claims become immediately due and payable.

As a result of covenants breach, PC classified its bonds in the total amount of EUR 116,914 thousands (NIS 485,498 thousands) as current liabilities in the financial statements as of 31 December 2017.

b) Minimum Cash Reserve Covenant (MCRC):

cash reserve of PC has to be greater than the amount estimated by PC's management required to pay all administrative and general expenses and interest payments to the Note holders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by PC or a subsidiary) and closed and to the expectation of the PC's management have a high probability of being received during the following six months. As for December 31, 2017, the MCRC is maintained.

c) PC is allowed to execute actual investments only if its cash reserves contain an amount equal to general and administrative expenses and interest payments for the Unsecured Debt for a six-month period (for this purpose also receivables with a high probability of being collected in the subsequent six-month period will be taken into account for the required minimal cash reserve).

NOTE 14 - SHARE CAPITAL

Composition:

	Ordinary shares of NIS no par value each		
	2017	2016	2015
	No nominal par value	NIS 1.00 par value	NIS 1.00 par value
Authorized share capital	11,666,667	11,666,667	35,000,000
Issued and outstanding	9,190,808	9,190,808	27,572,426

The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of the Company, inter alia, the right to receive notices of, and to attend meetings of shareholders; for each share held, the right to one vote at all meetings of shareholders; and to share equally, on a per share basis, in such dividend and other distributions to shareholders of the Company as may be declared by the Board of Directors in accordance with the Company's Articles and the Israeli Companies Law, and upon liquidation or dissolution of the Company, in the distribution of assets of the Company legally available for distribution to shareholders in accordance with the terms of applicable law and the Company's Articles. All Ordinary Shares rank pari passu in all respects with each other.

NOTE 15 - OPTIONS PLANS

a. Options plan adopted by the Company and its subsidiaries:

1. On October 13, 2016, the Company's general meeting adopted option plan to the Company's executive Chairmen of the board ("The Chairman"). According to the plan, the Chairman was granted options exercisable into 38,445 ordinary shares, no par value, of the Company, constituting approximately 0.4% of the Company's issued and outstanding share capital on a fully diluted basis. The exercise price of the options is equal to NIS 13.426 per share. The option term is for 5 years and it will be vested equally over a period of 3 years.

2. Elbit Medical plan:

	Year ended December 31			
	2017		2016	
	Number of options	Weighted average exercise price (NIS)	Number of options	Weighted average exercise price (NIS)
Balance at the beginning of the year	158,592,747	0.14	140,035,935	0.14
Granted (1)	500,000	0.13	22,298,912	0.10
Forfeited	(104,685,257)	0.13	(3,742,100)	0.40
Exercised	(36,670,449)	0.13	-	-
Balance at the end of the year	17,737,041	0.11	158,592,747	0.11
Options exercisable at the year end	2,371,100	0.13	136,293,835	0.13

3. Includes 8,199,275 options granted to the Company's Chairman of the Board on October 13, 2016 for a period of 5 years and an exercise price of NIS 0.106 per option. The options will be vested equally over a period of 3 years.

b. Options plan adopted by PC:

Over the years, the PC has adopted few option plans over its shares. The below table summarized the significant terms in respect of PC's option plans as for December 31, 2017

	Number of options	Max exercisable number of shares	average exercise price	Vested as of December 31, 2017	average contractual life	Option granted to key personnel
PC's plan	235,520	356,781	GBP 43	253,520	5.06 years	30,000

NOTE 16 - ADDITIONAL DETAILS CONCERNING INCOME STATEMENT

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
a. Cost of commercial centers			
Direct expenses:			
Cost of trading property sold	771,765	112,346	227,910
Wages and fringe benefits	396	1,503	3,341
Energy costs	1,900	3,868	6,073
Taxes and insurance	2,405	4,764	6,999
Maintenance of property and other expenses	2,442	5,351	8,286
	778,908	127,832	252,609
Other operating expenses:			
Wages and fringe benefits	11,726	13,497	16,716
Professional services	9,224	8,458	7,638
Advertising	2,884	6,685	7,247
Other	2,759	2,932	5,363
	26,593	31,572	36,964
Depreciation and amortization	122	402	787
	805,623	159,806	290,360
b. General and administrative expenses			
Wages and fringe benefits	4,372	3,744	6,687
Stock-based compensation expenses	325	27	1,086
Depreciation and amortization	12	19	29
Expenses relating to the Company's plan of arrangement	122	221	412
Professional expenses	5,728	2,326	2,867
Other	4,371	3,920	5,597
	14,930	10,257	16,678
c. Financial expense			
Interest and CPI linkage on borrowings	103,360	193,116	200,169
Gain from buy back of notes and bank loan (see note 11d2)	-	(78,193)	(55,475)
Loss from foreign currency translation differences	7,273	30,018	69,003
Other financial expenses (income)	1,651	1,405	(5,976)
Total financial expenses	112,284	146,346	207,721
Financial expenses capitalized to qualified assets	12	(21,992)	-
	112,296	124,354	207,721

NOTE 16 - ADDITIONAL DETAILS CONCERNING INCOME STATEMENT (Cont.)

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
d. Financial income			
Interest on deposits and receivables	168	203	649
Gain (loss) from foreign currency translation differences	91	(1,259)	1,505
Other financial income	1,552	-	-
	1,811	(1,056)	2,154
e. Change in fair value of financial instruments measured at fair value through profit and loss			
Loss from change in fair value of derivatives (mainly swap and forward transactions)	-	(2,707)	-
Gain on marketable securities	-	-	2,568
	-	(2,707)	2,568
f. Write down, charges and other expenses, net			
Write down of trading property (i)	89,345	189,592	86,717
Realization of foreign currency translation reserve to the profit and loss	-	-	3,534
Initiation expenses (ii)	12,461	1,796	6,239
Other, net (iii)	(686)	(29,070)	2,802
	101,120	162,318	99,292

(i) See note 4b regarding trading property write downs.
(ii) Includes mainly cost and expenses in respect of the Group's operations in India.
(iii) In 2016 -Including gain from increase in holdings in Indian subsidiaries. Refer also to note 4d.

j. Earnings per share (*)			
Basic and diluted earnings per share:			
The earnings and weighted average number of ordinary shares used in the calculation of the basic earning per share are as follows:			
Profit (Loss) from continuing operations	(185,132)	(202,630)	(242,709)
Profit (Loss) from discontinued operation	(152,903)	7,913	56,231
Weighted average number of shares used in computing basic earnings per share (thousands)	9,191	9,191	9,191

(*) The earnings used in the calculation of all diluted earnings per share are same as those for the equivalent basic earnings per share measures.

NOTE 17 - RELATED PARTIES

a. Transactions with related parties:

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation and therefore are not disclosed in this note.

As of December 31, 2017, the Company does not have ultimate controlling party. The Company identifies the following entities, inter alia, as the Company's related parties: York Capital Management Global Advisors, LLC ("York") which holds approximate 19.6% of Company's share capital and Davidson Kempner Capital Management LLC ("DK") which holds approximate 14.3% of Company's share capital.

As for the investment agreement in InSightec by York and other investors see note 5a.

b. Benefits to key management personnel:

1. a) Insurance policy for the Company's directors and officers:

The directors and officers of the Company and its subsidiaries (excluding PC and its subsidiaries which are covered under a separate policy - see b below), are covered by directors' and officers' liability insurance policy of up to USD 40 million per occurrence and in the aggregate during the duration of the policy. In addition, the directors and officers of the Company (excluding any subsidiary) are covered by additional directors' and officers' liability insurance policy of up to USD 20 million per occurrence and in the aggregate during the duration of the policy. The shareholders of the Company have approved the renewal of such policy and the purchase of another directors and officers' liability insurance policy and the purchase of any other similar policy upon the expiration of such policies, provided that the coverage will not exceed certain premium and that the premium for the renewed policy(ies) will not exceed an amount representing an increase of 20% as compared to the previous year. The insurance policy of the Company will expire on March 1, 2019. In addition to the ongoing police, on the closing of the Company's plan of Arrangement on February 20,2014 the Company's then exiting on-going policy has been converted into a Run Off policy which will expired following the elapse of seven years thereafter (i.e., February 20, 2021).

b) Insurance policy for PC's directors and officers:

PC maintains Directors' and Officers' liability insurance policy, presently at the maximum amount of USD 60 million which will expire on November 1 2017. The new policy does not exclude past public offering and covers the risk that may be incurred by the Directors through public offerings of equity up to USD 50 million.

NOTE 17 - RELATED PARTIES (Cont.)

b. Benefits to key management personnel (Cont.):

c) Insurance policy for InSightec's directors and officers:

InSightec's directors and officers are covered by two insurance policies; (i) Run Off policy, which is valid for a period of 7 years commencing December 2012, covering damages that has occurred until December 2012 uo to USD 20 million, and (ii) a second policy covering damages that had occurred or might occur from December 2012 and on up to USD 60 million, and it precedes and does not have the right to participate in the policies of directors and officers held by any of the shareholders of InSightec, including a component of special coverage for risk management (up to an amount of USD 100 thousands) with worldwide coverage. InSightec's directors and officers insurance includes a retroactive cover and contains a 7 year extended reporting period provision.

d) Insurance policy for the Gamida's directors and officers:

Gamida's directors and officers are covered by D&O liability Insurance Policy. The policy covers claim first made against the insured during the policy period and notified to the insurer during the policy period for any wrongful act in the insured's capacity as a director or officer of the company - all in accordance with the policy terms and conditions. The policy limit of liability is USD 6 million. Total aggregate for all loss, arising out of all claims made against all insured is under all insurance covers combined.

2. As for directors' indemnification - see note 13b1 – 13b6

3. Options issued to related parties - see note 15.

c. The following table presents the components of the Group related party transactions and benefit (including bonus) granted to the Group's key management personnel:

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
Benefits to key management personnel			
Salaries, directors' fees and bonuses	4,655	3,373	4,798
Termination benefits of former key personnel	200	-	-
Post-employment benefits	-	239	257
Amortization of stock based compensation expenses	399	53	866
	5,254	3,665	5,921
Number of recipients (excluding directors)	7	7	7

d. Balances with related parties:

	December 31,	
	2017	2016
	NIS in thousands	
Liabilities:		
The Company's and PC's traded notes	116,130	211,790
Benefits payable to key management personnel	3,499	2,114
	119,629	213,904

NOTE 18 - SEGMENTS REPORTING

a. General:

The Group's Chief Operating Decision-Maker ("CODM") reviews the Group's internal reporting to assess the performance and to allocate resources. The CODM assesses the performance of the Group's segments based on Net Operating Income. Such Net Operating Income is excluding general and administrative expenses attributable to the Company's headquarter, financing income (expenses) and income taxes. In addition, the CODM is assessing separately the specific financial expenses of each segment based on the borrowings which are specifically attributable to the segment. All other financing expenses (income) (i.e.: financing expenses in respect of non-specific borrowing, interest income on investments and deposits and changes in fair value of financial instruments) were considered as unallocated financing expenses (income).

Investments in INSIGHTEC is reviewed by the CODM in the same manner as subsidiary companies, i.e. each investment's income, expenses are reviewed on a separate basis. The amounts included are not adjusted to reflect the Group's share and accordingly reviewed in its entirety (100%). Accordingly, the amounts within each segment include these components of equity method investments, and are reconciled to the consolidated statements as adjustments.

For purpose of these financial statements the following business segments were identified:

- Medical Industries and devices - through the Company indirect holdings in two companies which operates in the field of life science: (i) INSIGHTEC which operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; and (ii) Gamida which operates in the field of research, development and manufacture of products designated for certain cancer diseases.

- Plots in India - plots designated for sale, initially designated to residential projects.

- Plots in Eastern Europe- initially designated for development of commercial centers - includes plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("PC") whose business strategy is to no longer develop commercial centers but to dispose of its real estate assets at optimal market conditions.

The Group's reportable segments for each of the years ended December 31 2017, 2016 and 2015 are: Medical Industries and devices, Plots in India and Commercial Centers, All other operations identified by the CODM are included as "other activities". The assets of a reportable segment include plots in India and trading property attributable to the Commercial Centers. Unallocated assets include mainly cash and cash equivalent as well as short and long term deposits and investments.

The liabilities of the reportable segments include mainly specific borrowings provided directly to the Project Companies (mainly companies which are engaged in the operation, construction and initiations of commercial centers) and which are usually secured by a mortgage on the property owned by these Project Companies. Other borrowings which were raised by the Group with no identification to certain operations (mainly notes issued by the Company and PC) were considered as unallocated liabilities.

The accounting policies of all reportable segments are the same as those of the Group, as described in note 2.

NOTE 18 - SEGMENTS REPORTING (Cont.)

b. Data regarding business segments:

Year ended December 31, 2017

	Commercial centers	Medical industries and devices	Plots in India	Other activities and allocations	Equity method adjustments	Total
Revenues	814,826	117,488	-	-	(117,488)	814,826
Segment profit (loss)	(36,929)	(135,445)	(55,422)	-	135,445	92,450
Financial income (expenses)	(5,281)	-	-	-	-	(5,281)
Share in losses of associates, net	-	(15,156)	-	-	(5,047)	(20,202)
Adjustments:						
Unallocated general and administrative expenses						(14,930)
Unallocated other expenses						532
Unallocated financial expenses						(107,015)
Financial income						1,811
Loss before income taxes						(237,534)
Additions to segment assets	7,895	-	-	-	-	7,895
Unallocated						3,156
Total additions						11,051
Depreciation and amortization of segment assets	52	-	-	-	-	52
Unallocated						28,951
Total Depreciation and amortization						29,003
Impairment of segment assets	47,700	-	43,057	-	-	90,757
Unallocated						-
Total Impairment						90,757
Assets and Liabilities December 31, 2017:						
Segment assets	305,503	-	187,509	5,845	-	498,856
Equity basis investments	-	-	-	-	5,437	5,437
Unallocated						513,078
Total Assets						1,017,371
Liabilities						
Segment liabilities	54,792	-	38,477	-	-	93,269
Unallocated liabilities						1,072,887
Total Liabilities						1,166,156

NOTE 18 - SEGMENTS REPORTING (Cont.)

b. Data regarding business segments (Cont.):

Year ended December 31, 2016

	Commercial centers (i)	Medical industries and devices	Plots in India	Other activities and allocations	Equity method adjustments	Total
Revenues	210,014	96,333	-	-	(113,911)	192,436
Segment profit (loss)	(135,061)	(119,689)	9,354	-	116,361	(129,035)
Financial income (expenses)	60,454	-	-	-		60,454
Share in losses of associates, net	-	(7,960)	-	-	(46,353)	(54,313)
Adjustments:						
Unallocated general and administrative expenses						(10,257)
Unallocated other expenses						(652)
Unallocated financial expenses						(184,809)
Financial income						(1,056)
Change in fair value of financial instruments measured at FVTPL						2,707
Loss before income taxes						(316,961)
Additions to segment assets	94,406	-	154,598	-	-	249,004
Unallocated						2,473
Total additions						251,477
Depreciation and amortization of segment assets	306	-	-	-	-	306
Unallocated						37,109
Total Depreciation and amortization						37,415
Impairment of segment assets	165,028		24,564			189,592
Unallocated						-
Total Impairment						189,592
Assets and Liabilities December 31, 2016:						
Segment assets	1,126,871	-	245,092	6,453	(5,702)	1,372,714
Equity basis investments		15,916			11,033	26,949
Unallocated						861,546
Total Assets						2,261,209
Liabilities						
Segment liabilities	428,386	-	3,319	-	(43)	431,662
Unallocated liabilities						1,780,933
Total Liabilities						2,212,595

(i) Includes mainly revenues from commercial centers under operation until their sale and consideration from sales of commercial centers.

NOTE 18 - SEGMENTS REPORTING (Cont.)

b. Data regarding business segments (Cont.):

Year ended December 31, 2015

	Commercial centers (i)	Medical industries and devices	Plots in India	Other activities and allocations	Equity method adjustments	Total
	NIS in thousands					
Revenues	309,302	69,432	-	-	(88,095)	290,639
Segment profit (loss)	(74,170)	(95,805)	(12,325)	-	92,656	(89,644)
Financial income (expenses)	29,605	1,353	-	-	-	(30,958)
Share in losses of associates, net	-	(13,465)	-	-	(29,460)	(42,925)
Adjustments:						
Unallocated general and administrative expenses						(16,678)
Unallocated other expenses						(9,369)
Unallocated financial expenses						(176,763)
Financial income						2,154
Change in fair value of financial instruments measured at FVTPL						(2,568)
Loss before income taxes						(366,751)
Additions to segment assets	28,562	-	-	133	-	28,695
Unallocated						23,183
Total additions						51,878
Depreciation and amortization of segment assets	863	-	-	38	-	896
Unallocated						32,184
Total Depreciation and amortization						33,085
Impairment of segment assets	85,918	-	-	-	-	85,918
Unallocated						-
Total Impairment						85,918
Assets and Liabilities December 31, 2015:						
Segment assets	1,579,921	262,183	247,383	7,081	(599,531)	1,497,038
Equity basis investments	-	24,233	-	-	267,950	292,183
Unallocated						914,331
Total Assets						2,703,552
Liabilities						
Segment liabilities	658,994	92,644	2,624	-	(217,930)	**536,332**
Unallocated liabilities						1,863,156
Total Liabilities						2,399,488

(i) Includes mainly revenues from commercial centers under operation until their sale and consideration from sales of commercial centers.

NOTE 18 - SEGMENTS REPORTING (Cont.)

c. Data regarding geographical areas:

1. Revenues by geographical areas:

Revenues information above is based, mainly, on the locations of the assets.

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
East and central Europe(i)	814,826	192,436	133,631
India	-	-	150,296
Other	-	-	6,712
	814,826	192,436	290,639

(I) The following table provides an additional information in respect of the revenues in east and central Europe per countries:

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
Poland	514,291	76,724	71,219
Czech Republic	-	43,519	9,240
Romania	36,538	2,898	45,217
Serbia	246,534	68,165	3,832
Other	17,463	1,130	4,123
	814,826	192,436	133,631

2. Non-current assets by geographical areas:

The Group's non-current assets provided in the following table include also trading property and payment on account of trading property.

	Segment assets December 31,	
	2017	2016
	NIS in thousands	
East and central Europe	300,165	1,084,749
Israel	1,599	24,189
India	193,450	245,091
	495,214	1,354,029

NOTE 19 - DISCONTINUED OPERATIONS

Sale of the "Radisson complex"

On November 29, 2017, the Company has announced, that its wholly owned indirect subsidiary (the "Vendor") has signed a definitive sale and purchase agreement (the "Agreement") for the sale of its entire shareholding (comprising approx. 98.2% of the outstanding share capital) in the company (the "SPV") which owns the Radisson Hotel Complex in Bucharest, Romania, based on a property value of €169.2 million (the "Transaction"). The Agreement has been signed with an acquisition vehicle jointly owned by two international investment funds (the "Purchaser").

The net proceeds that was derived from the Transaction (after offsetting the SPV's senior bank loan, working capital and other adjustments, as well as transaction expenses) was approximately €81 million. Part of the net proceeds equal to €8 million was used to finance a vendor loan which has been granted for a period of 3 years, bearing interest at the rate of 5% per annum (the "Vendor Loan").

The Vendor Loan acts as collateral for customary post-closing liabilities of the SPV, whereby the Purchaser may offset adjudicated losses which may be incurred by it as a result of a breach of warranties or in respect of certain indemnities given by the Vendor in terms of the Agreement. Additionally, the Company has granted a letter of guarantee in favor of the Purchaser pursuant to which it has undertaken to fulfill the Vendor's undertakings and obligations under the Agreement (if and to the extent that the Vendor fails to do so).

On December 18, 2017 the Company has completed the transaction. Part of the Net Proceeds were applied in order to repay the Company outstanding loan to Bank Hapoalim Ltd. in the amount of approximately Euro 11.6 million and NIS 240 million were applied to an early repayment of interest and principal to the Company (series H) noteholders

Following the Closing and consummation of the transaction, the Company has ceased to operate the "Radisson Complex" hotel activity, and accordingly the said activity was classified as discontinued operation including comparative information.

Sale of Elbit Fashion

On January 5, 2015 Elbit Fashion has completed the sale of the operation and business of "Mango" retail stores in Israel from Elbit Fashion to Fox- Wiesel Ltd (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, and accordingly the said activity was classified as discontinued operation.

NOTE 19 - DISCONTINUED OPERATIONS (Cont.)

Results of discontinued operations:

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands (except for per-share data)		
Revenues from hotel operations and management	130,142	135,839	147,886
Revenues from fashion merchandise	-	-	1,857
	130,142	135,839	149,743
Expenses and losses			
Cost of fashion merchandise	-	-	4,123
Cost of hotel operations and management	105,678	115,367	126,849
Financial expenses	20,103	19,634	31,444
Other income, net	(669)	(6,961)	(70,133)
	(125,112)	(128,040)	(92,283)
Profit (loss) from discontinued operations before income taxes	(5,030)	7,799	57,460
Income tax (income) expenses	80	(114)	1,229
Profit (loss) from discontinued operations	(5,110)	7,913	56,231
Gain from sale of hotels	(55,835)	-	-
Release of capital funds as a result of the sale of hotels	213,848	-	-
Total Profit from discontinued operations	152,903	7,913	56,231
Basic and diluted earnings per share	(16.64)	0.85	6.11

NOTE 19 - DISCONTINUED OPERATIONS (Cont.)

Reclassification of comparative information:

	As previously reported	Amendment	As presented in these financial statements
		NIS in thousands	
Revenues			
Revenues from sale of commercial centers	200,078	-	200,078
Revenues from Hotels operations and management	147,886	(147,886)	-
Total revenues	347,964	(147,886)	200,078
Gains and other			
Rental income from commercial centers	83,849	-	83,849
Gain from sale of investees	6,712	-	6,712
Total gains	90,561	-	90,561
Total revenues and gains	438,525		290,639
Expenses and losses			
Cost of commercial centers	290,360	-	290,360
Hotels operations and management	126,849	(126,849)	-
General and administrative expenses	16,678	-	16,678
Share in losses of associates, net	42,925	-	42,925
Financial expenses	236,288	(28,567)	207,721
Financial income	(2,154)	-	(2,154)
Change in fair value of financial instruments measured at fair value through profit and loss	5,446	(2,878)	2,568
Write-down, charges and other expenses, net	38,298	60,994	99,292
	754,690	(97,300)	657,390
Loss before income taxes	(316,165)	(50,586)	(366,751)
Income taxes expenses (tax benefits)	5,631	(1,229)	4,402
Loss from continuing operations	(321,796)	(49,357)	(371,153)
Profit from discontinued operations, net	6,874	49,357	56,231
Loss for the year	(314,922)	-	(314,922)
Attributable to:			
Equity holders of the Company	(186,150)	-	(186,150)
Non-controlling interest	(128,772)	-	(128,772)
	(314,922)	-	(314,922)
Loss from continuing operations			
Equity holders of the Company	(193,024)	(49,685)	(242,709)
Non-controlling interest	(128,772)	309	(128,463)
	(321,796)	(49,376)	(371,172)
Profit from discontinued operation, net			
Equity holders of the Company	6,874	49,666	56,540
Non-controlling interest	-	(309)	(309)
	6,874	49,357	56,231

NOTE 19 - DISCONTINUED OPERATIONS (Cont.)

Statement of Cash flows

The statement of cash flows includes the following amounts relating to discontinued operations, the majority of which as of December 2015, are attributable to the discontinued fashion apparel and hotels operations:

	Year ended December 31,		
	2017	2016	2015
	NIS in thousands (except for per-share data)		
Operating activities	49,142	26,443	(5,921)
Other investment activities	297,875	14,082	216,957
Other financing activities	(157,948)	118,556	(189,203)
Net cash provided by (used in) discontinued operations	189,069	159,081	(21,833)

NOTE 20 - FINANCIAL INSTRUMENTS

a. Principal accounting policies:

The principal accounting policies adopted by the Group in respect of financial instruments and equity components including recognition criteria, measurement and charges to the statement of income and other comprehensive income are included in note 2.

b. Balances of financial instruments by categories:

1. Composition:

	December 31,	
	2017	2016
	NIS in thousands	
Financial assets		
Cash and cash equivalents	465,740	89,688
Loans and receivables	44,545	88,199
Available for sale financial instruments	4,032	4,091
	514,317	181,978
Financial Liabilities		
Derivative financial liabilities at fair value through profit and loss	-	1,832
Financial liabilities at amortized cost	1,088,479	2,051,905
	1,088,479	2,053,737

2. Additional information:

As for financing income and expenses resulting from the aforementioned financial instruments - see note 16e.

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks:

The operations of the Group expose it to risks that relate to various financial instruments, such as: market risks (including currency risk, 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 or future cash flow of financial instruments will fluctuate because of changes in market prices

Credit risk - is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk - is the risk that the Group will not be able to meet its financial obligations as they fall due.

The comprehensive risk management program of the Group focuses on actions to minimize the possible negative effects on the financial performance of the Group. In certain cases, the Group uses derivatives financial instruments in order to mitigate certain risk exposures.

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board is managing the risks faced by the Group, and confirms that any appropriate actions have been or are being taken to address any weaknesses.

The Group has exposure to the following risks which are related to financial instruments:

1. Foreign currency risk:

The Group has international activities in many countries and therefore it is 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 currency which is different than the functional currency of the Group's entity which executed the transaction or hold these financial assets and liabilities. In order to minimize such exposure the Group policy is to hold financial assets and liabilities in a currency which is the functional currency or the Group's entity. The Company's functional currency is the NIS and its investees use different functional currencies (mainly the EURO, Indian Rupee and the RON).

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks (Cont.):

1. Foreign currency risk (Cont.):

The following tables present sensitivity analysis to a change of 10% in the Group's main foreign currencies against their relevant functional currency and their effect on the statements of income and the shareholders' equity (before tax and before capitalizing any exchange results to qualified assets):

As of December 31, 2017:

	Functional currency	Linkage currency	Change in the exchange rate (%)	Profit (loss) In thousand NIS
Assets				
Cash and deposits	NIS	EURO	+10%	368
Cash and deposits	NIS	USD	+10%	131
Cash and deposits	EURO	PLN	+10%	174
Cash and deposits	EURO	USD	+10%	243
Cash and deposits	EURO	NIS	+10%	13,305
				14,221
Financial liabilities				
Loans at amortized cost	EURO	PLN	+10%	(2,125)
Notes at amortized cost	EURO	NIS	+10%	(46,425)
				(48,550)

As of December 31, 2016:

	Functional currency	Linkage currency	Change in the exchange rate (%)	Profit (loss) In thousand NIS
Assets				
Cash and deposits	NIS	EURO	+10%	501
Cash and deposits	NIS	USD	+10%	181
Cash and deposits	EURO	PLN	+10%	947
Cash and deposits	EURO	USD	+10%	135
Cash and deposits	EURO	USD	+10%	260
				2,024
Financial liabilities				
Loans at amortized cost	NIS	EURO	+10%	(5,908)
Loans at amortized cost	EURO	PLN	+10%	(4,271)
Notes at amortized cost	EURO	NIS	+10%	(67,859)
Loans at amortized cost	RON	EURO	+10%	(36,992)
				(115,030)

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks (Cont.):

1. Foreign currency risk (Cont.):

As of December 31, 2015:

	Functional currency	Linkage currency	Change in the exchange rate (%)	Profit (loss) In thousand NIS
Assets				
Cash and deposits	NIS	EURO	+10%	1,637
Cash and deposits	EURO	NIS	+10%	857
Cash and deposits	EURO	PLN	+10%	883
Cash and deposits	EURO	RON	+10%	1,163
Cash and deposits	EURO	USD	+10%	1,005
				5,545
Financial liabilities				
Loans at amortized cost	NIS	EURO	+10%	(15,746)
Loans at amortized cost	EURO	PLN	+10%	(5,503)
Notes at amortized cost	EURO	NIS	+10%	(71,615)
Loans at amortized cost	RON	EURO	+10%	(25,344)
				(118,208)

2. Credit risk:

The Group holds 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 the Group's policy to disperse its investments among different banks and financial institutions. The maximum credit risk exposure of the Group is approximate to the financial assets presented in the balance sheet.

Due to the nature of it activity, the company, which operate at commercial centers, are not materially exposed to credit risks stemming from dependence on a given customer. The company 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.

3. Interest rate risk:

Fair value risk:

A significant portion of the Group's long term loans and notes bearing 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.

For further information see note 11.

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks (Cont.):

3. Interest rate risk (Cont.):

Cash flow risk

Part of the Group's long term borrowings are bearing variable interest rate (see note 11). Cash and cash equivalent, short term deposits and short term bank credits are mainly deposited in or obtained at variable interest rate. Change in the market interest rate will affect the Group's finance income and expenses and its cash flow.

The following table presents the effect of an increase of 1% in the Libor rate with respect to financial assets and liabilities which are exposed to cash flow risk (before tax and before capitalization to qualifying assets):

	Profit (loss)		
	Year ended December 31,		
	2017	2016	2015
	NIS in thousands		
Loans linked to the EURO (*)	-	(3,918)	(5,928)
Notes linked to the PLN	(213)	(427)	(550)
	(213)	(4,345)	(6,478)

4. Liquidity risk:

The Group's capital resources include the following: (a) proceeds from sales of trading property and real estate assets subject to market condition (b) lines of credit obtained from banks, and others; (c) proceeded from sales of shares in the Group held companies in the medical field (d) available cash and cash equivalents. Such resources are used for the following activities:

a) Interest and principal payments on the Group notes and loans;

b) Payment of general and administrative expenses;

As for the Company's financial positon and PC's going concern - see note 1c and 7 b2 respectively.

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks (Cont.):

4. Liquidity risk (Cont.):

The following tables present the cash flow of financial liabilities and assets (principal and interest) in accordance with the contractual repayment dates**:**

As of December 31, 2017:

	1st year (i)	2nd year	3rd year	4th year	5th year and thereafter	Total
	NIS in thousands					
Financial liabilities						
Borrowing with fixed interest rate						
PC's notes linked to the Israeli CPI (1)	238,898	236,812	55,566	-	-	531,276
Notes linked to the Israeli CPI	303,564	310,222	-	-	-	613,786
	542,462	547,034	55,566	-	-	1,145,062
Borrowing with variable interest rate						
Notes linked to the PLN	21,949	-	-	-	-	21,949
Suppliers, payable and other credit balances	47,999	-	-	-	-	47,999
Total financial liabilities	612,410	547,034	55,566	-	-	1,215,010
Financial assets						
Cash and cash equivalent	465,740	-	-	-	-	465,740
Short term deposits	10,496	-	-	-	-	10,496
Trade receivables and other receivables	3,210	-	-	-	-	3,210
Long term deposits, loans and investments	-	-	33,221	-	1,653	34,874
Total financial assets	479,446	-	33,221	-	1,653	514,320

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks (Cont.):

4. Liquidity risk (Cont.):

As of December 31, 2016:

	1st year (i)	2nd year	3rd year	4th year	5th year and thereafter	Total
	NIS in thousands					
Financial liabilities						
Borrowing with fixed interest rate						
Loans linked to EURO	29,376	29,719	30,495	334,890	-	424,480
PC's notes linked to the Israeli CPI (1)	211,934	152,116	387,256	61,481	-	812,787
Notes linked to the Israeli CPI	17,770	303,564	310,486	-	-	631,820
	259,080	485,399	728,237	396,371	-	1,869,087
Borrowing with variable interest rate						
Loans linked to the EURO	261,453	9,923	10,588	89,784	53,240	424,988
Notes linked to the PLN	16,542	30,393	-	-	-	46,935
	277,995	40,316	10,588	89,784	53,240	471,923
Suppliers, payable and other credit balances	53,532	-	-	1,972	-	55,504
Total financial liabilities	590,607	525,715	738,825	488,127	53,240	2,396,514
Financial assets						
Cash and cash equivalent	89,688	-	-	-	-	89,688
Short term deposits	39,527	-	-	-	-	39,527
Trade receivables and other receivables	54,577	-	-	-	-	54,577
Long term deposits, loans and investments	-	2,827	-	13,593	-	16,420
Total financial assets	183,792	2,827	-	13,593	-	200,212

(1) This note assumes the minimum contractual payments on the debentures to achieve the Deferral see note 11 e

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks (Cont.):

5. Consumer Price Index ("CPI") risk:

A significant part of the Group borrowings consists of notes raised by the Company and PC in the Tel Aviv Stock Exchange which are linked to the increase in the Israeli CPI above the base index at the date of the notes issuance. An increase of 2% in the Israeli CPI will cause an increase in the Group finance expenses for the years ended December 31, 2017, 2016 and 2015 (before tax) in the amount of NIS 20 million, NIS 23 million and NIS 25 million, respectively.

6. Collaterals:

The following table presents the book value of financial assets which are used as collaterals for the Group's liabilities:

	December 31,	
	2017	2016
	NIS in thousands	
Long term borrowings	-	38,117
Guarantees provided by the Group	1,813	2,363
	1,813	40,480

d. Fair value levels:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTE 20 - FINANCIAL INSTRUMENTS (Cont.)

d. Fair value of financial instruments (Cont.):

The following table presents the book value and fair value of the Group's financial assets (liabilities), which are presented in the financial statements at other than their fair value:

		December 31			
		2017		2016	
	Level	Book Value	Fair Value	Book Value	Fair Value
		NIS in thousands			
Long- term loans at fixed interest rate	Level 3	-	-	(369,923)	(369,923)
Notes	Level 1	(1,024,168)	(911,051)	(1,219,929)	(1,071,436)
		(1,024,168)	(911,051)	(1,589,852)	(1,441,359)

NOTE 21 - SUBSEQUENT EVENTS

a. On February 19, 2018 Elbit Medical has completed a public offering of notes convertible into ordinary shares of Elbit Medical and secured by a pledge on a portion of Elbit Medical's holdings in INSIGHTEC Ltd. and Gamida Cell Ltd. (the "Notes"). The main terms of the Notes are: (1) Total amount raised: NIS 180 million. (2) Maturity Date: March 1, 2022. (3) Interest: Annual interest of 5% in the first two years and 10% in the remaining period, payable twice a year - in March and September. (4) Conversion: Each NIS1.47 par value in Notes into convertible into one Elbit Medical ordinary share. (5) Certain Covenantsas loan to value: certain limitations including on the ability of Elbit Medical to distribute dividends or raise additional debt. (6) Collateral: The Notes are secured by a pledge on a portion of Elbit Medical's holdings in INSIGHTEC Ltd. and Gamida Cell Ltd in a "value to loan" ratio of 200%. (7) Use of Proceeds: (a) payment of all expenses in connection with the issuance of the Notes (approximately NIS6 (approx. US$ 1.7 million)); (b) NIS18 million (approx. US$ 5 million) were deposited with the trustee for interest payments due on the Notes for the first two years; (c) NIS4 million (approx. US$ 1 million) for ongoing operational expenses; and (d) the remaining proceeds was used to repay Elbit Medical's intercompany debt to the Company (approximately NIS 154 million (approx. US$ 43 million)). In April, 2018 the balance of Elbit Medical's debt to the Company, in the total amount of approximately NIS2 million (approximately USD 580 thousand) was converted to approximately NIS2 million par value Notes.

b. Motion to reveal and review internal documents:

In March 2018, a Shareholder of the Company has filed a motion with the Financial Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of PC., with respect to the events surrounding that certain agreements that were signed in connection with the Casa Radio Project in Romania and the sale of the US portfolio. Such events were previously announced by the Company and are detailed in notes 4.c.1.c and 13.b.12. The Company is currently examining the motion with its legal advisors and intend to respond in due course.

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SCHEDULE X – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ELBIT IMAGING LTD.

CONDENSED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF

ELBIT IMAGING LTD.

We have audited the consolidated financial statements of Elbit Imaging Ltd. and subsidiaries (the "Company") as of December 31, 2017 and December 31, 2016 and for each of the two years in the period ended December 31, 2017, and have issued our report thereon dated April 25, 2018. Our audit also included the condensed financial statement as of December 31, 2017 and December 31, 2016 and for each of the two years in the period ended December 31, 2017, included under schedule of the Company ("the financial statement schedule"). 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 present fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

We also audited the adjustments described in Note 5 that were applied to adjust the 2015 financial statements due to discontinued operation. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2015 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements taken as a whole.

Emphasis of matters:

1. Note 1(C) to the consolidated financial statements, which describes the Company's financial position and the resources until November 2019 that are expected to serve the repayment of Company's liabilities. The Company's management and board of directors are of the opinion, based on its projected cash flows and the assumptions described, that the Company can execute its plans and that it would be able to serve its indebtedness in the foreseeable future.
2. Note 7(B)(2) to the consolidated financial statements, which describes conditions that indicate the existence of a material uncertainty that casts significant doubts about the ability of Company's subsidiary to continue as a going concern. Subsidiary's management plans with regard to these matters are discussed in Note 7(B)(2). The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company's subsidiary were unable to continue as a going concern.
3. Note 4(C)(1)(c) which discloses potential irregularities regarding to Casa Radio project in Romania and their potential implications.
4. Note 4(c)(1)(b) which discloses the risk that the public authorities may seek to terminate the Public Private Partnership Agreement (“PPP Agreement”) and/or relevant permits and/or could seek to impose delay penalties on the basis of perceived breaches of the subsidiary’s commitments under the PPP Agreement. In the event that the public authorities seek to terminate the PPP Agreement and/or seek to impose penalties, the Company's subsidiary may incur penalties and/or recover less than the carrying amount of the Casa radio asset recorded in the consolidated financial statements as at year end (NIS 209.7 million).

Tel-Aviv, Israel
April 25, 2018

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Deloitte.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
Elbit Imaging Ltd.

We have audited, before the effects of the retrospective adjustments for the discontinued operations discussed in Note 19 to the consolidated financial statements, the consolidated statements of income, comprehensive income, changes in equity, and cash flows of Elbit Imaging Ltd. and subsidiaries (the "Company") for the year ended December 31, 2015, and have issued our report thereon dated March 31, 2016. Our audit also included the condensed financial information schedule, before the effects of the retrospective adjustments for the discontinued operations discussed in Note 5 to the condensed financial information schedule, for the year ended December 31, 2015 (the 2015 condensed financial information schedule before the effects of the adjustments discussed in Note 5 to the condensed financial information schedule are not presented herein). This condensed financial information schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such condensed financial information 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.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments for the discontinued operations discussed in Note 5 to the condensed financial information schedule and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

Without qualifying our opinion, we draw attention to:

1. Note 4 (c) (1) (c) and note 13 (c) (12) in the consolidated financial statements which disclose, among other things, potential irregularities concerning the Casaradio Project in Romania and their potential consequences, including Foreign Corrupt Practice Act implications as of December 31, 2015.

2. As discussed in Note 13, claims have been filed against group companies as of December 31, 2015, one of which was certified as a class action.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel

March 31, 2016

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | Fax: +972 (3) 609 4022 | info@deloitte.co.il

Jerusalem	Haifa	Beer Sheva	Eilat	Petah Tikva	Netanya	Nazareth
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510 D. BOX 45396	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	12 Alumot Omer Industrial park P.O.B. 1369 Omer, 8496500	The City Center P.O.B. 583 Eilat, 8810402	Deloitte Analytics 7 Hasivim P.O.B. 6712 Petah Tikva, 4959368	Seker - Deloitte 7 Giborey Israel St. P.O.B. 8458 Netanya, 4250407	9 Marj Ibn Amer St. Nazareth, 16100
Tel: +972 (2) 501 8888 Fax:+972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax:+972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 690 9500 Fax: +972 (8) 690 9600 info-beersheva@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4163 Fax:+972 (3) 919 0372 info@deloitte.co.il	Tel: +972 (9) 892 2444 Fax:+972 (9) 892 2440 info@deloitte.co.il	Tel: +972 (73) 399 4455 Fax:+972 (73) 399 4455 info-nazareth@deloitte.co.il

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ELBIT IMAGING LTD.
CONDENSED BALANCE SHEETS

	Note	December 31 2017	December 31 2016	December 31 2017 Convenience translation (note 2D)
		(in thousand NIS)		U.S.$'000
Current Assets				
Cash and cash equivalents		265,877	43,771	76,688
Short-term deposits and investments		6,464	6,426	1,864
Other receivables		2,281	1,778	658
		274,622	51,975	79,210
Non-Current Assets				
Deposits, loans and other long-term balances		34,856	1,596	10,054
Loans and investments in subsidiaries, associates and joint venture	3	71,672	455,129	20,673
Property, plant and equipment		87	33	25
		106,615	456,758	30,752
		381,237	508,733	109,962

ELBIT IMAGING LTD.
CONDENSED BALANCE SHEETS

	Note	December 31 2017	2016	2017 Convenience translation (note 2D)
		(in thousand NIS)		U.S.$'000
Current Liabilities				
Current maturities of long term borrowings and short-term credits		295,363	59,082	85,193
Payables and other credit balances		36,082	17,787	10,407
		331,445	76,869	95,600
Non-Current Liabilities				
Borrowings		243,306	498,637	70,178
Other liabilities		921	21,716	266
		244,227	520,353	70,444
Shareholders' Equity				
Share capital and share premium		1,105,974	1,105,974	319,000
Reserves		(870,043)	(787,765)	(250,950)
Retained losses		(430,366)	(406,698)	(124,132)
		(194,435)	(88,489)	(56,082)
		381,237	508,733	109,962

The accompanying notes are an integral part of the financial statements.

Ron Hadassi
Chief Executive Officer
and Chairman of the
Board of Directors

Yael Naftali
Chief Financial Officer

Approved by the Board of Directors on: April 25, 2018

ELBIT IMAGING LTD.
CONDENSED STATEMENTS OF INCOME

		Year ended December 31			
		2017	(*)2016	(*)2015	2017
					Convenience translation (Note 2D)
	Note	(in thousand NIS)			U.S.$'000
Revenues from providing management services		796	1,035	1,472	230
General and administrative expenses		(13,081)	(8,745)	(11,868)	(3,773)
Financial expenses, net		(21,858)	(38,332)	(58,605)	(6,305)
Other income (expense), net		712	(485)	(116,658)	205
Loss before income taxes		(33,431)	(46,527)	(185,659)	(9,643)
Income tax expenses		(7,000)	-	-	(2,019)
		(40,431)	(46,527)	(185,659)	(11,662)
Company's share in results of investee companies		(144,700)	(156,196)	(57,031)	(41,736)
Lloss from continuing operations		(185,131)	(202,723)	(242,690)	(53,398)
Profit (loss) from discontinued operations, net		(152,903)	7,893	56,540	(44,102)
Loss for the year		**(338,034)**	**(194,830)**	**(186,150)**	**(97,500)**

The accompanying notes are an integral part of the financial statements.

(*) Reclassified (discontinued operations); refer to Note 5.

ELBIT IMAGING LTD.
CONDENSED STATEMENTS OF CASH FLOWS

	Year ended December 31			
	2017	2016	2015	2017
				Convenience translation (Note 2D)
	(in thousand NIS)			U.S.$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year from continued operations	(338,034)	(194,830)	(192,780)	(97,500)
Finance expenses recognized in profit and loss	227,149	32,717	67,888	65,518
Depreciation and amortization	12	80	640	3
Share in losses of associates, net	91,513	155,846	40,755	26,395
Stock based compensation expenses	336	27	845	97
Other	(759)	(55)	(488)	(219)
Receivables and other debit balances	(33,724)	3,516	3,101	(9,727)
Payables and other credit balances	18,127	(3,877)	(6,180)	5,228
Net cash used in operating activities of continuing operations	(35,380)	(6,576)	(86,219)	(10,205)
Net cash used in discontinued operating activities	-	-	(2,700)	-
Net cash used in operating activities	(35,380)	(6,576)	(86,219)	(10,205)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property plant and equipment, investment property and other assets	-	-	(103)	-
Proceeds from realization of investments in subsidiaries and associates	-	-	1,925	-
Investments and loans to subsidiaries and associates	204,084	172,027	180,406	58,865
Proceed from dividend	131,645	-	-	37,971
Proceed from realization of (investment in) long-term deposits and long-term loans	-	15,785	(1,184)	-
Short-term deposits and marketable securities, net	(40)	(3,009)	(481)	(12)
Net cash provided by investing activities	335,689	184,803	180,563	96,824

ELBIT IMAGING LTD.
CONDENSED STATEMENTS OF CASH FLOWS

	Year ended December 31			
	2017	2016	2015	2017
				Convenience translation (Note 2D)
	(in thousand NIS)			U.S.$'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid in cash	(19,603)	(23,717)	(37,902)	(5,654)
Interest received in cash	-	-	32	-
Repayment of long-term borrowings	(58,600)	(182,025)	(75,577)	(16,902)
Net cash used in financing activities	(78,203)	(205,742)	(113,447)	(22,556)
Increase (decrease) in cash and cash equivalents	222,106	(27,515)	(21,803)	64,063
Cash and cash equivalents at the beginning of the year	43,771	71,286	95,086	12,625
Net effect on cash due to currency exchange rate changes	-	-	(1,996)	-
Cash and cash equivalents at the end of the year	265,877	43,771	71,287	76,688

The accompanying notes are an integral part of the financial statements.

ELBIT IMAGING LTD.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

A. Elbit Imaging Ltd. ("the Company") was incorporated in Israel. The Company's shares are registered for trade on the Tel Aviv Stock Exchange and in the United States of America on the NASDAQ Global Select Market. Following debt restructuring plan approved in 2014 the Group main focus is to reduce corporate debt by early repayments following sale of assets and to continue with efficiency measures and cost reduction where possible

B. The Group engages, directly and through its investee companies, in Israel and abroad, mainly in the following areas:

- Medical industries and devices - through the Company indirect holdings in two companies which operates in the field of life science: (i) INSIGHTEC which operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; and (ii) Gamida which operates in the field of research, development and manufacture of products designated for certain cancer diseases.

- Plots in India - plots designated for sale which were initially designated to residential projects.

- Plots in Eastern Europe initially designated for development of commercial centers - This segment includes plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("PC") whose business strategy is to no longer develop commercial centers but to dispose of its real estate assets at optimal market conditions.

- With regards to the sale of Radisson hotel Complex in Bucharest Romania on December, 18 2017, see note 5. Accordingly, this operation is presented in these financial statements as discontinued operation.

C. Financial position:

With respect to the Company's financial position, including the consummation of the Plan of Arrangement, see note 1c and 1d of the annual consolidated financial statements.

D. Definitions:

The Company	-	Elbit Imaging Ltd.
Group	-	The Company and its Investees
Investees	-	Subsidiaries, joint ventures and associates
PC	-	Plaza Centers N.V. Group, a subsidiary of the Company, which in past operated mainly in the field of commercial centers and is traded in the Main Board of the London Stock Exchange, the Warsaw stock Exchange ("WSE") and Tel Aviv Stock Exchange. As of December 31, 2017, the Company holds 44.9% in PC.
Elbit Medical	-	Elbit Medical Technologies Ltd., a public Israeli company traded on the Tel Aviv Stock Exchange. As for December 31, 2017, the Company holds approximately 89% of Elbit Medical share capital (88.7% on a fully diluted basis).
Related parties	-	As defined in International Accounting Standard ("IAS") No. 24. For details see note 17 of the annual consolidated financial statements.

ELBIT IMAGING LTD.
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:

1. The Parent Company financial information is prepared in accordance with the Israeli SEC regulations for stand alone financial statements. Based on those regulations the investment in subsidiaries, joint ventures and associates are accounted for using the equity method. Moreover the net profit and the equity of Company in those financial statements equals the amounts in the consolidated financial statements.

2. The accounting policies applied in the above condensed data are identical to those applied in the consolidated financial statements as detailed in Note 2, except:

The accounting treatment of investments in shares of investees - pursuant to IAS 27:

When presenting the data from the separate financial statements of the parent company ("solo"), investments in shares of subsidiaries and jointly controlled entities are accounted for at cost, at fair value in accordance with IAS 39 or at equity. The Company has elected to account for said investments at equity and, accordingly, the investments in shares of subsidiaries, jointly controlled entities and associates are presented at equity.

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, 2017 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 3.467). 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 IFRS.

ELBIT IMAGING LTD.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 3 - LOANS AND INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Investment in joint venture held in Kochi, India:

The Company has rights under certain share subsection agreement to hold 50% shareholding in Indian SPV ("Project SPV"). The Project SPV has entered into an agreement for the purchase of a land located in Kochi, India according to which it has acquired 13 acres ("Property A") for a total consideration of INR 1,495 million (NIS 84 million) payable subject to fulfilment of certain obligations and conditions by the seller. Up to the balance sheet date the Project SPV has paid INR 720 million (NIS 40 million) to the seller in consideration for the transfer of title in Property A to the Project SPV. The Company's share in such acquisition amounts to approximately NIS 20 million.

On January 14, 2016, the Company has signed an agreement to waive any of its rights and interest in the Project SPV. The total consideration for the Company is INR 10 Crores (approximately NIS 5 million), which will be paid to the Company upon the closing of the transaction.

The transaction is subject to certain conditions precedent, and closing will take place (as extended) once these conditions are met and no later than June 30, 2018. The local Investor has provided certain security in order to guarantee the aforementioned deadline.

Additional information

	December 31	
	2017	2016
	(In thousand NIS)	
Loans	37,661	291,780
Investments	34,011	163,349
	71,672	455,129

NOTE 4 - COMMITMENTS, CONTINGENCIES, LIENS AND COLLATERALS

A. With respect to the Company's claims, see note 13a of the annual consolidated financial statements.

B. With respect to the Company's other contingent liabilities, see note 13b of the annual consolidated financial statements.

ELBIT IMAGING LTD.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 5 - DISCONTINUED OPERATIONS

Sale of the "Radisson complex"

On November 29, 2017, the Company has announced, that its wholly owned indirect subsidiary (the "Vendor") has signed a definitive sale and purchase agreement (the "Agreement") for the sale of its entire shareholding (comprising approx. 98.2% of the outstanding share capital) in the company (the "SPV") which owns the Radisson Hotel Complex in Bucharest, Romania, based on a property value of €169.2 million (the "Transaction"). The Agreement has been signed with an acquisition vehicle jointly owned by two international investment funds (the "Purchaser").

The net proceeds that was derived from the Transaction (after offsetting the SPV's senior bank loan, working capital and other adjustments, as well as transaction expenses) was approximately €81 million. Part of the net proceeds equal to €8 million was used to finance a vendor loan which has been granted for a period of 3 years, bearing interest at the rate of 5% per annum (the "Vendor Loan").

The Vendor Loan acts as collateral for customary post-closing liabilities of the SPV, whereby the Purchaser may offset adjudicated losses which may be incurred by it as a result of a breach of warranties or in respect of certain indemnities given by the Vendor in terms of the Agreement. Additionally, the Company has granted a letter of guarantee in favor of the Purchaser pursuant to which it has undertaken to fulfill the Vendor's undertakings and obligations under the Agreement (if and to the extent that the Vendor fails to do so).

On December 18, 2017 the Company has completed the transaction. Part of the Net Proceeds were applied in order to repay the Company outstanding loan to Bank Hapoalim Ltd. in the amount of NIS 49 million (approximately Euro 11.6 million) and NIS 240 million were applied to an early repayment of interest and principal to the Company (series H) noteholders.

Following the Closing and consummation of the transaction, the Company has ceased to operate the "Radisson Complex" hotel activity, and accordingly the said activity was classified as discontinued operation including comparative information.

Sale of Elbit Fashion

On January 5, 2015 Elbit Fashion has completed the sale of the operation and business of "Mango" retail stores in Israel from Elbit Fashion to Fox- Wiesel Ltd (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, and accordingly the said activity was classified as discontinued operation.

ELBIT IMAGING LTD.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 5 - DISCONTINUED OPERATIONS (Cont.)

Results of discontinued operations:

	Year ended December 31		
	2017	**2016**	**2015**
	(in thousand NIS)		
Revenues from providing management services	2,340	1,928	-
General and administrative expenses	-	-	-
Financial income (expenses) , net	(205,290)	5,615	(9,525)
Other expense, net	(3,139)	-	45,860
Profit (loss) before income taxes	(206,089)	7,543	36,335
Income tax expenses	-	-	-
	(206,089)	7,543	36,335
Company's share in results of investee companies	53,186	350	20,205
Profit (loss) from discontinuing operations	**(152,903)**	**7,893**	**56,540**

Reclassification of comparative information:

	Year ended December 31, 2015		
	As previously reported	**Amendment**	**Reclassified**
		(in thousand NIS)	
Revenues from providing management services	1,472	-	1,472
General and administrative expenses	(11,868)	-	(11,868)
Financial expenses, net	(67,888)	9,527	(58,605)
Other expense, net	(73,741)	(42,917)	(116,658)
Profit (loss) before income taxes	(152,025)	(33,390)	(185,659)
Income tax expenses	-	-	-
	(152,025)	(33,390)	(185,659)
Company's share in results of investee companies	(40,755)	(16,276)	(57,031)
Profit (loss) from continuing operations	(192,780)	(49,666)	(242,690)
Profit (loss) from discontinued operations, net	6,630	49,666	56,540
Profit (loss) for the year	**(186,150)**	**-**	**(186,150)**

ELBIT IMAGING LTD.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 5 - DISCONTINUED OPERATIONS (Cont.)

Statement of Cash flows

The statement of cash flows includes the following amounts relating to discontinued operations, the majority of which as of December 2015, are attributable to the discontinued fashion apparel and hotels operations:

	Year ended December 31		
	2017	2016	2015
	(in thousand NIS) (except for per-share data)		
Operating activities	(1,692)	1,928	42,916
Other investment activities	298,434	152,951	136,495
Other financing activities	-	-	-
Net cash provided by (used in) discontinued operations	296,742	159,081	179,411

INSIGHTEC LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

INSIGHTEC LTD.

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Deloitte.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors and of Insightec Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Insightec Ltd. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, shareholders' equity and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Brightman Almagor Zohar &Co.
Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel
February 8, 2018

We have served as the Company's auditor since 1999

INSIGHTEC LTD.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 21,891	$ 6,975
Deposits		70,036	30,516
Trade accounts receivables		13,928	3,377
Inventories	3	5,792	3,186
Other receivables and current assets	4	2,765	1,972
		114,412	46,026
Fixed assets, net	5	3,230	850
Other long-term assets			
Long term deposits and prepaid expenses		172	3,177
Total Assets		$ 117,814	$ 50,053
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payables		$ 8,370	$ 3,576
Other payables and current liabilities	6	18,787	14,520
		27,157	18,096
Long-term liabilities		926	546
Total Liabilities		28,083	18,642
Shareholders' equity	8		
Ordinary shares, NIS 0.01 par value; authorized 243,380,611; shares issued and outstanding 14,240,462 on December 31, 2017 and 14,176,212 on December 31, 2016.		35	35
Preferred B shares, NIS 0.01 par value; Authorized 14,037,888; shares issued and outstanding 14,037,888 on December 31, 2017 and 2016.		34	34
Preferred B1 shares, NIS 0.01 par value; Authorized 32,201,524; shares issued and outstanding 32,201,524 on December 31, 2017 and 2016.		85	85
Preferred C shares, NIS 0.01 par value; Authorized 27,519,390; shares issued and outstanding 27,519,390 on December 31, 2017 and 2016.		72	72
Preferred D shares, NIS 0.01 par value; Authorized 48,473,238; shares issued and outstanding 48,473,238 on December 31, 2017.and 2016.		133	133
Preferred E shares, NIS 0.01 par value; Authorized 55,970,149; shares issued and outstanding 33,378,830 on December 31, 2017.		95	-
Additional paid-in capital		419,083	329,613
Accumulated deficit		(329,806)	(298,561)
		89,731	31,411
		$ 117,814	$ 50,053

The accompanying notes are an integral part of the consolidated financial statements.

INSIGHTEC LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

	Year ended December 31,		
	2017	**2016**	**2015**
Revenues	$ 32,083	$ 25,074	$ 16,146
Cost of revenues	16,390	13,671	9,854
Gross profit	15,693	11,403	6,292
Research and development expenses, net of participations of $306, $1,543 and $2,159, on December 31, 2017, 2016 and 2015, respectively	24,840	18,823	14,291
Sales and marketing expenses	16,699	13,833	9,417
General and administrative expenses	4,914	5,242	6,710
Operating loss	30,760	26,495	24,126
Financing (income) expenses, net	135	(393)	70
Loss before taxes on income	30,895	26,102	24,196
Taxes on income	350	93	48
Loss for the year	$ 31,245	$ 26,195	$ 24,244

The accompanying notes are an integral part of the consolidated financial statements.

INSIGHTEC LTD.
STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
Dollars in thousands, except share and per share data

	Number of Ordinary Shares	Number of Preferred B Shares	Number of Preferred B1 Shares	Number of Preferred C Shares	Number of Preferred D Shares	Number of Preferred E Shares	Ordinary Shares	Preferred B Shares	Preferred B1 Shares	Preferred C Shares	Preferred D Shares	Preferred E Shares	Accumulated deficit	Additional paid-in capital	Total
Balance – January 1, 2015	**14,056,212**	**14,037,888**	**32,201,524**	**27,519,390**	**30,417,587**	**-**	**$ 35**	**$ 34**	**$ 85**	**$ 72**	**$ 88**	**-**	**$ (248,122)**	**$ 295,621**	**$ 47,813**
Issuance of Preferred Shares D (Note 8)	-	-	-	-	13,146,693	-	-	-	-	-	32	-	-	25,407	25,439
Stock-based compensatio	-	-	-	-	-	-	-	-	-	-	-	-	-	4,251	4,251
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(24,244)	-	(24,244)
Balance - December 31, 2015	**14,056,212**	**14,037,888**	**32,201,524**	**27,519,390**	**43,564,280**	**0**	**$ 35**	**$ 34**	**$ 85**	**$ 72**	**$ 120**	**0**	**$ (272,366)**	**$ 325,279**	**$ 53,259**
Issuance of Preferred Shares D (Note 8)	-	-	-	-	4,908,958	-	-	-	-	-	13	-	-	1,987	2,000
Exercise of share options	120,000	-	-	-	-	-	-(*)	-	-	-	-	-	-	134	134
Stock-based compensatio	-	-	-	-	-	-	-	-	-	-	-	-	-	2,213	2,213
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(26,195)	-	(26,195)
Balance - December 31, 2016	**14,176,212**	**14,037,888**	**32,201,524**	**27,519,390**	**48,473,238**	**0**	**$ 35**	**$ 34**	**$ 85**	**$ 72**	**$ 133**	**0**	**$ (298,561)**	**$ 329,613**	**$ 31,411**
Issuance of Preferred Shares E (Note 8)	-	-	-	-	-	33,378,830	-	-	-	-	-	$ 95	-	87,650	87,745
Exercise of share options	64,250	-	-	-	-	-	-(*)	-	-	-	-	-	-	60	60
Stock-based compensatio	-	-	-	-	-	-	-	-	-	-	-	-	-	1,760	1,760
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(31,245)	-	(31,245)
Balance - December 31, 2017	**14,240,462**	**14,037,888**	**32,201,524**	**27,519,390**	**48,473,238**	**33,378,830**	**$ 35**	**$ 34**	**$ 85**	**$ 72**	**$ 133**	**$ 95**	**$ (329,806)**	**$ 419,083**	**$ 89,731**

(*) Less than $1.

The accompanying notes are an integral part of the consolidated financial statements.

INSIGHTEC LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except share and per share data)

	Year ended December 31,		
	2017	2016	2015
Cash flows - Operating Activities:			
Loss for the year	$ (31,245)	$ (26,195)	$ (24,244)
Adjustments to reconcile loss to net cash used in operating activities:			
Depreciation and amortization	634	404	391
Stock-based compensation	1,760	2,213	4,251
Decrease (increase) in Interest Receivable	212	(117)	(17)
Decrease (increase) in trade accounts receivable	(10,551)	754	219
Decrease (increase) in other receivables and Prepaid expenses	(1,059)	513	(715)
Decrease (increase) in inventories	(2,606)	2,117	(2,249)
Increase (decrease) in trade accounts payables, other payables, current liabilities and other long term liabilities	9,441	3,948	(413)
Net cash used in operating activities	(33,414)	(16,363)	(22,777)
Cash flows - Investing Activities:			
Purchase of fixed assets	(3,014)	(511)	(551)
Bank Deposit	(36,461)	6,500	8,000
Net cash provided by (used in) investing activities	(39,475)	5,989	7,449
Cash flows - Financing Activities:			
Issuance of Preferred Shares, net	87,805	2,134	25,439
Net cash provided by financing activities	87,805	2,134	25,439
Increase (decrease) in cash and cash equivalents	14,916	(8,240)	10,111
Cash and cash equivalents at beginning of the year	6,975	15,215	5,104
Cash and cash equivalents at end of the year	$ 21,891	$ 6,975	$ 15,215
Supplemental information:			
Income tax paid	350	33	77
Interest received in cash	478	247	279

The accompanying notes are an integral part of the consolidated financial statements.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 1 - GENERAL

Business Description:

A. Insightec Ltd. (the "Company") was incorporated in the State of Israel in March 1999 and commenced operations in the development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment shortly thereafter. The Company operates in one operating segment.

The current main shareholders of the Company are as follows: Elbit Medical Technologies Ltd. ("EMT"); York Global Finance II S.à r.l., ("York"); Koch Disruptive Technologies ("Koch"); Focused Holdings LP and Focused Holdings Canada Limited ("Exigent"); Shanghai GEOC Hengtong Investment Limited Partnership ("GEOC"); General Electric Company (through its Healthcare division) ("GE Company" or "GE") and MediTech Advisors LLC ("MTA").

The Company has wholly owned subsidiaries as follows: (i) in the United States of America, InSightec Inc. (formerly InSightec- TxSonics Inc.) which was incorporated in the State of Delaware, U.S.A. in November 1998; (ii) a wholly owned subsidiary in Japan, Insightec Japan Y.K., which was incorporated in Tokyo, Japan, in March 2005; and (iii) a wholly owned subsidiary in China, InSightec Trading (Shanghai) Co., Ltd., which was incorporated in Shanghai on December 2014 (together: the "Subsidiaries"). The Subsidiaries engaged in pre-sale activities, in managing clinical trials and in providing technical support to the Company's customers.

B. The industry in which the Company operates is characterized by rapid technological development. Substantially all of the Company's current sales are derived from a few applications of the Company's product line. Many of the Company's development applications are in the early stages and there can be no assurance that these applications will be successful. The Company is continuing research and development for additional applications for such products.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America.

A. Functional currency and translation of foreign currencies:

The currency of the primary economic environment in which the Company and its Subsidiary operate is the U.S. dollar (also "dollar", "$US" or $). Accordingly, the Company and its Subsidiaries use the dollar as their functional and reporting currency.

Transactions and balances denominated in dollars are presented at their dollar amounts. Non-dollar transactions and balances are re-measured into dollars in accordance with the principles set forth in ACS 830-10 "Foreign Currency Translation" of the Financial Accounting Standards Board ("FASB").

All exchange gains and losses from re-measurement of monetary balance sheet items resulting from transactions in non-dollar currencies are included in net financing income (expense) as they arise.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Principles of Consolidation:

The Company's financial statements include the financial statements of the Company and its Subsidiaries (the "Group") after elimination of material inter-company transactions and balances.

C. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

D. Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and demand deposits in banks with maturity dates not exceeding three months from the date of deposit.

E. Allowance for doubtful accounts:

The allowance for doubtful accounts is computed for specific accounts, which, in management opinion are doubtful of collection.

F. Inventories:

Inventories are stated at the lower of cost or net realizable value. Inventory write–offs are provided for slow–moving items or technological obsolescence for which recoverability is not probable. Cost is determined for raw materials on the basis of moving average cost per unit. Cost is determined for finished products on the basis of standard cost, which approximates actual production cost (materials, labor and indirect manufacturing costs).

G. Unites under Demo:

Units assembled that are used for demonstration are classified out of inventory to fixed assets and depreciated over the estimated useful life of 2 years.

H. Fixed assets:

Fixed assets are presented at cost less accumulated depreciation. Depreciation is calculated based on the straight-line method over the estimated economic lives of the assets, as follows:

	Years
Electronic (including medical) equipment	3-7
Office furniture and equipment	7-14
Motor vehicles	7
Leasehold improvements	5

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining term of the lease (including the period of renewal options that the Company intends to exercise).

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Impairment of long–lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ACS 360-10 "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2016, no impairment losses have been identified.

J. Revenue Recognition:

In accordance with ASC Topic 605 "Revenue Recognition", the Company recognizes revenues from sale of products when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed or determinable; and (iv) collection of the resulting receivable is reasonably assured. These criteria are usually met at the time of product shipment.

In instances in which the Company enters into transactions that represent multiple deliverables arrangements, with elements including system sales, installation at the customer's site and technical service, the Company apply ASC 605-25 Multiple Elements Arrangements. The ASC requires allocation of arrangement consideration among the separate units of accounting based on their relative selling prices. The selling price for each unit of accounting is determined based on a selling price hierarchy using either vendor specific objective evidence ("VSOE") of selling price, third party evidence of selling price ("TPE") or the vendor's best estimate of estimated selling price ("ESP") for that deliverable. Use of the residual method is prohibited. The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis.

Products are typically considered delivered upon shipment. In instances where final acceptance of the system is specified by the customer, revenue is deferred until all acceptance criteria have been met. Technical support services revenue is deferred and recognized ratably over the period during which the services are performed, which is typically from one to two years. The Company's arrangements generally do not include any provisions for cancellation, termination, or refunds that would significantly impact recognized revenue.

In most instances, the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements, due to the Company's history of infrequent sales in which each element is separately sold. When VSOE cannot be established, the Company attempts to establish selling price of each element based on BESP. BESP is generally used for services and it applies to a small proportion of the Company's arrangements with multiple deliverables. BESP for services is based on technical support services, which are sold separately through renewals of annual contracts.

The Company determines ESP for a product or service by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. The determination of ESP is made through consultation with and formal approval by the Company's management.

The Company regularly reviews VSOE and ESP and maintains internal controls over the establishment and updates of these estimates

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Research and Development:

Research and development costs are charged to operations as incurred. Grants received (mainly royalty-bearing) from the Government of Israel through the Office of the Chief Scientist ("OCS") and from other sources, as participation in certain research and development projects. The accrual for grant receivable is determined based on the terms of the projects, provided that the criteria for entitlement have been met.

The grants are not to be repaid, but instead the Company is obliged to pay royalties as a percentage of future sales if and when sales from the funded projects will be generated. These grants are recognized as a deduction from research and development costs at the time the applicable entity is entitled to such grants on the basis of the research and development costs incurred. Since the payment of royalties is not probable when the grants are received, the Company records a liability in the amount of the estimated royalties for each individual contract, when the related revenues are recognized, as part of cost of revenues. For more information regarding OCS royalties' commitment, see Note 7A.

L Severance Pay:

Israeli law and labor agreements determine the obligations of the Company to make severance payments to retiring employees and to employees leaving employment under certain other circumstances. The Company reached an agreement with its employees, according to which they would accept the provisions of Section No.14 of the Severance Compensation Law, 1963 ("Section 14"). Section 14 allows the Company to make deposits in severance pay funds according to the employees' current salary. Such deposits release the Company from any further obligation with this regard. The deposits made are available to the employee at the time when the employer-employee relationship ends, regardless of cause of termination.

Severance expenses for the years ended December 31, 2014, 2015 and 2016 amounted to approximately $585, $660 and $718 respectively.

M. Income taxes:

The Company accounts for income taxes utilizing the asset and liability method in accordance with ACS 740-10, "Accounting for Income Taxes" of the FASB. Accordingly current tax liabilities are recognized for the estimated taxes payable on tax returns for the current year. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to temporary differences between the income tax bases of assets and liabilities and their reported amounts in the financial statements and for tax loss carry forwards. Measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax laws, and deferred tax assets are reduced, if necessary, by a valuation allowance for the amount of tax benefits, the realization of which is not considered more-likely-then-not based on available evidence.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Concentration of credit risk:

Financial instruments that potentially subject the Company's to concentrations of credit risk consist principally of cash and cash equivalents, short and long-term deposits. Cash and cash equivalents, short and long-term deposits are invested in major banks in Israel and in the United States. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The Company has no significant off-balance sheet concentration of financial instruments subject to credit risk such as foreign exchange contracts, option contracts or other hedging arrangements.

O. Stock-based compensation:

The Company applies the provisions of ASC Topic 718 under which, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period.

Fair value is determined on the basis of private placements or other transactions in the Company's equity securities and on the basis of other available evidence and management's estimates, with the following weighted-average assumptions (annualized percentages):

	Year ended December 31,		
	2017	2016	2015
Risk-free interest rate	1.6%	1.63%	1.73%
Expected life of options	4.25-7	5	5
Forfeiture rate	3%	3%	9%
Expected volatility	55%	55%	60%
Expected dividend yield	None	None	None

P. Fair value of financial instruments:

The financial instruments of the Company consist mainly of cash and cash equivalents, short and long-term interest-bearing bank deposits, current and non-current accounts receivable and trade accounts payable. In view of their nature, the fair value of the financial instruments is usually identical or close to their carrying amounts.

Q. New Accounting Pronouncements:

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments. This ASU provides updated guidance on eight specific cash flow issues to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for nonpublic business entities for fiscal years beginning after December 15, 2018, and interim periods for fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the impact of the adoption on the statement of cash flows.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. New Accounting Pronouncements: (Cont.)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. With respect to assets measured at amortized cost, such as held-to-maturity assets, the update requires presentation of the amortized cost net of a credit loss allowance. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses as opposed to the previous standard, when an entity only considered past events and current conditions. The update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption on the financial condition and results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases, in order to establish the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This update introduces a new standard on accounting for leases, including a lessee model that brings most leases on the balance sheet.. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company is currently evaluating the impact of the adoption on the financial condition and results of operations but would not expect the update to have a material effect on its financial operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, in order to clarify the principles of recognizing revenue. This standard establishes the core principle of recognizing revenue to depict the transfer of promised goods or services in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. The FASB defines a five-step process that systematically identifies the various components of the revenue recognition process, culminating with the recognition of revenue upon satisfaction of an entity's performance obligation. By completing all five steps of the process, the core principles of revenue recognition will be achieved. In March 2016, the FASB issued an update to the new revenue standard (ASU 2014-09) in the form of ASU 2016-08, which amended the principal-versus-agent implementation guidance and illustrations in the new revenue guidance. In April 2016, the FASB issued another update to the new revenue standard in the form of ASU 2016-10, which amended the guidance on identifying performance obligations and the implementation guidance on licensing. The new revenue standard (including updates) will be effective for nonpublic entities annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company's intends to early adopt the requirements of this standard effective January 1, 2018.Although not completed, the Company started its evaluation of the effect of the new revenue recognition standard. Based on the initial evaluation, the Company expects that deliverables in legacy GAAP will be similar to performance obligations under the new standard and as such would not expect a material effect on its financial position and operations.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. New Accounting Pronouncements: (Cont.)

In November 2016 the FASB issued ASU 2016-18 Statement of Cash Flows - Restricted Cash, the key requirements of the ASU are as follows:

1. An entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU does not define the terms “restricted cash” and “restricted cash equivalents” but states that an entity should continue to provide appropriate disclosures about its accounting policies pertaining to restricted cash in accordance with other GAAP. The ASU also states that any change in accounting policy will need to be assessed under ASC 250.

2. A reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents.

3. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows.

4. An entity with a material balance of amounts generally described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions.

5. For the Company is the effectiveness will be for fiscal years beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted, and must be applied retrospectively to all periods presented. The company would not expect the update to have a material effect on its financial position.

   In August 2017, the FASB issued Accounting Standard Update (“ASU”) 2017-12 which targets improvements to accounting for hedging activities which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company early adopted this guidance withy no impact on its consolidated financial statements.

NOTE 3 - INVENTORIES

Composition:

	December 31,	
	2017	**2016**
Raw materials	$ 4,451	$ 2,790
Finished products	1,341	396
	$ 5.792	$ 3.186

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 4 - OTHER RECEIVABLES AND CURRENT ASSETS

Composition:

	December 31,	
	2017	2016
Office of the Chief Scientist	$ 235	$ 417
Prepaid expenses	700	705
Governmental authorities (Mainly V.A.T)	451	203
Others	1,379	647
	$ 2,765	$ 1,972

NOTE 5 - FIXED ASSETS, NET

Composition:

	December 31,	
	2017	2016
Cost:		
Electronic and medical equipment	$ 9,906	$ 7,292
Demo systems	555	555
Office furniture and equipment	570	495
Leasehold improvements	2,083	1,758
	$ 13,114	$ 10,100
Accumulated depreciation:		
Electronic and medical equipment	$ 7,131	$ 6,559
Demo systems	555	555
Office furniture and equipment	419	388
Leasehold improvements	1,779	1,748
	$ 9,884	$ 9,250
Net book value	$ 3,230	$ 850

Depreciation expense amounted to$391 and $404 and $651 for the years ended December 31, 2015, 2016 and 2017, respectively.

NOTE 6 - OTHER PAYABLES AND CURRENT LIABILITIES

Composition:

	December 31,	
	2017	2016
Payroll and related amounts	$ 4,950	$ 4,294
Advances and deferred income	5,578	4,205
Accrued expenses to clinical researches	3,263	3,320
Accrued for royalties	742	615
Accrued commission	708	390
Other accrued expenses	3,546	1,696
Net book value	$ 18,787	$ 14,520

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

A. As of December 31, 2017, the Company has received or was entitled to receive, grants in the aggregate amount of $29,802 from the OCS. In consideration for such grants, the Company has undertaken to pay royalties amounting to 3.5% of the revenues until the entire amount is repaid. The royalties will be paid up to the amount of the grants provided by the OCS, linked to the dollar and for grants received after January 1, 1999, also bearing annual interest at a rate based on LIBOR. Refund of the grants thereon is contingent on future revenues and the Company has no obligation to refund grants if sufficient revenues are not generated. The Company provides for such royalties based on its total revenues. The technology developed with OCS funding is subject to transfer restrictions.

These restrictions may impair the Company's ability to sell its technology assets (know-how) or to outsource manufacturing and the restrictions continue to apply even after the Company has paid the full amount of royalties, payable for the grants. In addition, the restrictions may impair the Company's ability to consummate a merger or similar transaction in which the surviving entity is not an Israeli company.

The total amounts of grants received or were entitled to receive net of royalties paid or accrued including interest as of December 31, 2017 was approximately $35,878.

Royalty expenses to the OCS in the year ended December 31, 2015, 2016 and 2017, amounted to $790, $565 and $1,123, respectively and included in cost of revenues.

B. The Company rents its facilities under various operating lease agreements, which expire on various dates. In March 2005 the Company signed an operating lease agreement for its main facility in Israel which was amendment several times. The Last amendment was in December 2015, according to which the Company extended the leased in the same building for a period of 3 years until March 2019.

The minimum rental payments (assuming no exercise of extension options in the agreements) are as follows:

Year		
2018	$	1,603
2019	$	739
2020	$	384
2021	$	384

Rental expense for the facilities amounted to $1,272, $1,285 and $1,611 for the years ended December 31, 2015, 2016 and 2017, respectively.

The Company leases vehicles under various operating lease agreements, which expire on various dates. The minimum rental payment is $147 which was already paid and included as part of short-term and long-term prepaid expenses in the balance sheet.

Vehicle lease expense amounted to $766, $804 and $1,030 for the years ended December 31, 2015, 2016 and 2017, respectively.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

C. In October 17, 2012 Technology, Co-operation, and Distribution Agreement, between the Company and GE (the "2012 Distribution Agreement") was signed in which GE Company was awarded world-wide distribution rights for marketing and sales of the Company's products.

At a subsequent closing of the Series D Transaction (December 30, 2015), the Company and GE executed a third amendment to the 2012 Distribution Agreement, pursuant to which the Company was appointed as a non-exclusive distributer for GEHC's MR Scanners in order for the Company to sell the scanners as an Integrated Therapy Platform (ITP) together with the Company's products. In addition, the last remaining rights granted to GE to receive royalties payments from the Company was revoked and the term of the 2012 Distribution Agreement was extended for a period of five years from December 30, 2015.

In connection with the initial closing of the Series E Transaction (December 27, 2017) specified below, the Company and GE executed a fourth amendment to the 2012 Distribution Agreement, pursuant to which the Company is no longer authorized to serve as a non-exclusive distributer for GEHC's MR Scanners in conjunction with the Company's products as an Integrated Therapy Platform (ITP). In addition, the fourth amendment: (i) Makes changes to the applicable procedures for adding new products to the 2012 Distribution Agreement such that all new products will automatically be added to the agreement and thereafter the parties will have 60 days to agree upon pricing terms; (ii) Provides that "other MRI system original equipment manufacturers (OEMs)" to third parties and the Company's dealers are to be included in the Company's obligation to ensure that the transfer price for GE is lower than the lowest applicable price in the applicable territory; (iii) Provides that GE is no longer permitted to sell competing MRgFUS products in certain circumstances; and (iv) Includes a new provision which provides that, subject to GE giving the Company access to scanners for integration and validation and providing support for approving InSightec coils, InSightec will complete the compatibility, verification and testing between the (a) InSightec neuro system and GE's Artist and Architect MRI systems by December 31, 2017; and (b) the Company's "table top" neuro system and GE's Premier (Rio) MRI system by June 30, 2018.

D. The FUS Foundation ("FUSF"), a non-profit organization, whose mission is to develop new applications and accelerate the worldwide adoption of MRgFUS through research programs with leading research institutions.

The FUSF agreed to finance the stage 1 Neuro research treatments during these years.

Expenses related to the FUSF support for the years ended December 31 2015 and 2016, amounted to $247 and $ 152 respectively.

E. On August 11, 2016 the Company entered into a non-exclusive Cooperation Agreement with Siemens Healthcare GmbH. In accordance with this Agreement the Company and Siemens will collaborate regarding R&D and the development of integration and system compatibility between the Siemens MR scanners and the Company's therapy platforms. Upon the completion of the integration and system compatibility, each party will market and sell its component portion of the combined system. Each party will also provide end user support, warranty and maintenance services with regard to its component portion of the combined system. The term of the agreement commenced on the August 11, 2016 and will continue for a period of five years from the first commercial sale of the combined system (as defined in the agreement), and shall automatically renew for additional one year periods.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 8 - SHAREHOLDERS' EQUITY

A. Registered Share Capital:

The registered share capital of the Company is NIS 4,215,828 divided into (a) 243,380,611 Ordinary Shares, having a par value of NIS 0.01 each; (b) 55,970,149 Series E Preferred Shares, having a par value of NIS 0.01 each, (c) 48,473,238 Series D Preferred Shares, having a par value of NIS 0.01 each, (d) 27,519,390 Series C Preferred Shares, having a par value of NIS 0.01 each, (e) 14,037,888 Series B Preferred Shares, having a par value of NIS 0.01 each, and (f) 32,201,524 Series B-1 Preferred Shares, having a par value of NIS 0.01 each.

B. Series E Transaction:

On December 13, 2017 the Company entered into a Series E Preferred Share Purchase Agreement with KDT Medical Investments Corporation ("KDT"), pursuant to which KDT and subsequent investors (including shareholders of the Company) invested a total sum of $150 million in the Company, at a price per share equals to $2.68 (the "Series E Transaction") in consideration for 55,970,149 Series E Preferred Shares. The Series E Transaction was consisted of two closings: Initial closing, in which the Company raised approximately $90 million and subsequent closing, in which the Company raised approximately $60 million. [TBC following the Second Closing]

The Series E Transaction reflects a pre-money valuation for Insightec of approximately USD460 million (on a fully-diluted basis).

Holders of Preferred Stock shall have preferred rights in the event of a dividend distribution and certain material events as set forth in the transaction documents.
Following the consummation of the Series E Transaction

C. Series D Transaction:

On June 26, 2014 the Company entered into a Series D Preferred Share Purchase Agreement with York, as amended on September 7, 2014, on December 15, 2014, on February 10, 2015, on June 10, 2015 and on December 30, 2015 pursuant to which York and subsequent investors invested a total sum of $84.5 million in the Company, at a price per share equals to $1.94 (the "Series D Transaction") in consideration for 43,564,282 Series D Preferred Shares.

Series D price per share was adjusted and reduced by 8% to $1.78. Therefore, on February 29, 2016 the investors of the Series D Transaction were issued additional 3,788,198 Series D Preferred Shares.

The Series D Transaction reflected a pre-money valuation (prior to the first Series D investment consummated on June 2014) of the Company of $200 million (on a fully diluted, as-converted basis).

In addition, Dr. Ferré was granted the right to invest an additional $2 million, at the same terms of the Series D Transaction, for the purchase of Series D preferred shares of the Company (in addition to the amounts invested under the Series D Transaction described above). Such right should have expired on the earlier of: (i) June 15, 2016; (ii) the date of consummation of an initial public offering (IPO) of the Company; or (iii) sale of the Company or its assets.

The Company's board and the Company's shareholders approved on June 8, 2016 and on June 15, 2016, respectively, the extension of Dr. Ferré right through June 30, 2016 and the assignment of the right by Dr. Ferré to certain investors. Accordingly, on June 30, 2016, certain investors exercised such right which was assigned to them, and purchased a total of 1,120,760 Series D Preferred Shares for total investment of $2 million.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 8 - SHAREHOLDERS' EQUITY (Cont.)

D. General Provisions:

(1) Series E Preferred Shares are senior to all other outstanding shares of the Company. Secondary to Series E Preferred Shares are Series D Preferred Shares. Following Series D Preferred Shares are Series C Preferred Shares. Following Series C Preferred Shares are Series B and Series B-1 Preferred Shares. The rights provided to the holders of Series B-1 Preferred and Series B Preferred Shares are similar, mutatis mutandis (other than the original purchase price thereof).

(2) Each Ordinary Share and each Preferred Share shall confer upon its holder the right to receive notices of, and to attend and vote in General Meetings. Each holder of Ordinary Shares shall have one vote for each Ordinary Share held by him. Each holder of Preferred Shares shall have one vote for each Ordinary Share into which the Preferred Shares held by such holder may be converted.

(3) The Company's Amended and Restated Articles of Association (the "AOA") provides, inter alia, for (i) special majority requirements with respect to certain resolutions, e.g. dividend distribution, issuance of shares ranking equal or senior to the Preferred Shares, material change in the line of business, certain initial public offering, Exit Event; and (ii) restrictions on certain transfers of Company's shares and bring along and tag along rights.

(4) According to the AOA, the holders of the Preferred Shares are entitled, inter alia, to a 'dividend preference', to the extent such dividend is declared by the Board of Directors of the Company, and a 'liquidation preference' in the events stipulated thereunder.

(5) The AOA further provides that the holders of the Preferred Shares have the right, at any time, to convert all or any of the shares held by them into Ordinary Shares and that automatic conversion shall apply in certain circumstances.

NOTE 9 - STOCK OPTION PLANS

As of December 31, 2017, 34,438,755 options are outstanding under all the Company's options plans.

A. 2006 Option Plan ("2006 Original Plan") and 2006 Revised Option Plan ("2006 Revised Plan"):

On January 30, 2006 the Company's Board of Directors approved and adopted an option plan to employees, officers, directors and consultants ("2006 Original Plan").

On December 3, 2012 the Company's Shareholders approved, following the Board's approval, to amend 2006 Plan ("2006 Revised Plan") and to adopt US Annex. The total number of options reserved for issuance under the 2006 Revised Plan is 35,000,000 out of which 20,000,000 options reserved under the US Annex.

The vesting period of the options granted prior to December 11, 2014, under 2006 Revised Plan and US Annex is as follows: 25% of the Options shall become vested each year on the anniversary of the Grant Date (such that the Options shall become fully vested on the fourth anniversary of the Grant Date). The options granted under this plan expire after seven years from the Grant Date.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 9 - STOCK OPTION PLANS (Cont.)

A. 2006 Option Plan ("2006 Original Plan") and 2006 Revised Option Plan ("2006 Revised Plan") (Cont.):

On December 11, 2014 the Company's Shareholders approved, following the Board's approval, to amend the 2006 Revised Plan and the US Annex in order to include a cashless exercise mechanism. In addition, according to such amendment the vesting period of the options granted under 2006 Revised Plan and US Annex is as follows: 50% of the Options shall become vested on the second anniversary of the Grant Date, additional 25% of the Options shall become exercisable on the third anniversary of the Grant Date, and additional 25% of the Options shall be exercisable on the fourth anniversary of the Grant Date (such that the Options shall be fully vested on the fourth anniversary of the Grant Date).

On March 28, 2017 the Company's Shareholders approved, following the Board's approval, to amend the 2006 Revised Plan and the US Annex and to extend the term of all options granted under 2006 Revised Plan by three years (the "Extension"). Following the Extension, the revised term of the Options will be 10 years from the Commencement Date, as such term defined under the 2006 Revised Plan. The Extension would apply to all options granted with the exception of options granted to employees who ceased to be employed by the Company prior to February 7, 2017 and have not exercised their options as of this date. For the avoidance of any doubt, the Extension will apply to options granted to directors, who ceased to be directors of the Company prior to February 7, 2017, which were not expired as of the date of the above shareholders resolution.

B. Grant of Options:

On December 11, 2014, the Company granted 6,771,612 and 1,354,322 options to Dr. Ferré and Mr. Delevic, respectively, reflecting 5% and 1% of the Company's fully diluted share capital on the date of the closing of the Subsequent Investment (as such term is defined in the Series D Transaction), pursuant to a Service Agreement between the Company and Crandon Capital Partners LLC ("Crandon"), dated December 15, 2014, under which Crandon will provide the Company certain services ("Services"), including Chairman of the Board, through Dr. Maurice R. Ferré and active director services, through Mr. Ivan Delevic (the "Services Agreement").

The exercise price per share shall be equal to the original issue price of the Series D Preferred Shares ($1.94 which was reduced to $1.78). Such options shall vest as follows: (i) 25% of the options shall vest on January 1, 2015; (ii) 25% shall vest on January 1, 2016; and (iii) 50% shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The options were granted under the 2006 Revised Plan, except as modified under the CEO Employment Agreement in the event of a Change in Control or termination, and in accordance with the terms of the grant letter. The value of the benefit calculated under the Black-Scholes formula, is about $5.6 million.

On December 28, 2015, the Company granted an option to purchase 250,000 Ordinary Shares of the Company to Dr. Kobi Vortman, the Company's CEO at that time and currently an executive vice chairman of the Board. The grant date of the options shall be January 1, 2016. The exercise price per share shall be $1.94 (which was reduced to $1.78). The options shall vest as follows: (i) 25% of the options shall have immediate vesting upon allocation; (ii) 25% shall vest one year after the grant date; and (iii) 50% shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The options were granted under the 2006 Revised Plan and in accordance with the terms of the grant letter, which will provide a cashless exercise mechanism. The value of the benefit calculated under the Black-Scholes formula, is about $174.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 9 - STOCK OPTION PLANS (Cont.)

B. Grant of Options: (Cont.)

Furthermore, the Company granted 180,000 and 500,000 Restricted Shares Units (the "RSUs"), representing 180,000 and 500,000 Ordinary Shares of the Company, to Dr. Ferré and to Mr. Jun Tao (who serves as Senior VP of strategic Marketing & Business Development of the Company), respectively, which was granted effectively on June 15, 2016. Such RSUs shall expire on the earlier of: (i) June 30, 2019; or (ii) the effective date of the termination of services or employment, as applicable. Each RSU granted shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The grantees shall not pay any consideration for converting the granted RSUs to Shares. The RSUs granted to Dr. Ferre are subject to the terms described above, except as modified under the CEO Employment Agreement in the event of a Change in Control or termination.

Additionally, the Company granted to Dr. Ferré and to Mr. Jun Tao 7,114,096 and 1,500,000 options, respectively, each option to purchase one Ordinary Share of the Company, at an exercise price per share of $12.57 and $1.78, respectively, which was granted effectively on June 15, 2016 and on June 6, 2016, respectively.

Dr. Ferré's options shall vest as follows: (i) 25% of the options were vested on January 1, 2017; (ii) 25% shall vest on January 1, 2018; (iii) 50% shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The options were granted under the 2006 Revised Plan and in accordance with the terms of the grant letter. The options granted to Dr. Ferre are subject to the terms described above, except as modified under the CEO Employment

Agreement in the event of a Change in Control or termination. The value of the benefit calculated under the Black&Scholes formula, is about $315.

On September 12, 2016, the Company granted an option to purchase 100,000 Ordinary Shares of the Company to each of Mr. Eugene Saragnese and Mr. Tom Gentile at an exercise price per share of $1.78. The vesting period of such options shall be one year, such that the options shall be fully vested on the first anniversary of their grant date. The options were granted under the Amended and Restated 2006 Stock Option Plan and the US Annex and in accordance with the terms of the grant letter. The value of the benefit calculated under the Black-Scholes formula, is about $29.

The value of the benefit calculated under the Black-Scholes formula, is about $29.

On March 2017, the Company approved to each of the following directors: Jeremy Blank, Morry Blumenfeld, Ron Hadasi, Boaz Lifschitz and Howard Chu a grant of 30,000 options ("**Directors Options**"), each option to purchase one Ordinary Share of the Company, at an exercise price per share of $1.30. 50% of the Options shall become vested 2 years after the Grant Date and additional 25% each year thereafter (i.e. on the 3rd and 4th anniversary of the Grant Date (as defined below), such that the Directors Options shall be fully vested on the fourth anniversary of the Grant Date). The Directors Options shall be granted under 2006 Revised Plan and the US Annex. The grant of the options to each director is subject to the approval of each shareholder that appointed the director. The Grant Date of the Directors Options ("Grant Date") shall be the later of: (i) the date of the approval of the Company's shareholders meeting, and: (ii) the date of the approval of the shareholder who appointed the director. The Company received the approval of the shareholders appointed Morry Blumenfeld and Howard Chu.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 9 - STOCK OPTION PLANS (Cont.)

B. Grant of Options: (Cont.)

On December 27, 2017, as part of finder's fee consideration in connection with the Series E Transaction, the Company issued such finder a warrant to purchase 1,995,240 Ordinary Shares of the Company (the "Warrant"). The Warrant shall be exercisable, in whole or in part, at any time during the period commencing December 27, 2017 and ending on the earliest of: (i) December 31, 2024; (ii) immediately prior to consummation of an Exit Event; and (iii) immediately prior to consummation of an IPO, as such terms defined in the Warrant. The exercise price per share shall be $2.68 and the Warrant also includes a cashless exercise mechanism.

In addition, during 2015, 2016 and 2017 additional options were granted to new and current employees, officers and others.

C. Fair value:

The weighted average fair value (in dollars) of the options granted during 2015, 2016 and 2017 according to Black-Scholes option-pricing model, amounted to $0.7, $0.15 and $0.04per option, respectively. Fair value was determined on the basis of private placements of the Company's equity securities and on the basis of other available evidence and management's estimates.

D. A summary of the status of the Company's share option plans as of December 31, 2014, 2015 and 2016, as well as changes during each of the years and period then ended, is presented below:

	2017		2016		2015	
	Share options	Weighted average exercise price (US dollars)	Share options	Weighted average exercise price (US dollars)	Share options	Weighted average exercise price (US dollars)
Outstanding - beginning of year	30,699,015	4.06	23,803,919	1.50	23,533,919	1.49
Granted	3,986,240	1.99	9,194,096	10.13	500,000	1.94
Cancelled	(182,250)	0.92	(2,179,000)	1.84	(230,000)	1.87
Exercised	(64,250)	0.92	(120,000)	1.12	-	
Outstanding - year end	34,438,755	3.84	30,699,015	4.06	23,803,919	1.50
Options exercisable year end	22,322,450	1.88	15,432,993	1.40	10,905,764	1.56

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 9 - STOCK OPTION PLANS (Cont.)

E. The following table summarizes information about share options outstanding as of December 31, 2017 and 2016:

Outstanding as of December 31, 2017				Exercisable as of December 31, 2017	
Range of exercise prices (US dollars)	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (US dollars)	Number exercisable	Weighted average exercise price (US dollars)
0.92	12,391,485	5.4	0.92	11,893,735	0.92
1.30	12,934,934	7.6	1.30	6,651,951	1.30
2.68	1,995,240	7	2.68	1,995,240	2.68
6-12.57	7,117,096	8.5	12.56	1,781,524	12.56
	34,438,755			22,322,450	

Outstanding as of December 31, 2016				Exercisable as of December 31, 2016	
Range of exercise prices (US dollars)	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (US dollars)	Number exercisable	Weighted average exercise price (US dollars)
0.0025	25,000	0.3	0.0025	25,000	0.0025
1.12	12,480,985	3.4	1.12	9,000,543	1.12
1.78	10,205,934	5.2	1.78	6,094,450	1.78
1.94	870,000	5.4	1.94	310,000	1.94
6-12.57	7,117,096	6.5	12.56	3,000	6
	30,699,015			15,432,993	1.4

Total estimated share-based compensation expense, related to all of the Company's share-based awards, recognized in the year ended December 31, 2017 and 2016 was comprised as follows:

	Year ended December 31,	
	2017	2016
Cost of revenues	$ 48	$ 72
Research and development	396	672
Sales and marketing	228	257
General and administrative	1,088	1,212
Total share-based compensation expense	$ 1,760	$ 2,213

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 10 - INCOME TAXES

A. Law for the Encouragement of Capital Investments-1959:

The tax rates applicable to Approved Industrial Enterprise would be 6% and 12% for those located in Preferred Area A or elsewhere, respectively, with effectiveness for the taxable year of 2015 and onwards.

B. Law for the Encouragement of Industry (Taxation), 1969:

The Company is an "Industrial Company" under the Law for the Encouragement of Industry (Taxation), 1969 and, therefore, is entitled to certain tax benefits, mainly accelerated rates of depreciation and the right to deduct public issuance expenses for tax purposes.

C. Deferred Taxes:

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has accumulated losses for Israeli tax purposes as of December 31, 2017 in the amount of approximately $300,000.

The Israeli tax loss carry forwards have no expiration date. The Company expects that during the period these losses are utilized, its undistributed earnings will be tax exempt. Since the Company has no intention to distribute such earnings, there will be no tax benefit available from such tax losses and no deferred taxes have been included in these financial statements for these losses.

D. Tax rates applicable to the Company:

The corporate tax rate in Israel is 25% and 24% in 2016 and 2017.

On August 5, 2013 the Israeli parliament (the Knesset) passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) - 2013, by which, inter alia, the corporate tax rate would be raised by 1.5% to a rate of 26.5% as from 2014. On January 4, 2016, the Knesset plenum approved a bill to amend the Income Tax Ordinance, including a reduction in corporate tax by 1.5% from 26.5% to 25%, as from January 1, 2016.

Under an amendment enacted in December 2016 to the Israel Income Tax Ordinance of 5721-1961, or the Tax Ordinance, the corporate tax rate will decrease to 24% for 2017 and 23% for 2018 and thereafter.

E. Tax Assessments:

The Company and InSightec Inc. have not received final tax assessments since inception. The Company and InSightec Inc. have tax assessments considered final through the year 2012 and 2013, respectively. InSightec Japan Y.K. had final tax assessment through the year 2012.

In light of losses for both financial reporting and tax purposes for all years presented, a reconciliation of the effective income tax rate has not been presented.

INSIGHTEC LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

NOTE 11 - GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

A. Geographic information:

	Year ended December 31,		
	2017	2016	2015
	%	%	%
Revenues:			
America	43	43	23
Europe	23	13	38
ROW	34	44	39

B. Revenues by major customers:

	Year ended December 31,		
	2017	2016	2015
	%	%	%
Customer A	14	10	34
Customer B	8	9	12

C. Fixed assets: Substantially all fixed assets are located in Israel.

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

A. Transactions:

	Year ended December 31,		
	2017	2016	2015
Revenues	$ -	$ -	$ 4,811
Cost of revenues	$ -	$ -	$ 254
Research and development costs (14.C)	$ -	$ -	$ -
Sales and marketing	$ -	$ -	$ -

B. Balances:

	December 31,	
	2017	2016
Trade accounts receivables	$ -	$ -
Trade accounts payables	$ -	$ -

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.

Date: April 26, 2018

By: /s/ Ron Haddasi
Name: Ron Haddasi
Title: CEO&Chairman of the Board

AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT

This **AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT** (**"Agreement"**) is entered into on this _____ day of March, 2018 at Bangalore by and amongst:

AAYAS TRADE SERVICES PRIVATE LIMITED, a company incorporated under the Companies Act, 1956 and having its registered office at New No. 45 (Old No. 76), 2nd Floor, 2nd Main Road, 41st Cross, Jayanagar 8th Block, Bangalore – 560 070 (hereinafter referred to as the **"Company"** which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns) of the **FIRST PART;**

AND

ELBIT PLAZA INDIA REAL ESTATE HOLDINGS LIMITED, a company incorporated under the laws of Cyprus and having its registered office at 7 Florinis Street, Greg Tower, PC 1065 Nicosia – Cyprus (hereinafter referred to as the **"Promoter"** which expression shall unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns) of the **SECOND PART;**

AND

MANTRI DEVELOPERS PRIVATE LIMITED, a company incorporated under the Companies Act, 1956 and having its registered office at 41, Vittal Mallya Road, Bangalore 560 011 (hereinafter referred to as **"Purchaser"**, which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns) of the **THIRD PART**.

Each of the above mentioned Persons shall be individually referred to as a **"Party"** and collectively as **"Parties"**.

WHEREAS:

A. The Company is engaged in the business of developing the Property (as defined in the Earlier SPA).

B. The Purchaser is engaged in the business of construction and development of real estate.

C. As at the date of this Agreement, the issued, subscribed and paid-up equity share capital of the Company is Rs. 1,01,00,000 (Rupees One Crore One Lakh) divided into 10,10,000 (Ten Lakhs Ten Thousand) Equity Shares of Rs. 10 (Rupees Ten each).

D. The Promoter and Koyenco Limited ("**Other Shareholder**") are the legal and beneficial owners of 10,10,000 (Ten Lakhs Ten Thousand) Equity Shares representing 100% (one hundred percent) of the issued, subscribed and paid-up equity share capital of the Company. The Promoter holds 8,14,00,000 (Eight Crores Fourteen Lakhs) Series A CCDs of Rs. 10 (Rupees Ten) each, and 41,43,68,780 (Forty One Crores Forty Three Lakhs Sixty Eight Thousand Seven Hundred Eighty) Series B CCDs of Rs. 10 (Rupees Ten) each, in the Company. The aforesaid Equity Shares, CCDs and any Securities issued to the Promoter prior to the Closing Date are hereinafter collectively referred to as the "**Issued Securities**". The Purchaser holds 10,10,000 (Ten Lakhs Ten Thousand) optionally convertible debentures of Rs. 10 (Rupees Ten) each and 4,60,00,000 (Four Crores Sixty Lakhs) NCDs of Rs. 10 (Rupees Ten) each in the Company.

E. The Company, the Promoter, the Other Shareholder, Minerva Infratech Private Limited ("**MIPL**") and the Purchaser had entered into a securities purchase agreement dated December 02, 2015 as amended by the supplemental agreement dated June 22, 2016 ("**Earlier SPA**") whereby MIPL proposed to purchase the Issued Securities from the Promoter and the Other Shareholder in accordance with the terms and conditions set out in the Earlier SPA.

F. However, the Purchaser and MIPL failed to fulfil their obligations under the Earlier SPA prior to the Long Stop Date (as defined in the Earlier SPA), and the Promoter is entitled to proceed to Separation (as defined in the Earlier SPA) pursuant to the provisions of the Earlier SPA.

G. The Parties had executed an amendment agreement dated June 16, 2017 to the Earlier SPA. Simultaneously with the execution of the aforesaid amendment agreement, the Company, the Promoter and the Purchaser had executed an SPA ("**Second SPA**"), pursuant to which the Purchaser had agreed to purchase from the Promoter, and the Promoter had agreed to sell to the Purchaser, 11,00,00,000 (Eleven Crores) Series A CCDs for the purchase price mentioned in the Second SPA. Pursuant to the Second SPA, the Purchaser has purchased 4,60,00,000 (Four Crore Sixty Lakh) Series A CCDs for an aggregate consideration of Rs. 46,00,00,000 (Rupees Forty Six Crores) in nine tranches.

H. The Purchaser and MIPL have requested for an extension of time to fulfil their obligations under the Second SPA prior to the Long Stop Date (as defined in the Securities Purchase Agreement).

I. The Parties, along with the Other Shareholder, MIPL and Purchaser have come to a revised understanding whereby, the Purchaser proposes to purchase, and the Promoter proposes to sell to the Purchaser, 9,20,00,000 (Nine Crores Twenty Lakhs) Series A CCDs ("**Sale Securities**") for an aggregate consideration of Rs. 92,00,00,000 (Rupees Ninety Two Crores only) ("**Series A CCD Purchase Price**") in accordance with the terms hereof. The Sale Securities shall be purchased by the Purchaser from the Promoter in 17 (seventeen) tranches as under, for the consideration set out below aggregating to Rs. 92,00,00,000 (Rupees Ninety Two Crores only):

Sl. No.	Date by which the relevant CCD Closing is required to occur (each a "Subsequent Closing Date")	Amount to be paid by the Purchaser (Rs.)	Number of Sale Securities to be transferred
1.	March 27, 2018 ("**First LSD**")	9,00,00,000 ("**First Tranche Purchase Price**")	90,00,000 Series A CCDs ("**First Closing CCDs**")
2.	April 10, 2018	5,00,00,000 ("**Second Tranche Purchase Price**")	50,00,000 Series A CCDs
3.	May 31, 2018	2,50,00,000 ("**Third Tranche Purchase Price**")	25,00,000 Series A CCDs
4.	June 30, 2018	2,50,00,000 ("**Fourth Tranche Purchase Price**")	25,00,000 Series A CCDs
5.	July 31, 2018	2,50,00,000 ("**Fifth Tranche Purchase Price**")	25,00,000 Series A CCDs
6.	August 31, 2018	2,50,00,000 ("**Sixth Tranche Purchase Price**")	25,00,000 Series A CCDs
7.	September 30, 2018	2,50,00,000 ("**Seventh Tranche Purchase Price**")	25,00,000 Series A CCDs
8.	October 31, 2018	2,50,00,000 ("**Eighth Tranche Purchase Price**")	25,00,000 Series A CCDs

Sl. No.	Date by which the relevant CCD Closing is required to occur (each a "Subsequent Closing Date")	Amount to be paid by the Purchaser (Rs.)	Number of Sale Securities to be transferred
9.	November 30, 2018	2,50,00,000 ("**Ninth Tranche Purchase Price**")	25,00,000 Series A CCDs
10.	December 31, 2018	2,50,00,000 ("**Tenth Tranche Purchase Price**")	25,00,000 Series A CCDs
11.	January 31, 2019	6,00,00,000 ("**Eleventh Tranche Purchase Price**")	60,00,000 Series A CCDs
12.	February 28, 2019	6,00,00,000 ("**Twelfth Tranche Purchase Price**")	60,00,000 Series A CCDs
13.	March 31, 2019	6,00,00,000 ("**Thirteenth Tranche Purchase Price**")	60,00,000 Series A CCDs
14.	April 30, 2019	10,00,00,000 ("**Fourteenth Tranche Purchase Price**")	1,00,00,000 Series A CCDs
15.	May 31, 2019	10,00,00,000 ("**Fifteenth Tranche Purchase Price**")	1,00,00,000 Series A CCDs
16.	June 30, 2019	10,00,00,000 ("**Sixteenth Tranche Purchase Price**")	1,00,00,000 Series A CCDs
17.	July 31, 2019	10,00,00,000 ("**Seventeenth Tranche Purchase Price**")	1,00,00,000 Series A CCDs
Total		**92,00,00,000**	9,20,00,000 Series A CCDs

J. The transfer of the First Closing CCDs shall be referred to as the "**First CCD Closing**", and each subsequent transfer of Series A CCDs as mentioned above shall be referred to as a "**Subsequent Closing**".

K. Simultaneously with the date of execution of this Agreement, the parties to the Earlier SPA have entered into a restated amendment agreement to amend certain provisions of the Earlier SPA ("**Amendment Agreement**"). 40,37,68,780 (Forty Crores Thirty Seven Lakhs Sixty Eight Thousand Seven Hundred Eighty) Series B CCDs and the entire issued share capital of the Company (such equity shares the "**Sale Shares**") shall be acquired by MIPL for an aggregate consideration of Rs. 212,31,00,000 (Rupees Two Hundred Twelve Crores Thirty One Lakhs only) under the provisions of the Earlier SPA, as amended by the Amendment Agreement.

L. Accordingly, the Parties wish to record in this Agreement the terms and conditions of the sale and purchase of the Sale Securities.

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES, REPRESENTATIONS AND WARRANTIES AND COVENANTS HEREIN SET FORTH, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

1.1. **"Act"** shall mean the Companies Act, 1956 (as amended and superseded by the Companies Act, 2013), as notified, amended or re-enacted from time to time;

1.2. "**Additional Purchase Amount**" shall have the meaning ascribed to the term under Clause 3.3.1;

1.3. **"Affiliate"** of a Party means a Person which directly or indirectly Controls or, is controlled by, or is under common Control with such Party. In the case of an individual, Affiliate shall include a Relative of such individual;

1.4. **"Articles"** shall mean the Articles of Association of the Company;

1.5. **"Board"** shall mean the Board of Directors of the Company;

1.6. "**Business Day**" shall have the meaning ascribed to the term in the Earlier SPA;

1.7. "**CCDs**" shall mean the Series A CCDs and the Series B CCDs, collectively;

1.8. "**CCD Closing**" shall mean any of the First CCD Closing or any Subsequent Closing;

1.9. "**CCD Closing Date**" shall mean any of the First CCD Closing Date or any Subsequent Closing Date;

1.10. "**Conditions Precedent**" shall mean the conditions detailed in Clause 4;

1.11. "**Control**" or **"Controlled"** with respect to any Person shall mean the beneficial ownership directly or indirectly of more than fifty (50%) per cent of the voting securities of such Person or control over the majority of the composition of the board of directors or the power to direct the management or policies of such Person by contract or otherwise;

1.12. **"Encumbrance"** shall mean any mortgage, pledge, equitable interest, prior assignment, hypothecation, right of other Persons, claim, security interest, beneficial interest, title retention agreement, voting trust agreement, interest, option, lien, charge, commitment, restriction or limitation of any nature whatsoever, including restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership. The word '**Encumber**' shall be construed accordingly;

1.13. **"Equity Shares"** shall mean equity shares of Rs. 10 (Rupees Ten) each in the Company;

1.14. **"Long Stop Date"** shall have the meaning ascribed to the term in the Amendment Agreement;

1.15. **"Losses"** shall mean any and all losses, liabilities, obligations, claims, demands, actions, suits, judgments, awards, fines, penalties, taxes, fees, settlements and proceedings, costs, expenses, royalties, deficiencies, damages (whether or not resulting from third party claims), charges, costs (including costs of investigation, remediation or other response actions), interests, out-of-pocket expenses, reasonable attorneys' and accountants' fees and disbursements;

1.16. **"NCDs"** shall mean the non-convertible debentures of the Company of face value of Rs. 10 (Rupees Ten) each, having the terms set out in Part C of **Schedule 2**;

1.17. **"Person"** shall mean an individual or a partnership, company, trust, association or other entity;

1.18. **"RoC"** shall mean Registrar of Companies;

1.19. **"Relative"** shall have the meaning given to it in the Act;

1.20. **"Representations and Warranties"** shall mean the representation and warranties contained in Clause 9;

1.21. "**Sale Securities**" shall have the meaning given to it in Recital I; and

1.22. "**Series A CCD Purchase Price**" shall have the meaning ascribed to the term in Recital I;

1.23. "**Series A CCDs**" shall mean the compulsorily convertible debentures of the Company of face value of Rs. 10 (Rupees Ten) each, having the terms set out in Part A of **Schedule 2**;

1.24. "**Series B CCDs**" shall mean the compulsorily convertible debentures of the Company of face value of Rs. 10 (Rupees Ten) each, having the terms set out in Part B of **Schedule 2**;

1.25. **"Valuer"** shall mean an independent chartered accountant appointed by the Purchaser or the Promoter.

2. SALE AND PURCHASE OF SALE SECURITIES

2.1. Subject to the terms and conditions contained herein, the Promoter shall (as legal and beneficial owner of the Sale Securities) on each CCD Closing Date, sell, transfer and convey to the Purchaser all of their right, title and interest in and to the relevant portion of the Sale Securities as the case may be, free from all Encumbrances. The Purchaser shall purchase the relevant number of Sale Securities for the relevant portion of the Series A CCD Purchase Price, on each CCD Closing Date.

2.2. As on the date of this Agreement, the Parties have obtained a valuation certificate from the Valuer, bearing out that the fair market value of the Sale Securities in aggregate is equal to or higher than the Series A CCD Purchase Price.

3. PURCHASE PRICE

3.1. The Purchaser shall pay to the Promoter, for the sale and purchase of the Sale Securities, the Series A CCD Purchase Price.

3.2. The amount and description of the Sale Securities to be transferred by the Promoter to the Purchaser on each CCD Closing Date is set out in Recital G above.

3.3. If any CCD Closing does not occur on or prior to the respective CCD Closing Date, the Purchaser shall be deemed to be in breach of this Agreement and the Promoter may, at its sole discretion, elect to:

3.3.1. extend the relevant CCD Closing Date, in which case the relevant tranche of the Series A CCD Purchase Price shall be automatically increased and accrue at the rate of 8.5% (Eight Point Five Percent) per annum (or any part thereof in respect of the period by which the CCD Closing Date is extended) on the relevant tranche of the Series A CCD Purchase Price, compounded and calculated monthly for the period from the relevant CCD Closing Date until the date on which such CCD Closing actually occurs with the consent of the Promoter (such accrued amount the "**Additional Purchase Amount**"). The aggregate Additional Purchase Amount shall be paid to Promoter along with the Purchase Price payable under the Earlier SPA (as amended by the Amendment Agreement); or

3.3.2. where the Promoter does not exercise the right under Clause 3.3.1, the Promoter shall have the right to terminate this Agreement in accordance with Clause 7.1.

4. CONDITIONS PRECEDENT

4.1. The obligation of the Promoter to transfer Sale Securities to the Purchaser in the manner contemplated herein is subject to the fulfilment by the Purchaser, of the following conditions (unless waived in writing by the Promoter) ("**Conditions Precedent**") at least 3 (three) days prior to each CCD Closing Date:

(i) The Purchaser having provided all consents and documents as may be necessary, such that the Company and its security holders are able to re-classify the Sale Securities into NCDs immediately after each CCD Closing, without requiring any further action or documentation from the Purchaser; and

(ii) The Purchaser having provided all documents as may be necessary, evidencing that with immediate effect from any CCD Closing Date, if the Company is required to make payments of any amounts to the Purchaser in connection with the Sale Securities (even after the Sale Securities are re-classified into NCDs), any such amounts will be set off and adjusted against the amounts owed by the Purchaser to the Company.

4.2. If any of the Conditions Precedent are not satisfied on or prior to the First LSD or any Subsequent Closing Date, this Agreement shall stand terminated and the Purchaser shall be deemed to be in breach.

5. FIRST CCD CLOSING

5.1. The First CCD Closing shall occur on or before the First LSD and within 2 (two) days of receipt by the Promoter of a written confirmation that all Conditions Precedent are satisfied, with documentation evidencing the same. It is clarified that unless the Promoter is given documentation to its satisfaction regarding the satisfaction of the Conditions Precedent, it shall be under no obligation to proceed with the First CCD Closing or any CCD Closing. The Purchaser undertakes to obtain an in-principle confirmation from its designated authorised dealer prior to each CCD Closing, acknowledging that the relevant CCD Closing can be achieved in the manner set out herein.

5.2. The First CCD Closing shall take place at Bangalore.

5.3. On the First CCD Closing Date, the Parties shall complete the below mentioned activities. The actions to take place under this Clause 5.3 are interdependent and must take place, as nearly as possible, simultaneously.

5.3.1. Payment of First Tranche Purchase Price

The Purchaser shall pay the First Tranche Purchase Price without any withholding, through its authorized dealer to the designated bank account of the Promoter. The bank account details of the Promoter are set forth in **Schedule 3** to this Agreement. A copy of the SWIFT instructions issued by Purchaser's authorized dealer shall be provided to the Promoter forthwith.

5.3.2. Delivery of documents including resolutions of the Board and shareholders

The Promoter and/or the Company, as applicable, shall deliver the following documents to the Purchaser at First CCD Closing:

a) Certified true copies of the resolutions passed by the Board and the board of directors of the Promoter approving the transfer of the First Closing CCDs to the Purchaser; and

b) Such supporting documents as may be required in accordance with the Foreign Exchange Management Act, 1999 and the rules and regulations formulated thereunder, for the filing of the form FC-TRS for the First CCD Closing.

The Purchaser shall deliver certified true copies of the resolutions passed by its board of directors approving the purchase of the First Closing CCDs. The Purchaser shall also ensure the filing of forms 15CB and 15CA as required for the proposed transfer of the First Closing CCDs.

5.3.3. Original CCD certificates representing First Closing CCDs and transfer forms

The Promoter shall cause the delivery of the original certificates representing the First Closing CCDs to the Company along with the duly stamped security transfer forms executed by the Promoter.

The Purchaser shall cause the delivery of the duly stamped original security transfer forms signed by it and the Promoter pertaining to the First Closing CCDs to the Company.

5.3.4. Form FC-TRS

a) Following the receipt of the documents set forth above and the payment of the First Tranche Purchase Price, on the First CCD Closing Date, the Purchaser shall submit the duly filled form FC-TRS along with all relevant documents and annexure to be attached thereto to the authorised dealer Category–I bank remitting the First Tranche Purchase Price, on behalf of the Purchaser through the e-biz portal, and obtain an endorsement from the authorised dealer Category-I bank stating that the payment of the First Tranche Purchase Price, has been made in accordance with the applicable laws. A copy of the endorsed form FC-TRS bearing the acknowledgement of the authorised dealer Category-I bank will be provided to the Promoter and the Company.

5.3.5. Upon the receipt of a confirmation from the Promoter that the First Tranche Purchase Price has been received by the Promoter in its bank account, the Promoter shall cause a meeting of the Board and shareholders of the Company (as required) to be called (provided that the endorsed form FC-TRS has been received by the Purchaser's authorized dealer) at which the following business will be conducted and necessary actions will be taken:

a) Approve the registration of transfer of First Closing CCDs to the Purchaser;

b) Resolve to make the necessary entries in the Register of Members and Register of Debentures to enter the name of the Purchaser as the registered owner of the First Closing CCDs;

c) Approve the re-classification of the First Closing CCDs into NCDs; and

d) Approve the change in the terms of the 4,60,00,000 (Four Crore Sixty Lakh) NCDs held by the Purchaser on the date of this Agreement.

5.3.6. Thereafter, the Company shall deliver to the Purchaser, the original, duly stamped certificates representing NCDs allotted on re-classification of the First Closing CCDs, along with the certified true copies of the resolutions recording the transfer of the First Closing CCDs and destroy the corresponding CCD certificates. Simultaneously with the aforesaid actions, the Purchaser will hand over the existing certificates representing the 4,60,00,000 (Four Crore Sixty Lakhs) NCDs held by the Purchaser, and the Company shall issue fresh certificates setting out the terms of the NCDs as set out in Part C of **Schedule 2**.

5.4. The Parties agree that all the actions detailed in Clauses 5.3.1 to 5.3.6 will have to be completed to achieve First CCD Closing and that the Parties shall take all actions necessary to facilitate the same.

6. SUBSEQUENT CLOSINGS

6.1. Each Subsequent Closing shall occur on or prior to the relevant Long Stop Date as set out in the Amendment Agreement, time being of the essence. Failure to achieve any Subsequent Closing strictly within the timelines agreed shall amount to a breach of this Agreement and the Amendment Agreement.

6.2. Each Subsequent Closing shall take place at Bangalore.

6.3. On each Subsequent Closing Date, the Parties shall complete the below mentioned activities. The actions to take place under this Clause 6.3 are interdependent and must take place, as nearly as possible, simultaneously.

6.3.1. Payment of relevant tranche of the Series A CCD Purchase Price

The Purchaser shall pay the relevant tranche of the Series A CCD Purchase Price without any withholding, through its authorized dealer to the designated bank account of the Promoter. The bank account details of the Promoter are set forth in **Schedule 3** to this Agreement. A copy of the SWIFT instructions issued by the Purchaser's authorized dealer shall be provided to the Promoter forthwith.

6.3.2. Delivery of documents including resolutions of the Board and shareholders

The Promoter and/or the Company, as applicable, shall deliver the following documents to the Purchaser at the relevant Subsequent Closing:

a) Certified true copies of the resolutions passed by the Board and the board of directors of the Promoter approving the transfer of the relevant tranche of the CCD to the Purchaser.

b) Such supporting documents as may be required in accordance with the Foreign Exchange Management Act, 1999 and the rules and regulations formulated thereunder, for the filing of the form FC-TRS for the relevant Subsequent Closing.

The Purchaser shall deliver certified true copies of the resolutions passed by its board of directors approving the purchase of the relevant number of Sale Securities. The Purchaser shall also ensure the filing of forms 15CB and 15CA as required for the proposed transfer of the Sale Securities as required.

6.3.3. Original certificates representing Sale Securities to be transferred and transfer forms

The Promoter shall cause the delivery of the original certificates representing the Sale Securities being transferred on such Subsequent Closing Date to the Company along with the duly stamped security transfer forms executed by the Promoter.

The Purchaser shall cause the delivery of the duly stamped original security transfer forms signed by it and the Promoter pertaining to the relevant Sale Securities being transferred to the Company.

6.3.4. Form FC-TRS

a) Following the receipt of the documents set forth above and the payment of the relevant tranche of the Series A CCD Purchase Price, on the relevant Subsequent Closing Date, the Purchaser shall submit the duly filled form FC-TRS along with all relevant documents and annexure to be attached thereto to the authorised dealer Category–I bank remitting the relevant tranche of the Series A CCD Purchase Price, on behalf of the Purchaser through the e-biz portal, and obtain an endorsement from the authorised dealer Category-I bank stating that the payment of the relevant tranche of the Series A CCD Purchase Price, has been made in accordance with the applicable laws. A copy of the endorsed form FC-TRS bearing the acknowledgement of the authorised dealer Category-I bank will be provided to the Promoter and the Company.

6.3.5. Upon the receipt of a confirmation from the Promoter that the relevant tranche of the Series A CCD Purchase Price has been received by the Promoter in its bank account, the Promoter shall cause a meeting of the Board and shareholders of the Company (as required) to be called (provided that the endorsed form FC-TRS has been received the Purchaser's authorized dealer) at which the following business will be conducted and necessary actions will be taken:

a) Approve the registration of transfer of relevant number of Sale Securities to the Purchaser;

b) Resolve to make the necessary entries in the Register of Members and Register of Debentures to enter the name of the Purchaser as the registered owner of the Sale Securities transferred;

c) Approve the re-classification of the CCDs transferred into NCDs.

6.3.6. Thereafter, the Company shall deliver to the Purchaser, the original, duly stamped certificates representing the relevant number of NCDs allotted on re-classification of the CCDs transferred at each Subsequent Closing, along with certified true copies of the resolutions recording such transfer, and destroy the corresponding Series A CCD certificates.

6.4. The Parties agree that all the actions detailed in Clauses 6.3.1 to 6.3.6 will have to be completed to achieve each Subsequent Closing and that the Parties shall take all actions necessary to facilitate the same.

6.5. The Parties further agree that prior to the payment of the Sixteenth Tranche Purchase Price, the Promoter and the Company shall take necessary actions to re-classify such number of Series B CCDs into Series A CCDs, as may be necessary to give effect to the terms of this Agreement.

7. ADDITIONAL UNDERSTANDING

7.1. Subject to Clause 3.3, the Parties agree that if the Purchaser has not paid any tranche of the Series A CCD Purchase Price on or before the relevant Long Stop Date, this Agreement shall stand terminated on account of breach of the Purchaser. The Parties shall be bound by the terms of the Earlier SPA as amended by the Amendment Agreement.

7.2. The Parties agree that within 7 (seven) days from the receipt of the First Tranche Purchase Price by the Promoter, each Party will take necessary action, in accordance with applicable laws, to nullify / withdraw the legal notices it has issued against any of the other Parties, including specifically the following, without prejudice to such Party's rights where there is any breach of the provisions of this Agreement or the Amendment Agreement:

1. Letter dated January 06, 2018, issued by the Purchaser to the Company;
2. Letter dated January 12, 2018, issued by the Company to the Purchaser;
3. Letter dated January 17, 2018, issued by the Purchaser to the Company;

4. Demand Notice under Rule 5 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 dated February 01, 2018, issued by the Company to the Purchaser;
5. Reply to the demand notice dated February 10, 2018, issued by Justlaw Advocates on behalf of the Purchaser to the Company in response to the demand notice; and
6. Response to the reply dated February 28, 2018, issued by J. Sagar Associates on behalf of the Company in response to Justlaw Advocates.

7.3. Without limiting the provisions of Clause 7.3 of the Earlier SPA, the Parties agree that there will be no reduction in the Purchase Price or the amounts payable under the CCD SPA, notwithstanding any adverse change in the status of or title to the Property arising out of the change in zoning from 'residential' in the present comprehensive development plan (2005-2015) to 'park / open space / recreation zone' in the proposed revised master plan 2031, and that the contention raised by the Purchaser in the letters dated January 06, 2018, January 17, 2018 and February 10, 2018 will not be raised again by the Purchaser.

8. REPRESENTATIONS AND WARRANTIES OF THE COMPANY, THE PROMOTER, THE PURCHASER:

8.1. The Company and the Promoter, jointly and severally, represent and warrant to the Purchaser that:

a) The execution, delivery and performance of this Agreement does not and will not conflict with, or result in a breach of, or constitute a default under any instrument to which the Company is a party or to which it is bound.

8.2. Representations and Warranties relating to the Promoter:

a) The Promoter has the legal right and full power to enter into and perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.

b) There is no action, suit, proceeding, claim, arbitration or investigation pending against the Promoter, or there is no action, suit, proceeding, claim, arbitration or investigation which the Promoter intends to initiate in connection with its involvement with the Company, subject to the transaction contemplated in this Agreement being completed in the manner contemplated herein.

c) The execution, delivery and performance of this Agreement does not and will not conflict with, or result in a breach of, or constitute a default under any instrument to which the Promoter is a party or by which it is bound.

d) Each of the Representations and Warranties contained in **Schedule 1** (regarding ownership to Sale Securities) are true, correct and complete, on and as of the date of this Agreement and the Closing Date.

e) The Promoter represents that the Parties have obtained a valuation certificate from the Valuer, bearing out that the fair market value of the Sale Securities in aggregate is equal to or more than the Series A CCD Purchase Price. The Promoter shall cause the Company to obtain revised valuation certificates from time to time, as applicable.

8.3. The Purchaser acknowledges that except for the Representations and Warranties of the Promoter and the Company as set out in Clause 8.1, Clause 8.2 and Schedule 1, the Promoter has not made any other representation or warranty in relation to the Property or the Company.

The provisions of Clauses 8.1, 8.2 and 8.3 and of **Schedule 1** shall not have any effect until all CCD Closings are completed, and the Closing (as defined in the Earlier SPA) is completed.

8.4. Representations, Warranties and Covenants provided by the Purchaser:

a) The Purchaser represents that the Parties have obtained a valuation certificate from the Valuer, bearing out that the fair market value of the Sale Securities in aggregate is equal to or more than the Series A CCD Purchase Price of the Sale Securities.

b) The Purchaser represents that it has the legal right and full power to enter into and perform this Agreement and any other documents to be executed by them pursuant to or in connection with this Agreement.

c) There is no action, suit, proceeding, claim, arbitration or investigation pending against the Purchaser, or there is no action, suit, proceeding, claim, arbitration or investigation which the Purchaser intends to initiate in connection with the Purchaser's involvement with the Company.

d) The execution, delivery and performance of this Agreement does not and will not conflict with, or result in a breach of, or constitute a default under any instrument to which the Purchaser is a party or by which it is bound.

9. INDEMNITY

9.1. Subject to the CCD Closings being completed and Closing (as defined under the Earlier SPA) being completed the Promoter hereby agrees to defend, indemnify and hold the Company and the Purchaser harmless from and against any and all direct Losses that are finally ruled by a competent court of law to have been sustained or suffered by the indemnified party and arising directly out of, or by reason of:

a) any breach of this Agreement by it; or
b) any material inaccuracy in or breach of any of the Representations and Warranties, covenants, undertakings or agreements contained in, or issued pursuant to, this Agreement by it.

9.2. Notwithstanding anything to the contrary herein contained, the Purchaser hereby agrees to defend, indemnify and hold the Promoter harmless from and against any and all direct Losses that are finally ruled by a competent court of law to have been sustained or suffered by the indemnified party and arising directly out of, or by reason of:

c) any breach of this Agreement by it; or
d) any material inaccuracy in or breach of any of the Representations and Warranties, covenants, undertakings or agreements contained in, or issued pursuant to, this Agreement by it.

9.3. Notwithstanding anything contained in this Agreement, the Promoter's aggregate liability in relation to any indemnification claim made by the indemnified party will not exceed the lower of the Series A CCD Purchase Price and any sum actually paid by the Purchaser under this Agreement.

9.4. It is clarified that the Promoter's rights specified in this Clause 9 shall be in addition to and not in substitution for any other remedies available to the Promoter, including the Promoter's rights pursuant to the Amendment Agreement.

10. CONFIDENTIALITY

10.1. The Promoter, the Purchaser and the Company recognize that each of them may be given and have access to confidential and proprietary information of each other. The Parties undertake not to and shall ensure that their Affiliates do not use any of such confidential information without the prior written consent of the Party owning the confidential information, and shall use their best efforts to keep confidential and not to disclose to any third party any of the other Party's confidential and proprietary information.

10.2. It is expressly agreed that the Promoter and/or its Affiliates shall be permitted to issue a press release as required by legal provisions applicable to the Promoter and/or its Affiliates, in relation to the terms hereof, which is accepted by the remaining Parties. Any other press release by any of the Parties regarding the understanding reached between them shall be coordinated with the other Parties. The disclosures made by any Party to government or any regulatory bodies should be copied to the other Party.

11. NOTICES

11.1. All notices, consents or other formal communications required of the Parties hereto by this Agreement shall be in writing. All such communications shall be delivered by hand or registered post or electronic transmission, addressed to the other party at the following address or at such other address as has been notified by a Party. Such communications shall be deemed to have been delivered at the time of delivery (if delivered by hand), at the time of transmission (if served by facsimile) or on the seventh business day after the date of posting (if served by prepaid post).

a) In the case of notices to the Company:

Attention:	Mr. Hemant Kothari
Address:	New No. 45 (Old No. 76), 2nd Floor, 2nd Main Road, 41st Cross, Jayanagar 8th Block, Bangalore – 560 070
Telephone:	+91 80 4041 4400
Email:	hemantk@elbitplazaindia.com

b) In the case of notices to the Purchaser:

Attention:	Mr. Baaskaran S.
Address:	41, Vittal Mallya Road, Bangalore – 560 001
Telephone:	+91 80 4130 0000
Email:	baaskaran.s@mantri.in

c) In the case of notices to the Promoter:

Attention:	Mr. Ron Hadassi
Address:	7 Mota Gur, Olympia C Tower, Petach Tikva, 4900102 Israel
Telephone:	+972 3 608 6045
Email:	ron@elbitimaging.com

12. GOVERNING LAW AND DISPUTE RESOLUTION

12.1. **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of India without reference to its conflict of laws principles.

12.2. **Amicable Resolution of Disputes**

If any dispute arises between the Parties in respect of the validity, interpretation, implementation or alleged breach of any provision of this Agreement or regarding a question, including the questions as to whether the termination of this Agreement by one party hereto has been legitimate (a "**Dispute**"), the disputing parties shall attempt to first resolve such dispute or claim through discussions between senior executives of the Purchaser and the Promoter.

12.3. **Arbitration**

Any Dispute which is not settled by the disputing parties through negotiations, after the period of 30 (thirty) days from the service of a notice of dispute, shall be referred to and finally resolved by arbitration in Singapore in accordance with the rules of the Singapore International Arbitration Center ("**SIAC Rules**"). The Purchaser shall appoint 1 (one) arbitrator, the Promoter shall appoint 1 (one) arbitrator, and the 2 (two) arbitrators so appointed shall appoint the third arbitrator. The language of the arbitration shall be English. If any Party does not appoint an arbitrator within a period of 30 (thirty) days from the date on which the arbitration is referred to the arbitration, the arbitrator shall be appointed as per the SIAC Rules.

If any dispute raises issues which are substantially the same as or connected with issues raised in a dispute which has already been referred to arbitration under this Agreement or the Existing Agreements or the Amendment Agreement (an "**Existing Dispute**"), or arises out of substantially the same facts as are the subject of an Existing Dispute (in either case, a "**Related Dispute**"), the arbitral tribunal appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the arbitral tribunal in respect of any Related Dispute. Any dispute as to whether or not a dispute is a Related Dispute shall be referred to, and finally resolved by, the arbitral tribunal appointed or to be appointed in respect of an Existing Dispute.

The arbitral tribunal, upon the request of one of the parties to a dispute or a party to this Agreement which itself wishes to be joined in any reference to arbitration proceedings in relation to a dispute, may join any party to this Agreement to any reference to arbitration proceedings in relation to that dispute and may make a single, final award determining all disputes between them. Each of the Parties hereby consents to be joined to any reference to arbitration proceedings in relation to any dispute at the request of a party to that dispute.

Where, pursuant to the above provisions, the same arbitral tribunal has been appointed in relation to two or more disputes, the arbitral tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the disputes, order that the whole or part of the matters at issue shall be consolidated and/or heard together upon such terms or conditions as the arbitral tribunal thinks fit.

12.4. **Enforcement**

Judgement upon any arbitral award rendered hereunder may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

12.5. **Jurisdiction**

Subject to Clauses 12.2 to 12.4, the courts at Bangalore, India shall have supervisory jurisdiction in respect of this Agreement.

13. MISCELLANEOUS PROVISIONS

13.1. Specific Performance

In the event that a Party commits a default of the terms of this Agreement then, the non-defaulting Parties shall be entitled to such remedies, including remedies by way of damages and/or specific performance, as may be permitted under applicable laws, in addition to their rights and remedies under this Agreement.

13.2. Reservation of Rights

No forbearance, indulgence or relaxation or inaction by any Party at any time to require performance of any of the provisions of this Agreement by the other Parties shall in any way affect, diminish or prejudice the right of such Party to require performance of that provision and any waiver or acquiescence by any Party of any breach of any of the provisions of this Agreement shall not be construed as a waiver or acquiescence of any right under or arising out of this Agreement, or acquiescence to or recognition of rights and/or position other than as expressly stipulated in this Agreement or unless expressly stated so by that Party in writing or in this Agreement.

13.3. Partial Invalidity

If any provision of this Agreement or the application thereof to any person or circumstance is or becomes invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. Any invalid or unenforceable provision of this Agreement shall be replaced with a provision which is valid and enforceable and most nearly gives effect to the original intent of the unenforceable provision.

13.4. Amendment

No modification or amendment to this Agreement and no waiver of any of the terms or conditions hereof shall be valid or binding unless made in writing by all the Parties.

13.5. Entire Agreement

This Agreement read with the Earlier SPA and the Amendment Agreement, constitutes the entire Agreement between the Parties with respect to the subject matter herein and supersedes and cancels any prior oral or written agreement, representation, understanding, arrangement, communication or expression of intent relating to the subject matter of this Agreement.

13.6. Survival

The provisions of Clause 7.1, Clause 8, Clause 9, Clause 10, Clause 11, Clause 12 and this Clause 13 will survive termination of this Agreement.

13.7. Costs and Stamp Duty

Each Party shall bear its own expenses incurred in preparing and executing this Agreement. The Purchaser shall bear the stamp duty in relation to the transfer of the Sale Securities and the issue of the NCDs.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and year first above mentioned.

COMPANY
For **AAYAS TRADE SERVICES PRIVATE LIMITED**

Hemant Kothari
PROMOTER

For **ELBIT PLAZA INDIA REAL ESTATE HOLDINGS LIMITED**

Hemant Kothari

PURCHASER
For **MANTRI DEVELOPERS PRIVATE LIMITED**

Baaskaran S.
Authorized Signatory
WITNESSES

Siddharth K. Vedula
Level 3, Prestige Obelisk,
3, Kasturba Road,
Bangalore – 560 001

Madhusmita K.
No. 41, Vittal Mallya Road,
Bangalore – 560 001

SCHEDULE 1

REPRESENTATIONS AND WARRANTIES BY THE PROMOTER REGARDING SALE OF SALE SECURITIES

The Promoter hereby represents and warrants as follows:

1. Ownership of the Sale Securities

a) The title to the Sale Securities held by the Promoter in the Company is absolute, clear of all Encumbrances and valid.

b) The Promoter is the legal and beneficial owner of the Sale Securities.

c) The Sale Securities, including any Sale Securities that have been acquired by the Promoter through transfers or transmissions, are duly stamped and approved in accordance with the provisions of the Articles and provisions of the Act and regulations framed thereunder.

d) There is no Encumbrance on, over or affecting any of the Sale Securities, nor is there any commitment to give or create any of the foregoing, and no person has claimed to be entitled to any of the foregoing.

e) Upon delivery to the Purchaser at each CCD Closing of certificates representing the Sale Securities, along with transfer forms in relation to such Sale Securities, and passing of resolutions of the Company's Board and upon receipt by the Promoter of the amounts payable at the Closing, good and valid title to such Sale Securities will pass to the Purchaser, free and clear of all Encumbrances.

SCHEDULE 2
DESCRIPTION OF SALE SECURITIES

PART A - TERMS OF THE SERIES A CCDs

1. Issue

1.1 Each Series A CCD shall be a compulsorily convertible debenture.

1.2 Each Series A CCD will have a par value of Rs. 10/- (Rupees Ten only) each.

2. Term

The Series A CCDs will have a maximum term of 15 (fifteen) years from the date of their allotment.

3. Transferability

The Series A CCDs will be transferable in the manner specified in the articles of association of the Company for transfer of shares.

4. Interest

Interest shall be accrued and paid on each Series A CCD at the rate of 21.14% per annum, subject to applicable laws, only from the financial year in which the Company is able to generate cash flows to pay such interest.

5. Conversion of CCDs

100 (One Hundred) Series A CCDs shall be convertible into 1 (one) compulsorily convertible preference share, as and when decided by the Board of Directors of the Company.

6. Governing Law

The terms of the Series A CCDs shall be governed and construed in accordance with the laws of India.

PART B - TERMS OF THE SERIES B CCDs

1. Issue

1.1 Each Series B CCD shall be a compulsorily convertible debenture.

1.2 Each Series B CCD will have a par value of Rs. 10/- (Rupees Ten only) each.

2. Term

The Series B CCDs will have a maximum term of 15 (fifteen) years from the date of their allotment.

3. Transferability

The Series B CCDs will be transferable in the manner specified in the articles of association of the Company for transfer of shares.

4. Interest

Interest shall be accrued and paid on each Series B CCD at the rate of 21.14% per annum, subject to applicable laws, only from the financial year in which the Company is able to generate cash flows to pay such interest.

5. Conversion of CCDs

340 (Three Hundred and Forty) Series B CCDs shall be convertible into 1 (one) compulsorily convertible preference share, as and when decided by the Board of Directors of the Company.

6. Governing Law

The terms of the Series B CCDs shall be governed and construed in accordance with the laws of India.

PART C - TERMS OF THE NCDs

1. Issue

1.1 Each NCD shall be a non-convertible debenture, issued upon the re-classification of a Series A CCD.

1.2 Each NCD will have a par value of Rs. 10/- (Rupees Ten only) each.

2. Term

The NCDs will have a maximum term of 16 (sixteen) months from the date of their allotment, unless redeemed earlier in accordance with Clause 5 below.

3. Transferability

The NCDs shall not be transferable, except with the prior written consent of the Board.

4. Interest

The NCDs shall not be entitled to any interest.

5. Redemption

Unless redeemed earlier by the Board (upon a default by the holder of the NCDs in terms of the amended and restated securities purchase agreement dated March _____, 2018), the NCDs shall stand redeemed on September 01, 2019.

6. Encumbrance

The holder of the NCDs shall not be entitled to create any encumbrance on the NCDs.

7. Governing Law

The terms of the NCDs shall be governed and construed in accordance with the laws of India.

SCHEDULE 3
DETAILS OF BANK ACCOUNT OF THE PROMOTER

BANK NAME:	HELLENIC BANK
BRANCH ADDRESS:	NO. 1 EVAGOROU AVENUE, 1065, NICOSIA
SWIFT:	HEBACY2N
ACCOUNT NO:	190-01-809683-01
ACCOUNT CURRENCY:	EURO
IBAN:	CY57 0050 0190 0001 9001 8096 8301

Exhibit 4.16

EXECUTION VERSION

WITHOUT PREJUDICE

BEA HOTELS EASTERN EUROPE B.V.

AS THE VENDOR

AND

NEMO INVESTMENT VEHICLE S.R.L.

AS THE PURCHASER

MASTER AGREEMENT FOR THE SALE AND PURCHASE OF SHARES IN BUCURESTI TURISM S.A., BEA HOTELS EASTERN EUROPE (ROMANIA) S.A. AND INDIRECTLY ROMEXTUR S.A.

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29 November 2017

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THIS MASTER AGREEMENT with respect to the TRANSFER OF SHARES (this "**Agreement**"), dated 29 November 2017, is made by and between:

(1) **BEA HOTELS EASTERN EUROPE B.V.**, a limited liability company (*besloten vennootschap*) registered with the Chamber of Commerce in Amsterdam, the Netherlands, under file No 34149675, with its registered address at Krijn Taconiskade 430, 1087 HW Amsterdam, the Netherlands (**"Vendor"**); and

(2) **NEMO INVESTMENT VEHICLE S.R.L.**, a limited liability company incorporated and existing under the laws of Romania**,** with its registered address at 17 C.A. Rosetti street, office 120 Register 03, 1st floor, District 2, Bucharest, registered with the Trade Register under number J40/19526/2017, sole registration number 38520000 (**"Purchaser**"),

(The Vendor and the Purchaser hereinafter collectively referred to as the "**Parties**").

R E C I T A L S

(A) Vendor is the sole and registered owner of the Bucuresti Shares;

(B) The Bucuresti Shares constitute 98.2140% of the entire issued and paid up share capital of the Company, as well as 98.2140% of the voting rights in the Company;

(C) The Company is registered as the owner of the Property (but excluding the Romextur Area);

(D) The Company is the sole and registered owner of the Romextur Shares, which comprise 95.3% of the entire issued and paid up share capital of Romextur, as well as 95.3% of the voting rights in Romextur;

(E) Romextur is the registered owner of the Romextur Area, which comprises part of the Commercial Areas;

(F) The Romextur Area is leased by Romextur to the Company under a long term lease for 22 years;

(G) Vendor is the sole registered owner of the BEA Romania Shares, and Parent is the sole registered owner of the Parent Share, which jointly comprise the entire issued and paid up share capital of BEA Hotels Romania;

(H) The Purchaser desires to purchase the Bucuresti Shares and the BEA Romania Shares from the Vendor, and the Vendor desires to sell the Bucuresti Shares and the BEA Romania to the Purchaser, all on the terms and subject to the conditions in this Agreement set forth;

(I) The Purchaser desires to purchase the Parent Share from Parent, and Vendor shall procure that the Parent sells the Parent Share to Purchaser, all on the terms and subject to the conditions in this Agreement set forth; and

(J) All capitalized terms contained in these Recitals shall have the meanings ascribed to them in §1 below.

1. Definitions

1.1 Defined Terms: The following terms shall have the meanings set forth below:

"**Accepted Accounting Standards**" means Romanian accounting standards based on Romanian law and the Romanian Generally Accepted Accounting Principles (Romanian GAAP), and any other Romanian laws applicable to accounting matters; all with respect to the preparation of the Financial Statements in force at the date the Financial Statements were prepared

"Accounting Expert" means one of the "big four" accountancy firms to be agreed between the Parties (but specifically excluding Deloitte, or PricewaterhouseCoopers), or, if no agreement between the Parties is reached within ten (10) Business Days after receipt by the Vendor of a Dispute Notice furnished by the Purchaser pursuant to the provisions of Paragraph 9 of Part C of Schedule 3, to be appointed by the senior partner for the time being of BDO-Romania in Bucharest upon the application of either Party;

"Advance Payment" means (1) EUR 27,965,672 (twenty-seven million nine hundred and sixty-five thousand and six hundred and seventy-two) that is to be made by the Purchaser on account of the Estimated Net Purchase Price or (2) the amount equal to the principal amount and any outstanding interest in respect of the Related Party Loan as at the Revised Anticipated Closing Date and which is notified by the Vendor to the Purchaser no later than 10 Business Days prior to the Revised Anticipated Closing Date, that is to be made by the Purchaser on account of the Revised Estimated Net Purchase Price, both (1) and (2) by no later than one (1) Business Day before the relevant Closing Date, which is to be deposited into the Closing Escrow Account by the Purchaser and released in the manner provided for in the Escrow Agreement;

"Affiliate" means in relation to any person or party:

(a) a subsidiary of such person, or a holding company of such person, or any other direct or indirect subsidiary of that holding company;

(b) a member of any board or another person authorized to act on behalf of such person or party or on behalf of any person described in paragraph (a) of this definition above; and

(c) any other person that controls, is controlled by, or is under common control with such person or party.

"Agreed Property Value" means EUR 169,200,000 (one hundred and sixty nine million two hundred thousand Euro) being the total commercial value of the Property as agreed between the Parties, on the basis of which the Estimated Equity Value and the Estimated Net Purchase Price have been determined by applying the Purchase Price Calculation Methodology in accordance with Part A of Schedule 3;

"**Agreed Upon Procedures**" means the agreed upon procedures in respect of the audit of the Final Accounts by Deloitte in the form attached as Schedule 21;

"Agreement" means this agreement including the recitals and all Schedules attached hereto;

"**Anticipated Closing Date**" means 18 December 2017;

"Applicable Law" means any of the following enacted or issued by any Public Authority (including any amendments subsequent to the original enactment or issuance thereof), namely: any law, act, ordinance, regulation, order, decree, judgment, policy, license, permit (or Permit), certification or registration, which is binding on any Party or any of its assets in Romania, or, if relevant and applicable, in the given jurisdiction of incorporation of such Party, and the laws of England and Wales in respect of the application of this Agreement;

"Bank Accounts" means the banking accounts of each of the Target Companies which are listed in Schedule 7;

"Bank Hapoalim Consent Letter" means the written consent of Bank Hapoalim BM to the sale and transfer of the Target Shares pursuant to the provisions of this Agreement, which the Vendor is required to obtain pursuant to the provisions of that certain Deed on Pledge of Shares dated February 20, 2014;

"Bank Hapoalim Pay-Off Amount" means the amount of approximately EUR 11,700,000 (eleven million seven hundred thousand Euro) (plus accrued interest in respect of such amount) which is to be deposited into the Notary Account on the Closing Date in order to secure the release by the Notary of the Bank Hapoalim Consent Letter and which is notified by the Vendor to the Purchaser no later than 5 Business Days prior to the Closing Date;

"BEA Finance" means BEA Hotels Finance BV, of Krijn Taconiskade 430, 1087 HW Amsterdam, the Netherlands, registered with the Netherlands Chamber of Commerce with number 34357583, an Affiliate of the Vendor, being the borrower under the Related Party Loan;

"BEA Hotels Romania" means BEA Hotels Eastern Europe (Romania) S.A., being a joint stock company registered in Romania and bearing company registration number J40/8173/2001 at the Bucharest Trade Register, sole registration number 14198413, whose registered address is Bucharest, District 1, 63-81 Calea Victoriei, room 7A, whose entire issued and paid up share capital is jointly owned by the Vendor (the BEA Romania Shares) and by the Parent (the Parent Share);

"BEA Romania Shares" means 7,522 shares of RON 12, which jointly comprise 99.99% of the entire issued and paid up share capital of BEA Hotels Romania;

"Books and Records" means: all accounts, books, ledgers, financial and other records of the relevant Target Company which it is required to keep and maintain by operation of Applicable Law;

"Bucuresti Shares" means 11,073,313 ordinary shares of RON 2.50 each, which in the aggregate comprise 98.2140% of the entire issued and paid up share capital of the Company;

"Buildings" means all those buildings constructed upon the Land, including all parts, appurtenances and accessories thereof (all as shown on the schematic diagram, and as listed in the extracts from the Land Book/OCPI, which are attached as part of Schedule 1);

"Business Day" means any day other than a Saturday or a Sunday on which banks are generally open for business in Romania, the United Kingdom, the Netherlands, Israel, Austria and Luxembourg;

"**BUTU Escrow Account**" has the meaning given in the Escrow Agreement;

"**BUTU Prepayment Amount**" means EUR 4,502,000 (four million five hundred and two thousand) which will be paid by the Company to the Existing Lender on the Closing Date, in addition to the Partial Loan Repayment;

"**Certificate of Consummation**" means the written confirmation to be executed by the Vendor and the Purchaser on the Closing Date, substantially in the form attached hereto as Schedule 14, which will confirm, for evidentiary purposes, that all of the actions specified in §6.2 to §6.4 (inclusive) have been duly executed and completed and as a result the Transaction has been consummated and ownership of the Target Shares has passed to the Purchaser;

"CGT Adjustment Amount" shall have the meaning ascribed to it in Section 2(d) of Part A of Schedule 3;

"**Claim**" means any claim made by the Purchaser for the compensation by the Vendor for any Losses suffered by the Purchaser and/or the Target Companies for breach of the terms of this Agreement, including under the provisions of §9, §10, §11 and/or §12;

"Claim Event" means any fact, matter, event or circumstance giving rise to a Warranty Claim or Indemnity Claim;

"**Closing**" means the consummation of the Transaction contemplated herein which is to be conducted in the manner specified in §6 below;

"**Closing Date**" means the date upon which the closing and consummation of the Transaction is completed as set out in § 6.1.1 and as evidenced by the joint issuance by the Parties of the Certificate of Consummation, as contemplated in § 6.4.10 below;

"Closing Escrow Account" means the escrow account to be opened and maintained by the Escrow Agent in terms of the Escrow Agreement, into which the Advance Payment shall be deposited and from which it shall be released as governed by the terms of the Escrow Agreement;

"**Closing Payments**" means the payments to be made at Closing as set out in §6.4.5;

"**Closing Notice**" means the written notice which is to be furnished by the Purchaser following the fulfilment or waiver of all of the Condition Precedent referred to in § 4.1.1 below, on the Closing Trigger Date, inviting the other Party to proceed to Closing on the Scheduled Closing Date;

"Closing Shareholder Resolutions" means the shareholder resolutions which are to be adopted at general shareholders meetings of the Company, BEA Hotels Romania and of Romextur respectively convened on or before the Closing Date, which shall provide for: either (A) in case of the Anticipated Closing Date: any ratifications or any other changes to the respective articles of association with immediate effect or (B) in case of Closing Date occurring on a Scheduled Closing Date other than the Anticipated Closing Date: (**i**) the acceptance of the resignation and the discharge of the Incumbent Directors; (**ii**) the appointment of the relevant Purchaser Nominated Directors as well as any ratifications or any other changes to the respective articles of association; all with effect from the Closing Date and all substantially in the form and text attached hereto as Schedule 9;

"Closing Trigger Date" means the date upon which the Closing Notice is issued in terms of § 4.3.4 below;

"Closing Warranties" means those Vendor's Warranties repeated on the Closing Date pursuant to § 8.2 below;

"Commercial Areas" means those commercial and retail areas measuring in the aggregate 7,256 square meters, as more fully detailed and described in Schedule 1, all of which are leased by the Company to their respective tenants in terms of the Lease Agreements;

"**Company**" means Bucuresti Turism S.A., a joint stock company incorporated and existing under the laws of Romania, whose registered office is at Calea Victoriei 63-81, Sector 1, Bucharest, registered in the Trade Register under number J40/167/1991, sole registration code 1567802, as it appears on the extract from the Bucharest Trade Register attached as a part of Schedule 2;

"Company Employees" means those employees of the Company as at the Execution Date, as detailed and specified in Part B of Schedule 17, to be updated on the Closing Date, and which together with the Hotel Employees form the total number of employees pertaining to the Target Companies;

"**Condition Precedent**" means the condition precedent which is to be satisfied or waived by the Purchaser prior to and as a condition for the consummation of the Transaction, as detailed and specified in § 4.1 below;

"**Confidential Information**" means all information that is used in or otherwise relates to the business, customers or financial or other affairs of the Target Companies, the Transaction contemplated by this Agreement or a Party to this Agreement (or one of its Affiliates), other than information that is in the public domain and subject to the provisions of §§ 14.2.3 and 15.4 below;

"**Disclosed**" means Fairly Disclosed by the Vendor to the Purchaser in the Disclosed Documents and/or in the Disclosure Letter and/or, in respect of a Warranty Claim relating to the Closing Warranties only, the Supplemental Disclosure Letter; and the words **"Disclose"** and **"Disclosure"** shall be construed accordingly;

"**Disclosed Documents**" means, collectively: **(i)** all the information and documents contained in the Vendor's virtual data room on the Execution Date, copies of which are recorded on the non-rewritable DVD which is attached hereto comprising Part A of Schedule 5; **(ii)** in respect of the Vendor's Warranties in paragraphs 3.16, 3.18 and 3.20 of Schedule 4 only, the information and documents contained in the Vendor's physical data room on the Closing Date, details of which are recorded on the index of documents which are recorded on the non-rewritable DVD which is attached hereto comprising Part A of Schedule 5; and **(iii)** the Vendor's written responses to the Purchaser contained in the final due diligence Q&A list delivered to the Purchaser, a copy of which is included in Part B of Schedule 5;

"Disclosure Letter" means the written disclosure of exceptions to the Vendor's Warranties which the Vendor will furnish to the Purchaser prior to the Execution Date (comprising part C of Schedule 5), which is delivered to the Purchaser on the Execution Date;

"Elbit" means Elbit Imaging Limited of Israel, the ultimate parent company of the Vendor;

"Elbit Guarantee" means the guarantee provided by Elbit to the Existing Lender for the punctual performance of certain obligations by the Company as borrower under the Existing Loan Facility;

"Elbit Guarantee Fee" means the amount of the outstanding fees due and payable by the Company to Elbit in consideration for the provision of the Elbit Guarantee in respect of the period terminating on the Closing Date, in that amount which shall be notified by the Vendor to the Purchaser no later than 10 (ten) Business Days prior to the Closing Date, and which is to be paid by the Company to Elbit on or prior to the Closing Date as contemplated in § 6.4.5(a) below;

"Elbit Consultancy Fee" means the consultancy fee which shall be due and payable by the Company to Elbit on the Closing Date in consideration for consultancy services rendered to the Company for the period ending on the Closing Date, in that amount which shall be notified by the Vendor to the Purchaser no later than 10 (ten) Business Days prior to the Closing Date, and which is to be paid by the Company to Elbit on the Closing Date as contemplated in § 6.4.5(a) below;

"Encumbrance" means any mortgage (whether arising under a contract, a ruling or by operation of law), easement, lease, right of use, option, restriction, retention of title, restriction on transfer, lien, pledge, right of first refusal, right of pre-emption, security assignment, or any other third Party right or interest and any other encumbrance or security right or interest of any kind or other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect, or any agreement to create the aforementioned;

"**Environmental Contaminants**" means any material, substance or waste, the removal of which is required by applicable Environmental Laws and/or the presence or use of which on the Property and/or in the Hotel Complex contravenes Environmental Laws in Romania;

"**Environmental Laws**" means all or any Applicable Laws relating to Environmental Matters applicable in Romania;

"**Environmental Matters**" means any matters involving or relating to: **(i)** the release, spillage or leakage on the Property or into the environment of any Environmental Contaminants above the limits permitted by Environmental Laws; **(ii)** any other material violation of any Environmental Laws;

"Escrow Agent" means Raiffeisen Bank Romania SA in its capacity as escrow agent under the terms of the Escrow Agreement (or such other escrow agent agreed between the Parties acting reasonably);

"**Escrow Agreement**" means the escrow agreement which has been entered into on or before the Execution Date by and between the Vendor, the Purchaser, BEA Finance, the Company and the Escrow Agent, a copy of which is attached hereto as Schedule 14;

"Escrow Deposit" means the amount of EUR 3,000,000 (three million Euro) which has been deposited into the Pre-Closing Escrow Account by the Purchaser on or within five (5) Business Days from the Execution Date pursuant to the provisions of the Escrow Agreement, and which shall be held and released in the manner provided for therein and in this Agreement;

"**Estimated Aggregated NAV Adjustment Amount**" means the aggregated Working Capital of all Target Companies based upon the Initial Accounts or relevant other Financial Statements, as applicable, but reconciling any inter-company balances between the Target Companies, each translated into Euro at the Initial Exchange Rate applicable for the Anticipated Closing Date or Revised Anticipated Closing Date (as relevant), and calculated subject to the provisions of Paragraphs 2, 3 and 4 of Part A of Schedule 3;

"**Estimated Equity Value**" or "**EEV**" means the Equity Value as at the Anticipated Closing Date, which has been calculated by applying the Purchase Price Calculation Methodology provided for in Section 2(a) of Part A of Schedule 3;

"**Estimated Net Purchase Price**" or **"ENPP"** means the initial agreed purchase price for the acquisition of the Target Shares in the aggregate amount of EUR 110,796,152 (one hundred and ten million seven hundred and ninety-six thousand one hundred and fifty-two Euro) as calculated in accordance with § 3.1.1;

"Estimated Offset Amount" means the full outstanding amount of the Existing Loan Facility in respect of which the Company remains indebted to the Existing Lender under the Existing Loan Facility as at the Anticipated Closing Date or Revised Anticipated Closing Date, as relevant (including breakage costs and pre-payment fees, if any, accrued interest projected to the Anticipated Closing Date or Revised Anticipated Closing Date, as relevant, and without any deduction in respects of any restricted cash deposit held on account as partial security for the repayment of the Existing Loan Facility) following the payment of (1) BUTU Prepayment Amount as contemplated in § 3.3.2 below and (2) the Partial Loan Repayment as contemplated in § 3.3.1 below (estimated in an amount corresponding to the Related Party Loan amount, including principal and all accrued and unpaid interest, as at Anticipated Closing Date or Revised Anticipated Closing Date, as relevant), and which has been or will be estimated by the Parties for the purpose of calculating the Estimated Net Purchase Price and Revised Estimated Net Purchase Price, if relevant;

"**EUR**" and "**Euro**" means the single currency unit of those member states of the European Union that have adopted the Euro as their legal currency in accordance with EU legislation relating to the European Monetary Union;

"**Exchange Rate**" means the official foreign exchange rate between EUR and RON (or any other currencies, as relevant) as published by the National Bank of Romania on the day of the relevant calculation date;

"**Execution Date**" means the date of the signing and execution of this Agreement by the Parties hereto;

"Existing Lender" means: Raiffeisen Bank International AG and Raiffeisen Bank Romania SA;

"Existing Loan Encumbrances" means the encumbrances created and/or registered as security and collateral for the repayment of the Existing Loan Facility, which are detailed and specified in Schedule 15 attached hereto;

"Existing Loan Facility" means: the loan facilities agreement dated 16 September 2011, as further amended by the amendment letter dated 27 September 2011 and amendment letter dated 26 March 2012; as further amended on 27 September 2011, 26 March 2012, 18 September 2014, on 5 May 2015; and as further amended and restated on 10 March 2016 between, among others, the Company, as borrower and the Existing Lender, as lender, under which the Existing Lender made available to the borrower term loan facilities in a maximum principal amount of EUR 97,000,000 with the final maturity date on 31 December 2020;

"Fairly Disclosed" means fully, fairly and clearly disclosed in each case with sufficient detail to enable a reasonable and prudent purchaser of the Target Shares (and/or any of its professional advisors properly discharging their duties) to identify the nature and scope of the matter disclosed;

"FF&E" means furniture, fixtures and equipment located in either the Radisson Hotel Facility or the Park Inn Hotel Facility, as the case may be, that have no permanent connection to the structure of the relevant Buildings;

"Final Accounts" means a set of financial information comprising of statutory trial balances of the Target Companies, summarised balance sheets of the Target Companies, statement of inter-company balances and underlying notes, where applicable, in each case as at the Closing Date, which shall be reviewed by the auditors of the Target Companies in accordance with the Purchase Price Verification Procedure set forth in Part C of Schedule 3 and the Agreed Upon Procedures;

"Final Equity Value" or **"FEV"** means the Equity Value as at the Closing Date, which shall be calculated by applying the Purchase Price Calculation Methodology provided for in Section 2(c) of Part A of Schedule 3;

"Final Exchange Rate" means the Exchange Rate used for the purposes of calculating the Final Net Purchase Price as set out in Schedule 3;

"**Final Net Purchase Price**" means the Final Net Purchase Price payable by the Purchaser to the Vendor in consideration for the acquisition of the Target Shares, which shall be calculated on the basis of the Final Accounts and the Total Final Consolidated NAV Adjustment Amount by applying the Purchase Price Calculation Methodology in the manner provided for in Section 2(c) of Part A of Schedule 3;

"Financing Agreement" means a committed and binding legal agreement in respect of borrowings in an aggregate amount of EUR 107,000,000 to be entered into between the Purchaser or an Affiliate of the Purchaser and a third party debt provider;

"**Financing Condition**" means the Condition Precedent in § 4.1;

"**Financial Statements**" means statutory financial statements, of each of the Target Companies as at the end of the relevant calendar month, financial year or Closing Date (in the case of the Final Accounts), as applicable, all prepared in accordance with the relevant Accepted Accounting Standards and where applicable in accordance with the same principles consistently applied;

"**Force Majeure**" means any unexpected event or act of God which could not reasonably have been foreseen and which the Vendor could not reasonably have been able to prevent and/or was beyond its control, including, without limitation, earthquakes, floods, fire, natural disasters, adverse weather conditions, strikes, war conflicts, uprisings, air crashes, and other like events (excluding, however, a mere change in that Vendor's economic situation (insolvency etc.), or a change in the commercial real estate market and/or the hospitality sector in Romania or elsewhere), which is restricting or preventing the Vendor from fulfilling its contractual obligations toward the Purchaser;

"GSM Convocation Notices" means the notices of convocation of the General Meeting of Shareholders of the Company and Romextur, respectively, for the purpose of adopting the Closing Shareholder Resolutions, which notices shall be substantially in the form and text attached hereto as Schedule 16, and which were or are to be published in the Official Gazette in a timely manner so as to ensure that the meetings are properly convened on or about the Closing Date;

"Hotel Complex" means the Radisson Hotel Facility and the Park Inn Hotel Facility;

"Hotel Employees" means the employees whose details are specified in the Hotel Employee Schedule attached hereto as Part A of Schedule 17 who are employed by BEA Hotels Romania as at the Execution Date and engaged in the operation of the Hotel Complex pursuant to the provisions of the Hotel Service Agreement, as updated as at the Closing Date;

"Hotel Management Agreements" means the following agreements entered into by and between the Company and the Hotel Operator, namely: **(i)** the Amended and Restated Management Agreement dated 26 November 2010, as further amended, in respect of the Radisson Hotel Facility; and **(ii)** the International Management Agreement dated 22 December 2014 in respect of the Park Inn Hotel Facility; copies of which have been Disclosed to the Purchaser;

"Hotel Operator" means Rezidor Hotels ApS Danmark, care of Rezidor Corporate Accounting, Amager Strandvej 60-64, DK-2300 Copenhagen S, Denmark;

"Hotel Service Agreement" means the agreement dated 15 October 2007 entered into by and between the Company and BEA Hotels Romania and further amended on 30 May 2008, 01 October 2009, 15 March 2011, 2 January 2012, 9 January 2017, pursuant to which BEA Hotels Romania provides operational services in relation to the operation of the Hotel Complex, a copy of which has been Disclosed to the Purchaser;

"**Incumbent Directors**" means the directors and general managers of the Target Companies who hold office as at the Execution Date and the Closing Date;

"**Indebtedness**" means: **(i)** all indebtedness in the nature of borrowings for payment or repayment of money or services; **(ii)** any other indebtedness that is evidenced by a note, bond, debenture, overdraft, derivative or similar instrument; **(iii)** all obligations in respect of acceptances issued or created; **(iv)** all liabilities secured by any mortgage or lien on any part of the Property; **(v)** all guarantee obligations, and **(vi)** any interest accrued on any of the aforementioned;

"**Indemnity Claims**" means any claim made by the Purchaser for the compensation by the Vendor for any Losses suffered by the Purchaser and/or the Target Companies under this Agreement for breach of a Vendor Indemnity;

"**Initial Accounts**" means a set of financial information as at 31 October 2017, comprising of statutory trial balances of the Target Companies, summarized balance sheets of the Target Companies, statement of inter-company balances and underlying notes, where applicable, copies of which are attached as Part B of Schedule 3;

"**Initial Exchange Rate**" means the Exchange Rate applied as of 31 October 2017, respectively 4.5985 RON/1 EUR;

"**Insurance Policies**" means all of the valid existing and paid up insurance policies pertaining to and/or for the benefit of the Hotel Complex and each of the Target Companies, as identified in Schedule 8;

"**Interim Period**" means the period of time which shall elapse between the Execution Date and the Closing Date;

"Inventory" means all inventories of supplies used in connection with the operation of the Hotel Complex, including, without limitation, paper goods, brochures, office supplies, unopened food and beverage inventory, chinaware, glassware, flatware, table linens, soap, gasoline, fuel oil, and other operational and guest supplies currently located at the Hotel Complex, subject to depletions, replacements and additions in the ordinary course of business (provided that the Hotel Operator shall maintain its normal replenishment and replacement expenditures for such inventories until the Closing Date);

"Joint Closing Release Instructions" means the written instructions which are to be executed by the Purchaser and the Vendor on the Closing Date substantially in the form and text attached as a schedule to the Escrow Agreement, and thereafter immediately delivered to the Escrow Agent, pursuant to which the Escrow Agent shall be directed to release the Escrow Deposit from the Pre-Closing Escrow Account and transfer the same to the Vendor's Bank Account;

"**Key Individuals**" means any of: **(i)** the Incumbent Directors of each of the Target Companies; and **(ii)** the following officers and/or employees of the Vendor's Group Companies, namely: **(a)** Mr. Maimon (Momi) Cohen (financial/accounting); **(b)** Mr. Vladu Dumitru (operations); **(c)** Mr. Kraus Markus Leo (Hotel Manager); **(d)** Ms. Petrescu Catrinel (Chief Accountant); **(e)** Ms. Cretu Bianca Mihaela (Economist); **(f)** Ms. Mitroi Raluca (Economist); **(g)** Ms. Mirela Draghicesu (HR Manager); **(h)** Mr. Doron Moshe (Incumbent Director); and **(i)** Mr. Adrian Adam (Hotel Operations Manager); and **"Key Individual"** means any one of them;

"**Land**" means the plots of land upon which the Buildings are constructed, together with unconstructed land owned by the Company, identified with cadastral number 214260, cadastral number 214261, cadastral number 214262, cadastral number 214263, cadastral number 258437, cadastral number 258438, cadastral number 258439, cadastral number 214264, cadastral number 214265, cadastral number 214266, cadastral number 214267, cadastral number 214269, cadastral number 214270, cadastral number 214272, cadastral number 214273, cadastral number 214274, cadastral number 214275, cadastral number 214277, cadastral number 214278, cadastral number 214279, cadastral number 258440, cadastral number 258441, cadastral number 258442, cadastral number 258443, all as fully described and specified in the Land Book/OCPI extracts and lay out comprising Schedule 1;

"**Land Book/OCPI**" means the Cadastre and Real Estate Publicity Office (*Oficiul de Cadastru si Publicitate Imobiliara*);

"**Leases**" or "**Lease Agreements**" means the lease agreements entered into by and between the Company as lessor (or sub-lessor in respect of the Romextur Area) and the respective tenants as lessees (or sub-lessee as the case may be) in respect of the various units comprising the Commercial Areas, which are listed in Schedule 10;

"**Long Stop Date**" means February 28, 2018;

"**Loss**" or "**Losses**" means any and all losses (including loss of revenue but disregarding any lost profit), liabilities, costs and expenses (including interest, penalties and the fees and expenses of attorneys, financial advisors or other consultants reasonably incurred), resulting from, arising out of or relating to a breach or non-fulfilment of any covenant and/or warranty and/or other obligation contained in this Agreement;

"Material Lease Agreement" means the Lease Agreements in respect of the fitness center and the casino;

"Net to Owner Contribution" means the amount calculated in the manner specified in Section 5 of Part A of Schedule 3 attached hereto;

"Notary" means Mr. Steven van der Waal, or any other notary public at Buren NV;

"Notary Account" means the client account conducted by the Notary whose details are specified in Schedule 12;

"Offset Amount" means the outstanding amount of the Existing Loan Facility in respect of which the Company remains indebted to the Existing Lender under the Existing Loan Facility as at the Closing Date (including breakage costs and pre-payment fees, if any, accrued interest to the Closing Date and without deduction for any restricted cash deposit held on account as partial security for the repayment of the Existing Loan Facility) following the Partial Loan Repayment as contemplated in § 3.3.1 below and the payment of the BUTU Prepayment Amount as contemplated in § 3.3.2 below, as determined and specified by the Existing Lender in the Offset Amount Confirmation Letter, and which shall be applied by the Parties for the purpose of calculating the Final Net Purchase Price;

"Offset Amount Confirmation Letter" means a letter substantially in the form and text attached hereto and marked as Schedule 11 pursuant to which the Existing Lender shall specify the Offset Amount as at the Anticipated Closing Date, Revised Anticipated Closing Date or Closing Date, as relevant;

"Parent" means BEA Hotels NV of the Netherlands, being the parent company of the Vendor;

"Parent Share" means 1 (one) share of RON 12, which comprises 0.01% of the entire issued and paid up share capital of BEA Hotels Romania, free and clear of all Encumbrances and other third party rights save only for Permitted Encumbrances;

"Park Inn Hotel Facility" means the hotel facility which is located in Buildings D, E, F1, F2, G1, G2, H1 and I1 as designed in green on the schematic diagram attached as part of Schedule 1, which is comprised of: **(i)** 210 guest rooms; **(ii)** 66 unbranded and un-renovated apartment units; **(iii)** a 412 seat Bistro (indoor and outdoor) and an 18 seat bar; and **(iv)** all relevant and applicable FF&E and Inventories;

"Partial Loan Repayment" means the partial repayment of the Existing Loan Facility which is to be carried out by the Company on or prior to the Closing Date as contemplated in § 3.3.1 below;

"**Payment Confirmation**" means a confirmation of transfer in the form of MT103 swift report issued in accordance with Swift Standards Category I of any payment to be made under the terms of this Agreement;

"**Permit**" means any permit, consent, registration, license or other approval or authorization as required by the Applicable Laws of Romania for the construction, current occupancy and current operation of the Hotel Complex and/or for the conduct of the business operations of the relevant Target Company, as well as for the ownership, possession, operation, occupation or use by the relevant Target Company of its assets or for the execution or performance of this Agreement;

"**Permitted Encumbrances**" means:

(1) the Existing Loan Encumbrances (Schedule 15);

(2) the Lease Agreements (Schedule 10);

(3) all other Encumbrances relating to the Property as they appear on the Land Book/OCPI extracts attached as Schedule 1; and

(4) legal encumbrances relating to the Property which are for utilities, media or telecommunications services, regardless of whether registered or unregistered;

"Pre-Closing Escrow Account" means the escrow account to be opened and maintained by the Escrow Agent in terms of the Escrow Agreement, into which the Escrow Deposit shall be deposited and from which it shall be released as governed by the terms of the Escrow Agreement;

"**Price Adjustment Amount**" means the difference (positive or negative) between the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, if relevant, and the Final Net Purchase Price, all as calculated pursuant to the provisions of Part A of Schedule 3, which is to be either: (**i**) paid by the Purchaser to the Vendor; or (**ii**) repaid by the Vendor to the Purchaser, as set out in § 3.4 below;

"**Proceedings**" means an arbitration, investigation, litigation or suit (whether civil, criminal, or administrative), including counterclaims or cross-claims, commenced or heard by or before any Public Authority (including any Tax Authority), court of competent jurisdiction or arbitrator;

"Property" means: the Land and the Building, and which includes the Radisson Hotel Facility, the Park Inn Hotel Facility and the Commercial Areas;

"**Public Authority**" means, as the context requires, any public authority, whether supranational, state, municipal or self-governing, or a private entity to the extent that it is endowed with the exercise of administrative, executive, judicial, legislative, police, regulatory, or taxing authority in Romania, the European Union or, if relevant and applicable to a Party incorporated outside of Romania, in the given jurisdiction of incorporation of such Party;

"**Purchase Price Calculation Methodology**" means the agreed methodology set out in Schedule 3 which is to be applied for the calculation of: **(i)** the Estimated Net Purchase Price on the basis of the Initial Accounts (Section 2(a) of Part A); **(ii)** the Revised Estimated Net Purchase Price on the basis of the relevant Financial Statements (Section 2(b) of Part A); and **(iii)** the Final Net Purchase Price on the basis of the Final Accounts (Section 2(c) of Part A);

"**Purchase Price Statement**" means the agreed calculation of the Final Net Purchase Price, prepared in accordance with the Purchase Price Calculation Methodology following the conclusion of the Purchase Price Verification Procedure;

"**Purchase Price Verification Procedure**" means the agreed procedure for the verification of the purchase price which is to be carried out following Closing subject to and in accordance with the terms and provisions set forth in Part C of Schedule 3, whereby: (**i**) the Final Net Purchase Price will be calculated based on the Final Accounts by applying the Purchase Price Calculation Methodology as set out in Section 2(c) of Part A of Schedule 3 on the basis of the reviewed Final Accounts; and (**ii**) the Purchase Price Statement will be prepared;

"Purchaser's Bank Account" means the Purchaser's banking account for all purposes in terms of this Agreement, particulars of which are set out in Schedule 12, or any other account specified by the Purchaser and of which the Vendor is informed in writing no later than five (5) Business Days prior to the relevant payment day;

"Purchaser's Group Company" means the Purchaser and any of its Affiliates;

"Purchaser Nominated Directors" those directors of the Target Companies nominated by the Purchaser and who are to be appointed with effect from the Closing Date, as contemplated in § 6.4.9 below;

"Radisson Hotel Facility" means the hotel facility which is located in Buildings A1, A2, A3, A4, B, C, H2 and Dp designated in yellow on the Schematic Diagram attached as part of Schedule 1, which is comprised of: (i) 424 guest rooms; (ii) 62 Elite aparthotel units; (iii) 1800 square meters of conference facilities; (iv) 4 restaurants and 3 bars; and (v) all relevant and applicable FF&E and Inventories;

"Recovery Proceeds" shall have the meaning ascribed to it in § 11.7 below;

"Related Party Loan" means the entire outstanding amount of the loan (including principal and accrued interest as at the Closing Date) which is due and payable by BEA Finance to the Company in terms of the Related Party Loan Agreement, and which is to be repaid to the Company by BEA Finance before the Closing Date as contemplated in § 3.2.3 below;

"Related Party Loan Agreement" means the loan agreement dated 22 March 2016 made and entered into by and between the Company as lender and BEA Finance as borrower, in terms of which the Company advanced the Related Party Loan to BEA Finance on the terms and conditions specified therein, a copy of which has been Disclosed to the Vendor;

"**Revised Anticipated Closing Date**" means the date agreed in good faith between the Parties as the date on which Closing will occur if Closing does not occur on the Anticipated Closing Date;

"**Revised Estimated Net Purchase Price**" has the meaning given in § 3.1.2;

"Romextur" means Romextur SA, being a joint stock company registered in Romania bearing company registration number J40/204/1991 at the Bucharest Trade Register, sole registration number 1572655, whose registered address is at 4 Luterana Str., Sector 1, Bucharest;

"Romextur Shares" means 312,816 ordinary shares of RON 1 each, which in the aggregate comprise 95.3% of the entire issued and paid up share capital of Romextur, free and clear of all Encumbrances and other third party rights save only for Permitted Encumbrances, and of which the Company is the shareholder of record;

"Romextur Area" means an area measuring 679.93 square meters located in Bucharest, 4 Luterana str., 1st District, comprising mezzanine of 311.73 square meters (cadastral number 9291 M;1), ground-floor of 329.10 square meters (cadastral no. 9291/0;1) and basement of 39.10 square meters (cadastral no. 9291/-1;1) Buildings F1 and E, registered with land book no. 253177 – C1 – U1-U2-U3 kept by the Land Book OCPI (as delineated in blue on the schematic diagram attached as part of Schedule 1, and which is the subject of the Burberry Lease referred to in Schedule 10);

"**RON**" means Romanian New Leu, being the legal currency of Romania;

"**Scheduled Closing Date**" means: (**i**) if the Closing Trigger Date is on or prior to December 15, 2017, December 18, 2017; or (**ii**) if the Closing Trigger Date is between 16 December 2017 and 4 January 2018 (inclusive), 9 January 2018 or (**iii**) if the Closing Trigger Date is after 4 January 2018, the date falling 10 (ten) Business Days after the Closing Trigger Date or (iv) such other date as may be agreed between the Vendor and the Purchaser, provided in each case that if a valid GSM Convocation Notice has not been published for such date, the Scheduled Closing Date shall be the next date on which a valid GSM Convocation Notice has been published (to the extent that the Condition Precedent remains satisfied or waived on such date);

"**Selected Public Database Search**" means an inspection, examination or search of any extract, document, register or record in respect of the Target Companies and/or in respect of the Property and/or in respect of the Land, the Buildings, the Hotel Complex and the Commercial Areas, addressed to the Land Book/OCPI, the Trade Register, and the Electronic Archive for Real Movable Security (*Arhiva Electronica de Garantii Reale Mobiliare*), submitted so as to ensure response to the enquiries is obtained no later than seven (7) Business Days prior to the Execution Date;

"Shareholder Registers" mean the: (**i**) Shareholder Register of Romextur; (**ii**) the Shareholder Register of BEA Hotels Romania in which the transfer of the BEA Romania Shares and the Parent Share shall be recorded on the Closing Date; and (**iii**) Shareholder Register of the Company maintained by the Central Depository, in which the transfer of the Bucuresti Shares shall be recorded on the Closing Date; all in the manner contemplated in § 6.4.1 below;

"Supplemental Disclosure Letter" means the written disclosure of further exceptions to Closing Warranties, which the Vendor will furnish to the Purchaser on or before the Closing Date, which, however, will not qualify or limit the liability of the Vendor for the Vendor's Warranties given on the Execution Date;

"Swap Mark-to-Market" means the latest available mark-to-market value of the hedging instruments to which the Company is party;

"**Target Companies**" means the Company, Romextur and BEA Hotels Romania, and **"Target Company"** shall be any one of them as the context requires;

"Target Shares" means: **(i)** the Bucuresti Shares; and **(ii)** the BEA Romania Shares; and **(iii)** the Parent Share;

"**Tax**" means any tax, tax assessment, levy, charge, customs duty, import duty, value added tax, transfer tax, stamp duty or other tax, assessment, withholding or remittance of any nature, including any health, welfare and social security, employment or other similar payments, required to be remitted to, or imposed, levied, collected or assessed by or through, any Tax Authority, including any interest, fine, penalty or other charge payable or claimed in respect thereof or any additions to tax or additional amounts imposed by any taxing authority or in respect of the filing, obligation to file or failure to file any Tax return;

"**Tax Authority**" means the appropriate tax administrator in Romania or any other Public Authority empowered to impose, collect or assess Taxes;

"**Tax Claim**" means any Claim relating to Tax or Tax-related Losses;

"**Title Policy**" means a valid and fully paid up policy of title insurance negotiated by and acceptable to the Purchaser, which is to be issued in favour of the Purchaser by a reputable international insurer on or before the Execution Date;

"**Trade Register**" means the Romanian Trade Register Office (in Romanian *Oficiul Național al Registrului Comerțului*);

"**Transaction**" means the transaction which is the subject matter of this Agreement, namely for the acquisition of the Target Shares by the Purchaser from the Vendor in accordance with the terms, provisions and conditions of this Agreement;

"Transaction Documents" means: (**i**) this Agreement together with all of its Schedules; (**ii**) all the closing deliverables referred to in § 6.3 below; (**iii**) the Escrow Agreement; (**iv**) the Vendor Guarantee; and (**v**) all and any other letters (including the Disclosure Letter and Supplemental Disclosure Letter), agreements, certificates, confirmations and ancillary documents as may be executed and/or delivered by the Parties in connection with and/or in relation to the consummation of the Transaction;

"**VAT**" means value added tax pursuant to Law no. 227/2015 regarding the Fiscal Code, as amended, or any other tax of a similar fiscal nature whether imposed in Romania (instead of or in addition to value added tax) or elsewhere in any other relevant jurisdiction.

"**Vendor's Bank Account**" means the Vendor's banking account for all purposes in terms of this Agreement, particulars of which are set out in Schedule 12, or any other account specified by the Vendor and of which the Purchaser is informed in writing no later than five (5) Business Days prior to the relevant payment day;

"**Vendor's Fundamental Warranties**" means the Vendor's Title Warranties and the Vendor Warranties in Section 2.5.1 and 6.1.1 of Schedule 4;

"**Vendor's Group Company**" means the Vendor or any of its Affiliates;

"**Vendor Indemnities**" means all the indemnities given by the Vendor in § 8.6 and "**Vendor Indemnity**" means any one of them;

"**Vendor's Knowledge**" in the context of a qualification to a Vendor Warranty means the knowledge or awareness of the Vendor which shall be deemed knowledge of the Incumbent Directors if they had made all due and reasonable enquiries of the Key Individuals. No other knowledge will be imputed to the Vendor;

"**Vendor Loan"** means the unsecured loan which is to be granted by the Vendor to Promontoria Nemo B.V. on the Closing Date, signed on the Execution Date in the form agreed in Schedule 19;

"**Vendor Guarantee"** means the guarantee entered into on the date hereof between the Purchaser, the Vendor and Vendor Guarantor in the form agreed in Schedule 20;

"**Vendor Guarantor**" means Elbit;

"**Vendor's Shareholding Factor**" means the factor representing the percentage shareholding of the Vendor in the Company being 98.2140% on the Execution Date;

"**Vendor's Specific Warranty Claims**" means Warranty Claims in relation to those Vendor's Warranties given under Sections 7.1.11 to 7.1.26 (inclusive), 14.4, 20.3 and 26.2 of Schedule 4;

"**Vendor's Tax Warranties**" means those Vendor's Warranties given under Section 7 of Schedule 4 (*Tax Matters*);

"**Vendor's Title Warranties**" means those Vendor's Warranties given under: **(i)** Sections 3.1 and 3.2 of Schedule 4 (*The Property*); and/or **(ii)** Sections 6.1.1 to 61.4 inclusive of Schedule 4 (*Ownership and Transfer of the Target Shares*);

"**Vendor's Warranties**" means all the warranties given by the Vendor in Schedule 4;

"**Vendor W&I Contribution**" means an amount equal to EUR 50,000;

"**Warranty Claims**" means any claim made by the Purchaser for the compensation by the Vendor for any Losses suffered by the Purchaser and/or the Target Companies arising out of or in connection with a breach of a Vendor Warranty;

"Warranty & Indemnity Insurance" means a valid and fully paid up policy of Warranty & Indemnity Insurance negotiated by and acceptable to the Purchaser, which is to be issued in favour of the Purchaser by a reputable international insurer on or before the Execution Date;

"Working Capital" means those current assets (for the avoidance of doubt, in the calculation of the Working Capital for the Estimated Net Purchase Price a deduction from the cash balance in the Initial Accounts of EUR 3,000,000 will be applied, whilst for the calculation of the Working Capital for the Final Net Purchase Price a deduction from the cash balance in the Final Accounts of the entire BUTU Prepayment Amount will be applied to the extent this is shown as cash) and any current or non-current liabilities (excluding the Estimated Offset Amount or the Offset Amount, as the case may be) of the relevant Target Company as at the relevant reporting date of the Initial Accounts and/or the Final Accounts, as the case may be, which are to be treated as working capital by agreement pursuant to the provisions of Sections 4 and 5 of Part A of Schedule 3 and subject to the exclusions itemized therein;

1.2 Interpretation. In this Agreement, a reference to:

1.2.1 A **subsidiary** a **holding company** is a reference to those terms as they are defined in the Companies Act of 2006, as amended; and a wholly owned subsidiary of another company is a company that has no members other than that other company, or persons acting on behalf of that other company;

1.2.2 a document in **"agreed form"** is a reference to a document in a form approved by or on behalf of the Parties thereto;

1.2.3 references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, organisation, body, official or any legal concept, state of affairs or thing shall in respect of any jurisdiction other than England shall be deemed to include reference to the nearest equivalent action, remedy, method of judicial proceeding, legal document, legal status, court, organisation, body, official or any legal concept, state of affairs or thing in that jurisdiction;

1.2.4 to **"procure"** or to **"ensure"** or any other expression, when used to express a Party's obligation to procure that a third person will or will not act in a certain manner, refers to the relevant party's obligation that the third person performs what has been agreed;

1.2.5 irrespective of whether the wording **"without limitation"** or **"but not limited to"** appears in any provision of this Agreement, each and every use of the term **"including"** herein is intended to mean "including, without limitation" and "including but not limited to" and shall not be interpreted to imply any limitation on the more general preceding provision unless otherwise expressly stated;

1.2.6 a clause (§) or Schedule, unless the context otherwise requires, is a reference to a clause (§) of, or Schedule to, this Agreement;

1.2.7 Headings and Recitals. The headings in this Agreement are for ease of reference only and do not affect its interpretation and are to be ignored in construing its terms. The recitals form an integral part of this Agreement;

1.2.8 Information. Any reference to books, records or other information means, in any form, including paper, electronically-stored data, magnetic media, film and microfilm;

1.2.9 Regulation. A reference to a provision of a law, legal regulation or an agreement refers to such provision as modified by all its subsequent amendments prior to the date of this Agreement; and

1.2.10 Time**.** References to times of the day are to Eastern European Time (EET) (GMT+2), unless otherwise stated.

1.3 The Parties acknowledge and agree that they have each participated, both directly and by means of their professional advisors, in the negotiation and preparation of this Agreement and, as such, for the purpose of interpreting any provision of this Agreement, any rule of law providing that ambiguities shall be construed against the drafting party or against the party seeking to rely on such provision shall not be applicable to this Agreement.

1.4 Notwithstanding § 29 (Language), where in this Agreement a Romanian term is given in italics and/or in brackets after an English term or vice versa, the relevant provision relates to circumstances governed by Romanian law and if there is any inconsistency between the Romanian term and the English term, the meaning of the Romanian term shall prevail.

1.5 Singular words shall include the plural and vice versa and words in a particular gender shall include all genders, unless the context requires otherwise.

2. Sale And Purchase Of The Target Shares

2.1 On, and with effect from, the Closing Date and subject to the terms and conditions of this Agreement (including that as of the Closing Date the Company continues to be the sole and registered owner of the Romextur Shares): (**i**) the Vendor shall sell the Bucuresti Shares (and indirectly the Romextur Shares) and the BEA Romania Shares to the Purchaser, and the Purchaser shall purchase the Bucuresti Shares (and indirectly the Romextur Shares) and the BEA Romania Shares from the Vendor; and (**ii**) the Vendor shall procure that the Parent shall sell the Parent Share to the Purchaser, and the Purchaser shall acquire the Parent Share from the Parent; all in consideration for payment by the Purchaser to the Vendor of the Final Net Purchase Price which shall be calculated and paid in the manner provided for in § 3 below.

2.2 The Target Shares shall be sold:

2.2.1 free and clear of all and any Encumbrances, save only for the Permitted Encumbrances; and

2.2.2 together with all rights and benefits attached thereto as at the Closing Date, including the right to receive all dividends or profit distributions declared, made or paid on or after Closing.

2.3 Transfer of the ownership right to 100% of the Target Shares to the Purchaser shall be effective on the Closing Date upon the occurrence of all of the following:

2.3.1 payment of the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant, in the manner provided for in § 6.4.6 below;

2.3.2 in respect of the Bucuresti Shares, upon the entry of the sale into the relevant Shareholder Register of the Company maintained by the Central Depository together with the written confirmation of the president of the board of directors; and

2.3.3 in respect of the BEA Romania Shares and the Parent Share, upon entry of the sale into the relevant Shareholder Register of BEA Hotels Romania, as contemplated in § 6.4.1 below, and the written confirmation of the sole director.

3. Calculation and Payment of the Purchase Price

3.1 Calculation of Final Net Purchase Price

The purchase price for the acquisition of the Target Shares on the Closing Date shall be the Final Net Purchase Price, which shall be determined and calculated as follows:

3.1.1 The Parties have agreed and determined the Estimated Net Purchase Price prior to the Execution Date on the basis of:

a. the Agreed Property Value, less the CGT Adjustment Amount, the Estimated Offset Amount and the Swap Mark-to-Market and adjusted by the Estimated Aggregated NAV Adjustment Amount and the Net to Owner Contribution in respect of the period between October 31, 2017 and the Anticipated Closing Date, as calculated by reference to the Initial Accounts, and thereafter multiplied by the Vendor's Shareholding Factor; and

b. a schedule setting out any inter-company balances between the Target Companies reconciled for the purposes of calculating the Estimated Aggregated NAV Adjustment Amount,

in each case as definitively set out in Schedule 3 and Schedule 22.

3.1.2 If Closing does not occur on the Anticipated Closing Date, the Estimated Net Purchase Price shall be updated by the Vendor and notified to the Purchaser (together with such supporting documentation as the Purchaser may reasonably request) no later than 10 Business Days prior to the Revised Anticipated Closing Date (the "**Revised Estimated Net Purchase Price**"). The Revised Estimated Net Purchase Price shall be calculated in accordance with the same principles as the Estimated Net Purchase Price provided that: **(i)** the Estimated Aggregated NAV Adjustment Amount shall be calculated by reference to the most recent finalised Financial Statements; and **(ii)** the Net to Owner Contribution shall be calculated in respect of the period from the date following the date of such Financial Statements to the Revised Anticipated Closing Date. Following receipt of the Revised Estimated Net Purchase Price by the Purchaser, the Vendor and the Purchaser shall cooperate in good faith prior to the Revised Anticipated Closing Date to agree any amendment to such Revised Estimated Net Purchase Price as the Purchaser may reasonably request. In the absence of agreement, the Revised Estimated Net Purchase Price shall be such figure as originally proposed by the Vendor.

3.1.3 Immediately following Closing, the Parties shall initiate and carry out the Purchase Price Verification Procedure in the manner and subject to the terms set out in Part C of Schedule 3. Upon the determination of the Final Net Purchase Price in the manner provided for in Schedule 3, the Parties shall calculate and determine the Price Adjustment Amount, if any, and thereupon prepare the Purchase Price Statement. The Price Adjustment Amount as specified in the Purchase Price Statement shall be settled between the Parties as provided in § 3.4 below so as to ensure that the full and final consideration paid to the Vendor in respect of the acquisition of the Target Shares is equal to the Final Net Purchase Price.

3.1.4 The allocation of the Estimated Net Purchase Price, Revised Estimated Net Purchase Price and the Final Net Purchase Price between the Vendor (in respect of the sale of the Bucuresti Shares and the BEA Romania Shares) and the Parent (in respect of the Parent Share) shall be as follows:

(i) in consideration for the sale of the Parent Share, the Purchaser will pay to the Parent a total consideration in the amount of EUR 3 as the agreed purchase price for the Parent Share; and

(ii) the entire balance of the Final Net Purchase Price, less the purchase price for the Parent Share referred to in (i) above, shall be paid by Purchaser to Vendors in consideration for the acquisition of the Bucuresti Shares (and also indirectly Romextur Shares) and the BEA Shares in accordance with Clause 3.3.4 of this Agreement.

3.2 Payments to be made prior to the Closing Date

3.2.1 Escrow Deposit.

(i) On or within five (5) Business Days from the Execution Date, the Purchaser shall have deposited the Escrow Deposit into the Pre-Closing Escrow Account, which shall be released from the Pre-Closing Escrow Account in the manner and on the terms specified in the Escrow Agreement.

(ii) Notwithstanding § 3.2.1(i) or any term of the Escrow Agreement, if **(i)** Closing does not occur on or prior to the Long Stop Date or **(ii)** this Agreement is otherwise terminated in any circumstance other than where Closing does not occur solely as a result of the breach by the Purchaser of its obligations in § 6, the Purchaser shall, as soon as is practicable, give instructions to the Escrow Agent that the Escrow Deposit be transferred to the Purchaser's Bank Account.

(iii) If Closing does not occur on prior to the Long Stop Date as a result of a breach by the Purchaser of its obligations in respect of Closing contained in § 6, provided that the Vendor is not also in breach of its obligations pursuant to § 6, the Vendor and Purchaser shall give instructions to the Escrow Agent that the Escrow Deposit be transferred to the Vendor's Account.

3.2.2 Advance Payment. On or before a date one (1) Business Day prior to the Closing Date, the Purchaser shall pay the Advance Payment as a payment on account of the Estimated Net Purchase Price, and shall deposit the Advance Payment into the Closing Escrow Account. The Advance Payment shall be released from the Closing Escrow Account in the manner and on the terms specified in the Escrow Agreement.

3.2.3 Repayment of the Related Party Loan. The Vendor shall procure that the Related Party Loan is repaid by BEA Finance to the Company in full (including all principal and accrued but unpaid interest at the Closing Date) by not later than a date one (1) Business Day prior to the Closing Date.

3.3 Payments to be made on the Closing Date

On the Closing Date:

3.3.1 Partial Loan Repayment. The Purchaser shall furnish the Escrow Agent with its written instructions that the entire amount retained in the BUTU Escrow Account shall be transferred to the Existing Lender as per their written instructions in accordance with the terms of the Escrow Agreement, which amount shall constitute a partial repayment of the Existing Loan Facility as contemplated in § 6.4.1 below.

3.3.2 BUTU Prepayment Amount. The Vendor shall procure that the Company shall transfer BUTU Prepayment Amount to the Existing Lender, which amount shall also constitute a partial repayment of the Existing Loan Facility as contemplated in § 6.4.1 below.

3.3.3 Elbit Payments. The Vendor shall procure that the Company shall transfer the Elbit Guarantee Fee and the Elbit Consultancy Fee to Elbit Imaging Ltd. as contemplated in § 6.4.5(a) below, and shall provide evidence that such transfers have been executed; and thereafter

3.3.4 Payment of the Estimated Net Purchase Price or Revised Estimated Net Purchase Price by the Purchaser:

a. At the direction of the Vendor, the Purchaser shall transfer the Bank Hapoalim Pay-Off Amount to the Notary Account, whereupon the Notary shall release the Bank Hapoalim Consent Letter to the Parties;

b. the Purchaser shall pay to the Vendor that amount which is equal to the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, if relevant, less: **(i)** the Bank Hapoalim Pay-Off Amount; **(ii)** the Escrow Deposit; **(iii)** the Advance Payment; **(iv)** the Vendor Loan; **(v)** the purchase price for the Parent Share; and **(vi)** Vendor W&I Contribution; and

c. the Purchaser and the Vendor shall jointly execute the Joint Closing Release Instructions and deliver the same to the Escrow Agent, directing the Escrow Agent to release the Escrow Deposit from the Pre-Closing Escrow Account and to transfer same to the Vendor's Bank Account, or otherwise to the Vendor's order, as contemplated in §6.4.5(c) below.

3.3.5 The Purchaser shall pay the agreed purchase price for the Parent Share to the Parent.

3.4 Price Adjustment Amount after Closing. The following provisions shall govern the purchase price adjustments, if any, which are to be conducted following Closing:

3.4.1 In the event that as a result of the implementation of the Purchase Price Verification Procedure, the Final Net Purchase Price proves to be lower than the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant, then and in such event the Vendor shall repay to the Purchaser the full amount of the Price Adjustment Amount.

3.4.2 In the event, however, that the Final Net Purchase Price proves to exceed the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant, then and in such event the Purchaser shall pay the full amount of the Price Adjustment Amount to the Vendor.

3.4.3 If the amount of the Price Adjustment Amount is equal to zero, then the Final Net Purchase Price shall be equal to the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, if relevant, for all purposes under this Agreement and no adjustments to the Estimated Net Purchase Price or the Revised Estimated Net Purchase Price, as relevant, shall be made.

3.4.4 Any payments of the Price Adjustment Amount which are to be made in terms of this § 3.4 shall be made either to the Vendor's Bank Account or to the Purchaser's Bank Account, as the case may be, and same by not later than a date 10 (ten) Business Days following the determination of the Final Net Purchase Price and the Price Adjustment Amount.

3.4.5 Any dispute which may arise after Closing between the Parties pertaining to the determination of the Final Net Purchase Price and/or the Price Adjustment Amount shall not grant or be deemed to grant any rights to either Party to terminate or withdraw from this Agreement and shall be carried out exclusively pursuant to the rules of Schedule 3.

4. Condition Precedent to Closing

4.1 Condition Precedent. The obligation of the Purchaser to consummate the Transaction and to pay the Estimated Net Purchase Price or Revised Estimated Net Purchase Price to the Vendor, and the obligation of the Vendor to sell and transfer the Target Shares to the Purchaser, are subject to the fulfilment in a timely manner of the following Condition Precedent: **(i)** The execution by the Purchaser or Purchaser Group Company of a Financing Agreement and the relevant third party funder that will provide the Purchaser with sufficient unconditional and unencumbered cash resources in order for it to fulfil on a timely basis its payment obligations under this Agreement (excluding any amount to be funded by way of equity or shareholder loan by the Purchaser and its shareholders), including its obligation to pay the Estimated Net Purchase Price and any Price Adjustment Amount; **(ii)** the satisfaction of any conditions precedent to drawdown under such Financing Agreement (other than to the extent such conditions precedent are waived by the relevant lender); and **(iii)** if the Financing Agreement is entered into with the Existing Lender, the Existing Lender having consented to this Transaction.

4.2 Responsibility for Satisfaction of the Condition Precedent.

The Purchaser shall use its best endeavours and shall take steps reasonably necessary to ensure that the Condition Precedent is satisfied as soon as is reasonably practicable and in any event 10 Business Days prior to the Long Stop Date, and it shall keep the Vendor fully informed of the progress achieved by it in that regard. The Vendor and the Purchaser shall co-operate fully in order to procure the satisfaction of the Financing Condition.

4.3 Notice of Fulfilment of Condition Precedent. Closing Notice

The Parties shall act in good faith and shall cooperate with a view to achieving the Closing and in this respect, the Parties expressly agree that:

4.3.1 the Parties shall keep each other informed in a timely manner on the status of the fulfilment of the Condition Precedent and of any relevant matters in relation thereto, including any matters that might cause delays or might otherwise affect the Closing;

4.3.2 each Party shall refrain from taking any action, which may restrict, limit or interfere in any way with the performance of the Transaction contemplated hereunder, or of the obligations or warranties of the respective Parties hereunder;

4.3.3 the Purchaser shall notify the Vendor immediately upon the fulfilment of the Condition Precedent, providing supporting documents where necessary to substantiate the fulfilment of the relevant Condition Precedent;

4.3.4 no later than 2 (two) Business Days after the Condition Precedent has been fulfilled or waived by the Purchaser, the Purchaser shall submit to the Vendor its Closing Notice confirming the fulfilment of the Condition Precedent and inviting the Vendor to proceed to Closing. The date upon which the Closing Notice is issued will be the Closing Trigger Date.

4.4 Non-Fulfilment of Condition Precedent

The Condition Precedent specified in § 4.1 above shall be satisfied, or waived in writing by the Purchaser, by that date which is 10 (ten) Business Days prior to the Long Stop Date, provided that the Purchaser may on one occasion only demand the extension of the Long Stop Date by a period not to exceed 20 (twenty) Business Days subject to showing evidence to the Vendor of its active negotiations with a financing institution to this effect. Any further extensions of the Long Stop Date may be made solely by mutual agreement reached between the Parties. In the event that the Condition Precedent shall not have been fulfilled, or waived by the Purchaser, by the Long Stop Date, as extended, then and in such event the validity of this Agreement shall automatically terminate, this Agreement shall thereupon be of no further force and effect, and the Parties shall be unconditionally released from all their respective obligations and undertakings subject to the provisions of § 20.3 (Effect of Termination) below.

5. Provisions Applicable During The Interim Period

5.1 Material Adverse Change (MAC) Provisions

5.1.1 Defined Terms

a. "**MAC Casualty Event**" means: **(i)** an event of Force Majeure, or a terrorist attack; **(ii)** any third party claim or claims submitted against any of the Target Companies following the Execution Date where the auditors of the relevant Target Company confirm that if adjudicated against the respondent such claims will have a material adverse effect on the financial standing of the Target Companies; or **(iii)** loss of more than 30% of the Hotel Employees engaged as at the Execution Date; or **(iv)** the occurrence of material damage to the Property; where any of the above generate a loss in excess of 5% (five percent) of the Agreed Property Value;

b. "**MAC Cure**" means that Vendor has succeeded in effectively curing and remedying a MAC Event in such manner that the condition, status and functionality of the Hotel Complex on the date falling 10 (ten) Business Days prior to the Closing Date is the same in all material respects as those which existed on the Execution Date and the Target Companies are otherwise in a position equivalent to that prior to the relevant MAC Event occuring;

c. "**MAC Event**" means any of a MAC Casualty Event or a MAC Warranty Event occurring after the Execution Date;

d. "**MAC Notice**" means the written notice to be given by either Party of the occurrence of a MAC Event, which must describe the MAC Event in sufficient detail and provide a good faith and reasonable estimate of the damage suffered by any of the Target Companies resulting therefrom; and

e. "**MAC Warranty Event**" means that any of the Vendor's Fundamental Warranties are materially untrue at any time prior to the Closing Date.

5.1.2 Material Adverse Change (MAC) Provisions

a. *MAC Notice*. Both Parties shall be obliged to give to the other Party a MAC Notice regarding the occurrence of a MAC Event within ten (10) Business Days of such MAC Event coming to its attention. In case of an alleged MAC Casualty Event, following the serving of a MAC Notice, the Vendor shall provide the Purchaser with a written report issued by a properly qualified expert assessing the amount of damage resulting therefrom as soon as is practicable.

b. Vendor's Right to Cure

(i) Whereas the monetary cure of a MAC Casualty Event is reasonably possible, the Vendor shall have the right, but not the obligation, to take such steps and to procure the implementation of such acts, deeds and things as are necessary and required to effect a MAC Cure. The Vendor shall be required to notify the Purchaser within 5 (five) Business Days following the date of the MAC Notice of its decision to effect a MAC Cure (a "**MAC Cure Notice**"), and to effect the MAC Cure within twenty (20) Business Days from the date of the MAC Cure Notice but in any event by not later than the Closing Date (subject to agreed extensions).

(ii) The MAC Cure of a MAC Casualty Event shall entail; *inter alia,* the repair of the damage caused and/or re-construction of the damaged areas in such manner that all premises affected by the MAC Casualty Event are returned in all material respects to the same condition, structural integrity and operational functionality as they existed on the Execution Date.

(iii) The MAC Cure for a MAC Warranty Event shall entail; *inter alia,* the discharge and/or removal and/or cancellation of such Encumbrance or other restriction on title as caused the Vendor's Fundamental Warranties to become untrue during the Interim Period, so as to ensure that the Vendor's, the Company's and the Parent's direct or indirect title, as relevant, to the Target Shares and/or the Company's title to the Romextur Shares and/or the Property and/or any part thereof are free and clear of all Encumbrances and other third party rights save only for the Permitted Encumbrances and/or as have been Disclosed.

(iv) All costs and expenses incurred in effecting a MAC Cure shall be for the account of the Vendor.

(v) Upon the completion of the MAC Cure to the reasonable satisfaction of the Purchaser, the Parties shall thereupon proceed to consummate the Transaction on the Closing Date on the terms and conditions provided for in this Agreement.

c. Provisions governing Uncured MAC Events

(i) In the event that: (A) the Vendor shall decline or fail to furnish the Purchaser with its MAC Cure Notice in a timely manner as specified in § 5.1.2(b) above; or (B) the MAC Cure shall not have been completed in all material respects within the period set out in the Vendor's MAC Cure Notice (subject to any further extensions agreed between the Parties in writing), then and in such event the Purchaser shall have the right to terminate this Agreement without sanction or penalty.

(ii) Such right of termination provided for in sub-section (i) above shall be exercised by the giving of written notice to the other party (a **"MAC Termination Notice"**).

(iii) Notwithstanding the foregoing provisions, the Purchaser and the Vendor may each in their sole discretion agree to reduce the Final Net Purchase Price by an agreed amount intended to compensate for the MAC Casualty Event or the MAC Warranty Event, as the case may be, and to proceed to Closing in terms of the provisions of this Agreement.

5.1.3 No Penalty

Subject at all times to the provisions of §11.5 below, for the avoidance of doubt, if the Purchaser elects to terminate this Agreement in terms of §5.1.2c(i) above, then no amounts will be due or payable by either Party and there will be no obligation to complete this Agreement.

5.1.4 MAC Disputes

In the event that a dispute shall arise between the Parties arising out of and/or in connection with the interpretation of this § 5.1 and/or the implementation of its provisions, then and in such event such dispute shall be referred to arbitration pursuant to the provisions of § 33 below.

5.2 Vendor's Obligations in relation to the Interim Period. During the Interim Period, except as otherwise agreed by the Purchaser in writing, the Vendor undertakes (in its capacity as the majority shareholder of the Target Companies), to procure:

5.2.1 that the Target Companies:

a. continue to be operated in the ordinary course of their business as they have been operated up until the Execution Date;

b. operate in material compliance with all Applicable Laws;

c. operate in accordance with, and in a way which will maintain and not create any material default under any Insurance Policies or material contracts to which any of the Target Companies are party; and

d. shall not undertake any of the actions specified in §5.2.2; and

5.2.2 that without the Purchaser's prior written approval the Vendor shall not vote, or cause the Company to vote, in such manner, or approve any actions proposed by the Hotel Operator, so that the Target Companies would:

a. amend their respective organizational documents save as such would be needed to implement the Transaction and/or in order to comply with the relevant provisions of Applicable Law;

b. sell, transfer, encumber or otherwise dispose of all or any material part of their respective assets or any direct or indirect interest in the Hotel Complex or Property;

c. amend or terminate the Hotel Management Agreements or either of them;

d. amend or terminate any Material Lease Agreement;

e. declare, set aside, make or pay any dividend or distribution of any kind that would not be reflected in the Financial Statements, save if the Purchaser is given prior written consent thereof;

f. enter into any non-arm's length or non-ordinary course contract or other arrangement;

g. enter into any arrangement with the Vendor or an Affiliate of the Vendor;

h. sell, redeem or encumber all or any part of the Bucuresti Shares and/or the Romextur Shares and/or the BEA Romania Shares, nor agree to undertake any of those actions, nor enter into any agreement with any third party which may restrict or otherwise hinder the free use and enjoyment of the Bucuresti Shares and/or the Romextur Shares and/or the BEA Romania Shares, including without limitation option agreements and voting agreements;

i. employ or terminate any employees under employment agreements or other civil law agreements or make any change in the compensation payable or to become payable to the directors or amend any other terms of its agreements with the directors, other than in the ordinary course of the business operations of the Hotel Complex;

j. grant or permit to be granted any powers of attorney or commercial proxies providing authorisation to act on behalf of any of the Target Companies save as such would be needed to implement the Transaction or to implement actions under paragraph a. above or as would be needed in the ordinary course of business of the Target Companies;

k. permit the Hotel Operator to deviate to any material extent from the replenishment and/or replacement of Inventories and FF&E in the Hotel Complex generally conducted in the normal course of business and within the framework of the currently valid budget agreed between the Company and the Hotel Operator (to the extent that the Vendor has the power to do so in terms of the Hotel Management Agreements);

l. enter into any new loan arrangements or incur any Indebtedness (whether or not pursuant to existing loan arrangements);

m. commit to incur for a period after Closing any expenditures in excess of €100,000 (one hundred thousand Euro) in the aggregate, or the equivalent in any other currency to the extent such commitment would not be actually spent or provisioned in the Final Accounts and thus reflected in calculation of the Final Net Purchase Price, other than in the ordinary course of business;

n. fail to pay any undisputed obligations incurred in the ordinary course of business as they become due;

o. change or modify any of the accounting policies, methods or procedures or the accounting period of the Target Companies, save as mandated by the Applicable Law;

p. fail to duly and correctly file any Tax returns that are required to be filed and/or duly pay or cause to be duly paid in full all Taxes due for all periods or portions thereof within the statutory deadlines occurring on or before the Closing Date;

q. permit any insurance policy (including any Insurance Policy) naming any of the Target Companies as an insured party and/or as a beneficiary and/or a loss payable payee, to be cancelled, detrimentally modified or terminated;

r. establish any new subsidiary or acquire any equity or ownership interest in any other entity;

s. initiate any new Proceedings other than claims against debtors in the ordinary course of business;

t. adopt or suffer to exist a plan of complete or partial liquidation, dissolution, merger, consolidation, insolvency restructuring, capitalization, exit or replacement of members or other corporate reorganization or insolvency reorganization of the Target Companies; and

u. commit or agree to do any of the foregoing.

5.3 Approval and Exemption

5.3.1 Any deviation from the requirements and prohibitions set out in § 5.2 above shall require the prior written consent of the Purchaser, who shall not unreasonably withhold or delay its consent.

5.3.2 However, the Purchaser's consent under § 5.3.1 above shall not be required where acts are mandated:

a. by operation of Applicable Law, provided that the Vendor shall inform the Purchaser as soon as practicable;

b. under the terms of legally binding obligations which are in existence as at the Execution Date and which have been Disclosed to Purchaser, provided that the Vendor shall inform the Purchaser as soon as practicable;

c. in those instances where the Hotel Operator has the right and authority to exercise such acts alone pursuant to the provisions of the relevant Hotel Management Agreement; and/or

d. in urgent matters where immediate action is required to prevent losses being incurred or harm to person or property being sustained provided that the Vendor shall inform the Purchaser as soon as practicable.

5.4 Acquisitions of further shares. The Vendor agrees that neither it nor any Affiliate of it shall acquire any shares in the capital of the Company or Romextur in the Interim Period.

5.5 Hugo Boss space. The Vendor shall use reasonable endeavours to procure that the amendments proposed to be made to the Property in respect of the letting to Hugo Boss shall be progressed in the manner envisaged prior to the Execution Date during the Interim Period, as provided in the respective Lease Agreement and relevant Permits. Any forecasted expenditure incurred in such amendments shall be reflected in the calculation of the Estimated Net Purchase Price. Variances between actual expenditure during the Interim Period and forecasted expenditure will be reflected in the Purchase Price Adjustment Amount.

6. Closing

6.1 Date and Place

6.1.1 The Closing Date shall occur on the Scheduled Closing Date, commencing at 8:00 a.m. EET.

6.1.2 The Closing shall take place at a venue to be agreed between the Vendor and the Purchaser prior to the Closing Date (or, failing such agreement, at the offices of the Vendor's Romanian Legal Counsel, Messrs. Firon Bar Nir of Union Building, 11 Campineanu Street, Bucharest 0100310).

6.1.3 The Parties shall procure that authorized representatives of the Existing Lender, the Escrow Agent are in attendance at the Closing.

6.1.4 The Vendor undertakes that it shall publish or cause the publication of the GSM Convocation Notices in the Official Gazette in respect of the Company and Romextur in a timely manner so as to ensure that the Closing Shareholder Resolutions may be adopted at general shareholder meetings convened on or prior to the Closing Date.

6.2 Pre-Closing Actions. By not later than a date one (1) Business Day prior to the Closing Date (or, in the case of § 6.2.3, not later than five (5) Business Days prior to the Closing Date):

6.2.1 the Purchaser shall execute payment of the Advance Payment, and shall deposit the same into the Closing Escrow Account;

6.2.2 the Vendor shall procure the full and final repayment of the Related Party Loan to the Company by BEA Finance; and

6.2.3 the Vendor shall procure that a signed original copy of the Offset Confirmation Letter is delivered by the Existing Lender to the Company, with a copy to the Purchaser.

6.3 Closing Deliverables

To the extent that the obligated Party/Parties has/have not already done so prior to the Closing Date, all of the documents identified below shall be duly and validly executed, issued and shall be delivered at Closing, in each case in agreed form (or, where no form has been previously agreed, in a form and substance reasonably acceptable to the given recipient Party), save in the event that the entitled Party waives its right to receive such deliverable(s), as follows:

By the Purchaser to the Vendor:

6.3.1 an original notarized affidavit executed for and on behalf of the Purchaser confirming that the Purchaser complies with the relevant provisions of Applicable (Romanian) Law in order to become a shareholder in the Company and in BEA Romania, as the case may be;

6.3.2 original notarized affidavits executed by each of the Purchaser Nominated Directors confirming that they each comply with the relevant provisions of Applicable (Romanian) Law in order to be appointed as, and to act as, directors of the Company, of Romextur and of BEA Hotels Romania, as the case may be;

6.3.3 original copies of an official extract issued by the competent trade register (or registrar of companies) indicating the name, address, shareholders, directors and registration number of the Purchaser (and where Purchaser is a foreign entity the authenticity of such extract shall be confirmed by apostille, if necessary);

6.3.4 copies of the identity card or passports of each of the Purchaser Nominated Directors who are individuals (or, in the event that a Purchaser Nominated Director is a body corporate, original copies of an official extract issued by the competent trade register or registrar of companies indicating the name, address, shareholders, directors and registration number of the said entity), provided that the authenticity of such copies or extract shall be confirmed by apostille where the relevant Purchaser Nominated Director is a foreign national or a foreign entity;

6.3.5 a signed original copy of a resolution passed by the Purchaser's board of directors (and/or of its shareholders if so required under relevant provisions of the Applicable Law to which the Purchaser is subject), approving the execution of the Transaction and empowering its authorized signatories to execute all agreements and other ancillary documents necessary and required to effect the consummation of the Transaction (provided that if such resolution is signed abroad, then its authenticity shall be confirmed by apostille, if necessary);

6.3.6 a signed original copy of a resolution passed by the Board of Directors of Promontoria Nemo B.V. (and/or of its shareholders if so required under relevant provisions of the Applicable Law to which such entity is subject), approving the entry into the Vendor Loan by such entity (provided that if such resolution is signed abroad, then its authenticity shall be confirmed by apostille, if necessary);

By the Vendor to the Purchaser:

6.3.7 a spreadsheet setting out the calculation of the Elbit Guarantee Fee and the Elbit Consultancy Fee which are to be paid by the Company to Elbit at Closing in terms of § 6.4.5(a) below;

6.3.8 a signed and duly executed deed for the termination of the agreement pursuant to which Elbit has provided the Elbit Guarantee to the Existing Lender, subject only to the payment by the Company of the Elbit Guarantee Fee in terms of § 6.4.5(a) below substantially in the form attached as Schedule 23;

6.3.9 a signed and duly executed deed for the termination of the agreement pursuant to which Elbit has rendered certain management and consultancy services to the Company, subject only to the payment by the Company of the Elbit Consultancy Fee in terms of § 6.4.5(a) below substantially in the form attached as Schedule 24;

6.3.10 a signed and duly executed written confirmation pursuant to which Elbit shall acknowledge and confirm that following the termination of the Elbit Guarantee Agreement and the Elbit Management Services Agreement, and following the repayment of the Related Party Loan, there are no existing agreements, guarantees or receivables in place and/or entered into by any Affiliates of the Vendor with the Target Companies substantially in the form attached as Schedule 25;

6.3.11 a notarized and apostilled power of attorney and issued by the Parent in favor of a person attending the Closing empowering such person to sign and execute for and on behalf of the Parent all and any agreements and documents required to facilitate the sale and transfer of the Parent Share to the Purchaser substantially in the form attached as Schedule 26;

6.3.12 a signed original copy of a resolution passed by the Vendor's Board of Director approving the execution of the Transaction and empowering its authorized signatories to execute all agreements and other ancillary documents necessary and required to effect the consummation of the Transaction, the authenticity of which shall have been confirmed by apostille;

6.3.13 a statement by each of the Target Companies confirming that there are no powers of attorney currently in effect;

6.3.14 a legal opinion in respect of the authority and capacity of the Vendor Guarantor to enter into the Vendor Guarantee;

6.3.15 a fiscal certificate (in Romanian: certificat fiscal) issued by the competent Tax Authority confirming that as of a date being not more than 30 (thirty) calendar days prior to the Closing Date, none of the Target Companies have any outstanding liabilities relating to payment of taxes, nor are there any outstanding tax liabilities due and payable in respect of the Property;

6.3.16 (A) in case of the Anticipated Closing Date: (i) signed and duly executed letters of resignation and waiver of claims of two of the Incumbent Directors, Ron Hadassi and Doron Moshe, in a form reasonably acceptable to the Purchaser and (ii) decision of the remaining Incumbent Director appointing Purchaser's Nominated Directors as two interim directors and respectively one of them as President of the board of directors and general manager, effective as of the Closing Date, or (B) in case of Closing Date occurring on a Scheduled Closing Date other than the Anticipated Closing Date: signed and duly executed letters of resignation and waiver of claims of all of the Incumbent Directors holding office immediately prior to the Closing Date;

6.3.17 an update as of the Closing Date of Schedule 17 (Employees); and

6.3.18 the Supplemental Disclosure Letter.

6.4 Closing Procedures

At Closing, subject to the delivery (or waiver of delivery by the relevant Party) of each of the deliverables in § 6.3, the Parties shall perform the acts identified in this § 6.4 below in the order set out therein. The Parties agree that the relevant Party shall carry out each of the given acts no sooner than after the valid occurrence of the immediately preceding act, unless the Parties agree otherwise, provided that no such obligation shall be deemed consummated unless all such obligations are consummated, in which event all such obligations shall be deemed to have been consummated simultaneously. To the extent that any individual obligations shall be performed prior to the Closing Date, these obligations shall nevertheless be considered to have been carried out in the order set forth below.

6.4.1 **(i)** The Purchaser shall furnish the Escrow Agent with its written instructions under the terms of the Escrow Agreement to transfer the funds held in the BUTU Escrow Account to the Existing Lender as partial repayment of the Existing Loan Facility; **(ii)** the Vendor shall cause the Company to pay the BUTU Prepayment Amount and **(iii)** the Existing Lender shall confirm the partial repayment of the Existing Loan Facility in respect of that amount.

6.4.2 The Vendor and the Purchaser shall sign the Shareholder Register of the Company in their respective capacities as seller and buyer of the Bucuresti Shares, evidencing that the effective transfer of the Bucuresti Shares from the Vendor to the Purchaser, free and clear of any and all Encumbrances, other than the Permitted Encumbrances, and together with all rights attached thereto, has taken effect.

6.4.3 The Vendor and the Purchaser shall sign the Shareholder Register of BEA Hotels Romania in their respective capacities as seller and buyer of the BEA Romania Shares, evidencing that the effective transfer of the BEA Romania Shares from the Vendor to the Purchaser, free and clear of any and all Encumbrances, other than the Permitted Encumbrances, and together with all rights attached thereto, has taken effect. The provisions of this § 6.4.3 shall apply, mutatis mutandis, to the signing of the Shareholder Register of BEA Hotels Romania by the Parent and by the Purchaser, respectively, in respect of the sale and transfer of the Parent Share.

6.4.4 However, pending receipt of the Closing Payments in terms of § 6.4.5 below, the Vendor shall retain under its control the Shareholder Registers of both the Company and BEA Hotels Romania, as well as that of Romextur.

6.4.5 The Parties shall thereupon procure the immediate transfer of the following amounts (jointly, the **"Closing Payments"**) by quickest available means, namely:

a. the Vendor shall procure that the Company shall transfer the Elbit Guarantee Fee together with the Elbit Consultancy Fee to Elbit, or to its order; and thereafter

b. the Purchaser shall transfer the Bank Hapoalim Pay-Off Amount and deposit same into the Notary Account, whereupon the Notary shall release the Bank Hapoalim Consent Letter to the Vendor; and thereafter

c. the Parties shall thereupon procure that the full amount of the Escrow Deposit is transferred to the Vendor's Bank Account, or otherwise to its order, and same by means of their joint execution of the Joint Closing Release Instructions and the delivery thereof to the Escrow Agent; and thereafter

d. the Purchaser shall procure that the balance remaining due and payable on account of the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant (that is to say total amount of the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, less that cumulative amount comprising: **(i)** the Bank Hapoalim Pay-Off Amount; **(ii)** the Escrow Deposit **(iii)** the Advance Payment; **(iv)** the Vendor Loan and **(v)** the purchase price for the Parent Share and **(vi)** the Vendor W&I Contribution is transferred to the Vendor's Bank Account.

6.4.6 The Purchaser and the Company shall deliver to the Vendor copies of the Payment Confirmations in respect of the transfers of the Closing Payments made under § 6.4.5 above;

6.4.7 Once the Closing Payments referred to in § 6.4.5 have been credited to the relevant destination banking accounts as aforesaid, the Vendors shall confirm to the Purchaser receipt of the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant.

6.4.8 Immediately upon receipt of the confirmations referred to in § 6.4.7 above:

a. the Parties shall procure that each of the Target Companies shall sign and deliver to each of their respective Incumbent Directors a duly signed Deed of Waiver of Claims in respect of their incumbencies as Incumbent Directors, in the form and text attached hereto as Schedule 18; and

b. the Vendor shall release the Shareholders Registers of the Company, of Romextur and of BEA Hotels Romania, respectively, to the Purchaser.

6.4.9 In case of the Closing Date occurring on a Scheduled Closing Date other than the Anticipated Closing Date, the Parties shall thereupon act jointly in order to convene the shareholder meetings of the Company and Romextur under the GSM Convocation Notices published in terms of § 6.1.4 above, and to pass the Closing Shareholder Resolutions in compliance with the relevant provisions of Applicable (Romanian) Law pursuant to which: **(i)** all the Incumbent Directors (being members of the board of directors of the Target Companies as at Closing) and shall be recalled and discharged from office with no further liability whatsoever to the respective Target Companies (save for liability arising from wilful misconduct or criminal acts); and **(ii)** the Purchaser Nominated Directors shall be nominated and appointed in their place and stead.

6.4.10 Finally, the Purchaser and the Vendor shall jointly execute the Certificate of Consummation.

6.5 Breach of Closing Obligations

6.5.1 If a party fails to comply with any material obligation in this § 6, the Purchaser, in the case of non-compliance by the Vendor, or the Vendor, in the case of non-compliance by the Purchaser, shall be entitled (without prejudice to the right to claim damages or other compensation) by written notice to the other served on the date on which Closing was due to take place to:

a. terminate this Agreement (subject to § 20.3) without liability on its part; or

b. effect Closing so far as practicable having regard to the defaults which have occurred; or

c. fix a new date for Closing (being not more than 10 Business Days after the agreed date for Closing, but in any event prior to the Long Stop Date) in which case the provisions of this Clause shall apply to Closing as so deferred but provided such deferral may only occur once.

6.5.2 For the avoidance of doubt, the obligation of the Vendor to procure the full and final repayment of the Related Party Loan to the Company by BEA Finance pursuant to § 6.2.2 shall constitute a material obligation of the Vendor for the purposes of § 6.5.1.

7. Closing and Post-Closing Obligations

7.1 On or before the Closing Date, the Purchaser shall cause the Company to replace the authorizations of the previous executive(s) or director(s) to operate the respective Bank Accounts of the Target Companies with authorization of the new executive(s) and such other signatories as are designated by the Purchaser. In any event, the Incumbent Directors and/or previous officers of the Target Companies shall have no obligation and shall not, under any circumstances, operate the respective banking accounts of the Target Companies after Closing, and consequently shall not be held liable for any act or omission in relation to the operation of the said banking accounts other than to the extent in breach of such restriction.

7.2 On the Closing Date, or as soon as possible thereafter, the Purchaser shall ensure that the Company and BEA Hotels Romania apply for the registration of the changes resulting from the Closing Procedures set out in §6.4 of this Agreement with the Trade Register (including deregistration of all Incumbent Directors resigning from or recalled from their office on the Closing Date). The Purchaser shall seek to make such applications on the basis of: **(i)** a written confirmation of the President of the Board and/or the Sole Director of the relevant Target Company; and **(ii)** an excerpt from the shareholders register issued by the relevant Target Company or by the Central Depository as the case may be. In any event, the Parties undertake to keep this Agreement confidential and not disclose the same to the Trade Registry in the registration proceedings, unless mandated to do so by operation of Applicable Law or by court and/or administrative order.

7.3 No later than prior to the end of the Closing Date, the Vendor shall complete the hand-over and take-over of any and all available documentation in relation to the Target Companies and/or the Property, and in any event all documentation that the Target Companies are obligated to possess by operation of Applicable Law, including the Disclosed Documents, provided that any accounting and tax documents necessary for the preparation of the Final Accounts and/or the Purchase Price Statement may be retained by the Vendor in copy for the purposes of establishing the Final Purchase Price Statement but subsequently destroyed following the final determination of the Closing Adjustment Amount in accordance with the terms of this Agreement.

8. Vendor's Warranties and Vendor Indemnities

8.1 The Vendor warrants to the Purchaser that each of the Vendor's Warranties is true and accurate on entering into this Agreement on the Execution Date.

8.2 The Vendor further warrants to the Purchaser that each of the Vendor's Warranties will be true and accurate at Closing and are all deemed to be repeated on the Closing Date.

8.3 The Vendor undertakes to compensate the Purchaser for any Losses resulting from, arising out of or relating to any breach or non-fulfilment of any covenant and/or warranties or other obligations of the Vendor, including a breach of the Vendor's Warranties and Vendor's Indemnities, subject at all times to the provisions of §§§ 9, 10 and 11 below.

8.4 For the purposes of the Purchaser's remedies in relation to Vendor's Warranties, the Purchaser confirms that a breach of the Vendor's Warranties or Vendor's Indemnities cannot be a reason for the termination of this Agreement, without prejudice to § 11.5 or § 20.2.2 below.

8.5 Nothing in this Agreement shall be deemed to relieve the Purchaser of an obligation under this Agreement or pursuant to Applicable Law to mitigate any Losses incurred by it (including by providing reasonable assistance to the Vendor to avoid or mitigate any Losses which in the absence of mitigation might give rise to a liability in respect of any Claim under § 9.1); provided, however, that the Purchaser shall be under no obligation or duty to mitigate any damage incurred by it with respect to any action taken at the written request of the Vendor.

8.6 Vendor Indemnities. The Vendor hereby expressly agrees to indemnify, defend and hold harmless the Purchaser and/or the relevant Target Company, if applicable, from and against any Losses suffered or incurred by either the Purchaser and/or the relevant Target Company, as the case may be, as a result of or in connection with any Tax claim or Tax assessment made against any Target Company in respect of any (**i**) Tax in respect of any income profits or gains earned accrued or received (or deemed to have been earned accrued or received) on or before the Closing Date, or (**ii**) event or circumstance occurring or deemed to have occurred on or before the Closing Date

9. Purchaser's Remedies for Breach

9.1 Sole Remedy. The provisions contained in this § 9 are the sole and exclusive remedy for any breach of this Agreement (save where specifically provided to the contrary in terms of § 5.1.2(c) above).

9.2 Compensation for Loss. Subject to the limitations provided for in § 10 below, the Vendor shall compensate the Purchaser in accordance with the terms and conditions of this Agreement, for and in respect of any and all Losses incurred by the Purchaser and/or any of the Target Companies and resulting from, arising out of or relating to a breach of this Agreement.

9.3 Pro-Rata Assessment of Loss.

9.3.1 For the purposes of this § 9, and notwithstanding anything to the contrary contained elsewhere herein, following Closing, the Losses of the Purchaser shall be deemed to be:

a. 98.2140% (being the equivalent of the Vendor's direct proportionate shareholding in the Company) on a "euro to euro basis" (or on a "RON to RON basis" as the case may be) of the Losses of the Company;

b. 98.2140% of 95.3% (being the equivalent of the Vendor's indirect proportionate interest in Romextur) on a "euro to euro basis" (or on a "RON to RON basis" as the case may be), of the Losses of Roxemtur;

c. 100% of the Losses of BEA Hotels Romania; and/or

d. 100% of the Losses of the Purchaser.

9.3.2 Subject to the provisions of § 11.6 below, the Purchaser shall be entitled therefore to assert a Claim for such Losses of the Company and/or of Romextur and/or of BEA Hotels Romania and/or the Purchaser, under this § 9 on the basis that:

a. the Losses of the Company, when multiplied by the coefficient of 0.982140, are deemed to be Losses incurred by the Purchaser;

b. the losses of Romextur, when multiplied by the coefficient of 0.9358 (0.953 x 0.982140), are considered to be the Losses of the Purchaser;

c. the Losses of BEA Hotels Romania are deemed to be the Losses of the Purchaser and shall be considered in full; and

d. the Losses of the Purchaser shall be considered in full.

9.3.3 For the avoidance of doubt, but without derogating from the provisions of §§ 11.6 and 11.7 below, if the Losses attributable to the same event or a breach of the Vendor's Warranties are suffered by more than one Target Company, such Losses shall for the purpose of this section be calculated only once on a consolidated basis.

9.4 Other Legal Remedies Excluded. By agreeing the specific contractual remedies in this § 9, the Parties replace and exclude the application of general legal remedies under any Applicable Law in any relevant jurisdiction relating to defects in the subject of the sale, and these provisions are the sole and exclusive remedy for the Vendor's breach of any warranty or covenant under this Agreement, save in relation to Claims which the Purchaser may raise where the Loss derives from the fraudulent or wilful misconduct, gross negligence or criminal conduct of the Vendor or the Vendor's representatives. Any rights to withdraw, terminate or repudiate or pursue other damages by the Purchaser are expressly excluded except as otherwise specifically set forth in this Agreement.

9.5 Reliance. The Purchaser acknowledges that no party other than the Purchaser, or its successors in title, or its insurers or financiers, may rely on the Vendor's Warranties.

9.6 Vendor Loan and Escrow Retention Amount Set-off. The Parties acknowledge and agree that any Adjudicated Claims (as defined in the Vendor Loan) may, if not satisfied by the Vendor, be set-off against the Vendor Loan or deducted from the Escrow Retention Amount (as defined in the Vendor Loan), as relevant, in each case in accordance with the terms of the Vendor Loan.

10. Limitations on Liability

10.1 Subject to the provisions of § 11.5, the total liability of the Vendor for any Losses suffered by the Purchaser and/or the Target Companies in relation to Claims shall be limited as set forth in this §10.

10.2 Liability Cap. With respect to all Warranty Claims and Indemnity Claims of the Purchaser concerning Losses which are to be compensated for by the Vendor pursuant to the provisions of this Agreement (but specifically excluding Losses deriving from a breach of the Vendor's Fundamental Warranties to which § 10.6.2 shall apply), the Vendor's maximum liability in respect of all such Claims shall be unconditionally limited to, and the Vendor shall have no liability for payment in excess of, the aggregate amount of EUR 25,000,000. The provisions of this §10.2 shall be without prejudice to the Purchaser's rights as a loss payee to claim under the terms and provisions of the policy of Warranty & Indemnity Insurance or Title Policy.

10.3 Insurer liability. The Parties agree that the limits on the Vendor's liability negotiated by the Parties and set forth in this § 10, although limiting the Vendor's liability to the Purchaser or to any third-party insurer of the Purchaser by way of subrogation, are not intended to limit the liability of any third-party insurers to the Purchaser or the Company under their respective insurance policies (including, for the avoidance of doubt the Warranty & Indemnity Insurance Policy and the Title Policy) issued to the Purchaser and/or to the Company, as the case may be.

10.4 Liability Periods

The Vendor is not liable for a Claim, unless the Purchaser has notified the Vendor of the Claim:

10.4.1 prior to the expiration of a maximum period of 7 (seven)) years from the end of the fiscal (tax) year in which the Closing Date occurs in respect of any Tax Claim;

10.4.2 prior to the expiration of a period of 7 (seven) years from the Closing Date at the latest in respect of any Claim arising from a breach of Vendor's Fundamental Warranties; and

10.4.3 prior to the expiration of a period of 2 (two) years from the Closing Date at the latest if it is any Claim arising from a breach of any Vendor's Warranty other than a Vendor's Fundamental Warranty or a Tax Claim.

10.5 Minimum Threshold and Maximum Limitation

Subject to the provisions of § 11.5, any amount of compensation to which the Purchaser may be entitled from the Vendor pursuant to § 9 shall be limited as follows:

10.5.1 *De Minimus*: individual Warranty Claims and Indemnity Claims (or a series of claims arising from substantially identical facts or circumstances) below EUR 100,000 (one hundred thousand Euro) shall be disregarded for the purpose of this Agreement and not pursued by the Purchaser; and

10.5.2 *Liability Cap for Vendor's Fundamental Warranties*: there shall be an aggregate limit corresponding to the Agreed Property Value in relation to any and all Claims arising from an unremedied breach of Vendor's Fundamental Warranties which are not covered by insurance,

and the Parties hereby declare and agree that any claims in excess of the above-stated limitations of compensation as per § 10.2 and §10.5.2 are hereby fully and irrevocably waived by the Purchaser, subject however to the provisions of § 11.5 below.

10.6 Limitation by Disclosures

With the exception of Indemnity Claims and Vendor's Specific Warranty Claims, the Vendor shall not be liable for any Claims to the extent that any Claim Event:

10.6.1 is/was Disclosed;

10.6.2 is/was apparent to the Purchaser from a visual inspection of the Property, or was apparent to any professional advisor who inspected the Property on behalf of the Purchaser, in each case prior to the Execution Date;

10.6.3 was evident from, or could have been known to the Purchaser or its professional advisors based upon a Selected Public Database Search, irrespective as to whether the relevant extracts were actually examined, or the relevant registries were actually searched, by the Purchaser and/or its professional advisors;

10.6.4 is/was Fairly Disclosed: in this Agreement and/or in its Schedules; or

10.6.5 is/was Fairly Disclosed: **(I)** in the Initial Accounts; **(II)** and/or in the Final Accounts (insofar as such Disclosures relate to the Closing Warranties as regards the Final Accounts) and provided that in each case the Loss relating to the relevant Claim has thus been taken into consideration in full in the calculation of the Final Net Purchase Price.

10.7 Purchaser Knowledge

10.7.1 Subject to § 10.7.2, the Vendor shall have no liability in respect of a Claim to the extent that the Purchaser had knowledge of the relevant Claim on the Execution Date.

10.7.2 For the avoidance of any doubt, the Purchaser's right to indemnification regarding the Indemnity Claims and the Vendor's Specific Warranty Claims will not be affected by any knowledge that the Purchaser has or is deemed to have, with respect to the breaches under this Agreement.

10.8 Change of Law

Other than with respect to Claims arising from, in connection with or relating out of the privatisation of the Company, the Vendor shall not be liable for any matters, actions or claims arising due to a change of law (including changes of tax law, tax case law/jurisprudence or the policies of a Tax Authority published after the Closing Date) occurring after the Execution Date even if such change would have a retroactive effect, or arising due to changes in accounting policies implemented by the Purchaser and/or the Target Companies or any of them following the Closing.

10.9 Matters reflected in the Purchase Price

The Vendor shall not be liable for Loss in respect of any fact, matter, event or circumstance to the extent that any adjustment, allowance, provision or reserve has been adequately made by applying diligent business practices in accordance with the Accepted Accounting Standards or the relevant Target Company's past practice for such fact, matter, event or circumstance in the calculation of the Estimated Net Purchase Price and/or the Final Net Purchase Price (or any portion thereof) pursuant to the provisions of the Purchase Price Calculation Methodology set out in Schedule 3. The provisions of this section shall not relate to any balance and off-balance sheet adjustments that have been determined by agreement, which are specified in the Purchase Price Calculation Methodology as fixed amounts which are intended to compensate the Purchaser for any specific fact, matter, event or circumstance, and which shall remain fixed with no other duty or liability on the Vendor's part.

10.10 General Limitations. The Vendor shall not be liable for any Claims to the extent such Claim arises or is increased:

10.10.1 as a result of an act or omission on the part of the Vendor occurring at the express written request or direction of the Purchaser prior to or on the Closing Date;

10.10.2 as a result of a wrongful act, default or omission by the Purchaser or any of the Target Companies on or after the Closing Date; or

10.10.3as a result of a change made on the Closing Date or thereafter in the accounting policies or practices or any reporting practice in respect of Taxes of such Target Company (unless the change was made in policies and/or practices that were applied by the relevant Target Company before the Closing Date but which did not comply with Applicable Law and legal regulations).

11. Claims Procedure

11.1 If the Purchaser wishes to make a Warranty Claim or Indemnity Claim, the Purchaser shall be required to do so in accordance with the procedures set forth in this § 11.

11.2 Notification

If following the Closing Date the Purchaser and/or the Target Companies or any of them, as the case may be, becomes aware of any Claim Event giving a rise to a Warranty Claim or Indemnity Claim which is not a Third-Party Claim (as defined below), the Purchaser shall, as soon as reasonably practicable, and in any event within twenty (20) Business Days of the Purchaser becoming aware of the Claim Event, give a notice in writing to the Vendor making its relevant Claim which shall include a brief description of the relevant Claim and the desired manner of remediation. Failure to give notice within such period shall not affect the rights of the Purchaser except to the extent that the Vendor is prejudiced by the failure.

11.3 Investigation by the Vendor

In connection with any Claim Event that may give rise to a Warranty Claim or Indemnity Claim against the Vendor hereunder:

11.3.1 the Purchaser shall procure that the affected Target Company allows the Vendor and its respective financial, tax, accounting, legal, technical or other advisors all reasonable access to investigate the Claim Event alleged to have given rise to such Claim and whether, and to what extent, any amount is payable in respect of such Claim; and

11.3.2 the Purchaser shall disclose to the Vendor, upon the Vendor's request, all relevant documentation and material of which the Purchaser and/or the affected Target Company are actually aware and which reasonably relate to the Claim and/or to the Claim Event, and shall procure that any other relevant Purchaser's Group Company shall give all reasonable requested information and assistance, including reasonable access to premises and personnel and the right to examine and copy or photograph any relevant assets, accounts, documents and records (in each case on reasonable notice) as the Vendor or its financial, tax, accounting or legal advisors may reasonably request, subject to the Vendor agreeing in such form as the Purchaser may reasonably require to keep all such information confidential and to use it only for the purpose of investigating and defending the Claim in question.

11.4 Payment

Any amount owed by the Vendor to the Purchaser and/or to any of the Target Companies in respect of a Claim pursuant to this Agreement shall be paid:

11.4.1 if the Vendor expressly approves such Claim, within a period of twenty (20) Business Days following receipt by the Purchaser of the corresponding notice by the Vendor approving of the Claim; or

11.4.2 if the Vendor does not approve the Claim, in accordance with the rules and procedures of the relevant court or arbitral tribunal which decides in favour of the Purchaser.

11.4.3 All payments on account of any Claim shall be made to the Purchaser's Bank Account or such other bank or account as the Purchaser shall notify to the Vendor from time to time.

11.5 Fraud Exception

Nothing in this Agreement shall limit the liability of the Vendor for a Claim to the extent that such Claim arises, or is increased or delayed, as a result of fraud, wilful misconduct or gross negligence of the Vendor.

11.6 Calculation of Losses.

For the purposes of the Claim, any Losses shall be calculated taking into account any realised Tax benefit, if any, to the relevant Target Company as a result of such shortfall in income or increased liability.

11.7 No Double Recovery

No Loss may be recovered more than once, whether claimed by the Purchaser (including its legal successors) and/or by the Target Companies, and whether claimed under this Agreement or otherwise.

11.8 Recovery under Insurance Policies.

11.8.1 The Purchaser shall not pursue an otherwise valid Claim against the Vendor under this Agreement with respect to any Losses which are recoverable under the Insurance Policies (including for the avoidance of doubt under the policy of Warranty & Indemnity Insurance or Title Policy), or until a claim has been submitted under all relevant Insurance Policies.

11.8.2 The policy of Warranty & Indemnity Insurance and Title Policy shall provide that except in connection with fraud by the Vendor, the insurer under the policy shall have no rights of subrogation against the Vendor with respect to any Claims or rights of the Purchaser which are insured under that policy.

11.8.3 Observing its obligation under this § 11.8, the Purchaser undertakes that, if any Loss incurred by the Purchaser and/or the Target Companies may be reasonably anticipated to be covered by any Insurance Policies, it will firstly attempt to recover the Loss, or cause the relevant Target Company to cover the Loss, out of the insurance proceeds paid out pursuant to the provisions of such insurance policies (**"Recovery Proceeds"**).

11.8.4 In the event that any Loss incurred by the Purchaser and/or the Target Companies is recovered from the Recovery Proceeds after the same Loss shall already have been paid by the Vendor, then and in such event:

a. the Purchaser shall be obliged to inform the Vendor of its receipt of the Recovery Proceeds, or shall cause the relevant Target Company to do so; and

b. the Purchaser shall refund to the Vendor, or cause the refund to be made to the Vendor, that amount equal to the lesser of: **(aa)** the amount of the Recovery Proceeds; and **(bb)** the Claim amount paid by the Vendor; and same within thirty (30) Business Days of receipt of the Recovery Proceeds by the Purchaser or the relevant Target Company or any other beneficiary of the insurance benefit if that beneficiary is a Purchaser Group Company, as the case may be.

11.9 Price Adjustment. All amounts paid by the Vendor to the Purchaser pursuant to these §§§ 9, 10, 11 and 12 after Closing shall be regarded as an adjustment to the Final Net Purchase Price.

12. Third Party Claims

12.1 Rights against third parties

If a claim is made by a third party (including any Tax Authority) against the Purchaser or any of the Target Companies, which claim is based upon facts, events or circumstances which occurred or which existed prior to the Execution Date (a **"Third Party Claim"**) in respect of which the affected Target Company has a right of defense, counterclaim, action or appeal against the third party claimant, or a right of joinder against any other third party, and the Third Party Claim could give rise to Losses suffered by the Purchaser or the Target Companies and which are to be compensated for by the Vendor under § 9 above, then the Parties undertake to observe the mechanism set forth below:

12.1.1 The Purchaser must send a written notification of the Third Party Claim to the Vendor as soon as reasonably practicable, but not later than twenty (20) Business Days after the Purchaser has become aware of the Third Party Claim (provided that failure to give notice within such period shall not affect the rights of the Purchaser except to the extent that the Vendor is prejudiced by the failure). Similarly, with respect to any proceeding of any Tax Authority the Purchaser must send a written notification to the Vendor as soon as reasonably practicable, but not later than twenty (20) Business Days after the notice of initiation of proceeding by the Tax Authority is delivered to the affected Target Company or to the Purchaser (provided that failure to give notice within such period shall not affect the rights of the Purchaser except to the extent that the Vendor is prejudiced by the failure). The Purchaser shall take such initial action as may be reasonably necessary to contest, defend or appeal the Third Party Claim according to any relevant procedural deadlines fixed in respect of such Third Party Claim, unless specifically instructed by the Vendor otherwise in conjunction with the Vendor exercising its right to defend the Third Party Claim pursuant to sub-section 12.1.2 below.

12.1.2 The Vendor may decide whether or not it elects to assume the conduct of any dispute, defence or appeal of a Third Party Claim, and if the Vendor elects to assume conduct, then: **(i)** it shall do so at its own cost; **(ii)** it shall notify the Purchaser accordingly no later than ten (10) Business Days after its receipt of the Purchaser's notification of a Third Party Claim; **(iii)** it will keep the Purchaser timely and fully informed of the progress and conduct of any Proceeding concerning Third Party Claims and shall promptly forward or procure to be forwarded to the Purchaser copies of all material correspondence and other written communications relating to the Third Party Claim; **(iv)** not make any settlement or compromise of the Third Party Claim without the prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed; and **(v)** indemnify the Purchaser and the Target Companies against all reasonable costs and expenses (including attorneys' fees) that may be incurred as a result of the Vendor assuming conduct of the Third Party Claim.

12.1.3 Upon receipt of the Vendor's notification that it intends to assume the defense of a Third Party Claim, the Purchaser shall (and shall ensure that the affected Target Company shall) issue the necessary powers of attorney to the Vendor and its professional advisors and shall provide the Vendor any additional information in connection with the Third Party Claim as may be reasonably requested by the Vendor in order to enable it to conduct the defense proceedings.

12.1.4 If the Vendor elects to defend the Third Party Claim pursuant to sub-section 12.1.2, the costs (including attorneys' fees) incurred by the Purchaser or the affected Target Company for taking initial defense action before the Vendor's assumption of the defense shall be borne by the Vendor.

12.1.5 In the case of the Vendor's failure to notify the Purchaser of its intention to assume the defense of a Third Party Claim within the designated time frame referred to in § 12.1.2 above, the Vendor's right and opportunity to assume the defense shall be deemed forfeited and expired.

12.1.6 If notified by the Vendor pursuant to sub-section 12.1.2, the Purchaser shall, at the Vendor's cost and expense, fully cooperate in the Vendor's defense of the Third Party Claim, which cooperation shall include, to the extent reasonably requested by the Vendor, the retention, and the provision to the Vendor, of records and information reasonably relevant to such Third Party Claim; and the provisions of § 11.3 shall apply mutatis mutandis in respect of such Third Party Claim.

12.1.7 The Purchaser shall agree to any settlement, compromise or discharge of such Third Party Claim that the Vendor may reasonably recommend, where such settlement is solely of a monetary nature, and that, by its terms, fully and irrevocably discharges the Purchaser and/or the Target Companies from liability in connection with such Third Party Claim provided that such settlement, compromise or discharge of such Third Party Claim does not give rise to any Loss of the Purchaser and/or a Target Company which cannot be recovered from the Vendor pursuant to the terms of this Agreement.

12.1.8 Save in the event that the Vendor shall have declined or waived its right to conduct the defense of a Third Party Claim as aforesaid (in which case the Purchaser remains in any respect to be bound by the obligation to mitigate any Loss), the Purchaser shall not (and the Purchaser shall ensure that the relevant Target Company shall not) admit liability in proceedings in respect of, or settle a Third Party Claim without the prior written approval of, the Vendor, such consent not to be unreasonably withheld or delayed.

12.1.9 At the Vendor's request, if the Vendor does not assume the defence of a Third Party Claim, the Purchaser will nevertheless keep the Vendor informed of the progress and conduct of any Proceeding concerning Third Party Claims as an interested party and shall promptly forward or procure to be forwarded to the Vendor copies of all material correspondence and other written communications relating to the Third Party Claim. Upon the written request of the Vendor, the Purchaser will propose the joinder of the Vendor as accessory participant in the Proceedings if appropriate for due and proper defense of a Third Party Claim.

12.1.10 Notwithstanding this § 12, neither the Purchaser nor any of the Target Companies shall be required to take any action or refrain from taking any action, if the Purchaser reasonably considers such action or omission may be unduly onerous or materially prejudicial to it, any Target Company or to any of their respective businesses.

12.2 Provision of information

If any information is provided by any person to any other person (the "**Recipient**") pursuant to the above sections, such information must only be used by the Recipient in connection with the Third Party Claim and § 14 shall in all other respects apply to that information.

13. Purchaser's Warranties

13.1 The Purchaser warrants to the Vendor as of the Execution Date and as at the Closing Date, that:

13.1.1 it has been duly incorporated and is validly existing under the laws of Romania, has the requisite capacity, right, authority and power to enter into this Agreement and to purchase the Target Shares from the Vendor and to perform all of the Purchaser's undertakings and obligations under this Agreement;

13.1.2 the Purchaser itself and its respective shareholders, directors and officers, have taken all necessary actions, steps and proceedings to approve or authorize, validly and effectively, the entering into, execution, delivery and performance of this Agreement, and all and any ancillary documentation required or necessary to consummate the Transaction contemplated under this Agreement;

13.1.3 the undertaking to purchase and acquire the Target Shares from the Vendor in terms of this Agreement constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms and provisions of applicable law in force;

13.1.4 each person signing on behalf of the Purchaser has all the necessary authority to do so. The Purchaser has duly and validly executed and delivered this Agreement, and, on or prior to the Closing, the Purchaser shall have duly and validly executed and delivered all other ancillary documents required to consummate the Transaction;

13.1.5 other than as contemplated under this Agreement, no announcements, notices, reports or filings, consents, authorisations, orders or approvals, declarations or registrations with any Public Authority are required to be made by the Purchaser in connection with the Transaction contemplated by this Agreement, nor for its implementation. The execution, delivery and performance of this Agreement and the consummation of the Transaction contemplated herein will not constitute a default or a breach under or violate or contravene any provisions of:

a. its memorandum or articles of association or any other constitutional documents;

b. any Applicable Law, Permit, agreement or any other restriction of any kind by which the Purchaser is bound;

c. any agreement or arrangement to which the Purchaser is a party; or

d. any order, judgment or other decision binding on the Purchaser; and

13.1.6 at the Closing Date, the Purchaser will have sufficient financial resources to complete the transaction contemplated by this Agreement.

13.2 The Purchaser shall compensate the Vendor in respect of any and all Losses suffered by the Vendor resulting from, arising out of or relating to any breach or non-fulfilment of any covenant and/or warranties or other obligations of the Purchaser contained in this Agreement.

14. Confidential Information

14.1 Subject to the provisions of §§ 14.2 and 15.4 below, each Party undertakes that before and after Closing it shall:

14.1.1 not use or disclose to any person Confidential Information it has or acquires;

14.1.2 make every effort to prevent the use or disclosure of Confidential Information; and

14.1.3 ensure that each of its respective Group Companies complies with §§ 14.1.1 and 14.1.2.

14.2 § 14.1 does not apply to the disclosure of Confidential Information:

14.2.1 to the extent that it is generally known to the public not as a result of a breach of any duty of confidentiality by the relevant Party;

14.2.2 to a director or employee of the Vendor, the Purchaser or of the Target Companies who is required to have access to the Confidential Information for the fulfilment of his duties and responsibilities;

14.2.3 to the extent that it is required to be disclosed **(i)** by law, **(ii)** by a rule of a listing authority by which any Vendor's Group Company or any Purchaser's Group Company shareholding interest are listed, a stock exchange on which the shares or securities of any Vendor's Group Company or any Purchaser's Group Company are listed or traded, or **(iii)** by a Public Authority or other authority with relevant powers to which the Vendor or the Purchaser or any of their Group Companies is subject or submits and which has the force of law, provided that in each case the disclosure shall, so far as is practicable, be made after consultation with the opposite Party and after taking into account the reasonable requirements as to its timing, content and manner of making or despatch;

14.2.4 to an advisor for the purpose of advising the Vendor or the Purchaser in connection with the Transaction contemplated by this Agreement provided that such advisor shall abide by the terms and conditions of confidentiality as set out under this Agreement;

14.2.5 to the Vendor's Group Company or the Purchaser's Group Company if Confidential Information is necessary for such companies in connection with the Transaction contemplated by this Agreement, provided that the Vendor or the Purchaser shall ensure that such companies shall abide by the terms and condition of confidentiality as set out under this Agreement;

14.2.6 with the opposite Party's prior written consent; or

14.2.7 for the purposes of any court, arbitral or administrative proceedings.

14.3 The provisions of this § 14 supersede and novate any non-disclosure or confidentiality agreements executed between the Parties prior to the Execution Date insofar as they pertain to the Transaction and/or the Property.

15. Announcements

15.1 No Party shall make any announcement concerning the Transaction contemplated by this Agreement, unless it has first obtained the other Party's prior written consent, which consent shall not be unreasonably withheld or delayed.

15.2 Every announcement made by the Parties concerning the Transaction contemplated by this Agreement shall be made with the view to protect business interests, including business secrets, of the other Parties.

15.3 § 15.1 above does not apply to any announcement required by operation of law or by any governmental or regulatory authority to which either Party is subject. To the extent practicable and to the extent permissible under Applicable Law, the Party required to make such an announcement shall consult and take into account the reasonable requests of the other Party, or shall inform the other Party of the announcement without undue delay if such prior consultation is not possible due to time constraints.

15.4 More specifically, the Purchaser is aware that the Vendor is indirectly controlled by Elbit, a public company registered in Israel which is subject to the reporting regulations of the Tel Aviv and NASDAQ Stock Exchanges and those of the regulatory authorities in Israel and the United States of America. Accordingly, the Purchaser agrees that **(i)** public statements (in the form of immediate reports or ad hoc press releases, or otherwise) regarding this Agreement and the Transaction contemplated herein that Elbit is required to publish by operation of Applicable Law, may be issued by Elbit in its sole discretion, and **(ii)** Elbit is required to file a "Form 20F" with the United States Securities and Exchange Commission provided that Elbit shall endeavour, on a best effort basis only, to give the Purchaser prior notice of the content of such public statements or filing (so far as it relates to this Transaction) and the ability to comment in advance on such public announcements or filing (so far as it relates to this Transaction), with such observations to be taken under consideration by Elbit, on a best effort basis.

16. Payments Net of VAT and Withholdings

16.1 All amounts payable under this Agreement are expressed net of VAT, which (to the extent applicable according to Romanian or any other legislation) shall be paid by the paying Party in addition to such amounts at the rate applicable according to the legislation in force at the date the chargeable event takes place. The same applies to custom duties and all other taxes and levies of whatever nature, to the extent they are applicable according to the Romanian or any other legislation, to the paying Party.

16.2 The Parties undertake that they shall not (and the Vendor shall ensure that also the Target Companies shall not) change their tax residency in any manner that may trigger additional tax obligations or fees on amounts payable under this Agreement.

17. Default Interest

If a Party fails to pay any amount payable by it when due, then, in addition to regular interest agreed to accrue on the relevant amount (if any) and save for amounts for which a special default interest rate has been agreed (if any), it shall pay to the Party to which the debt is owed interest on the overdue amount, calculated on a daily pro-rata basis, at the rate of 3-month's EURIBOR plus 600 (six hundred) basis points per annum.

18. Notices

18.1 A notice under or in connection with this Agreement (a **"Notice"**):

18.1.1 shall be in writing;

18.1.2 shall be in the English language; and

18.1.3 shall be: **(a)** delivered personally or sent by registered delivery post; or **(b)** sent by facsimile transmission or by e-mail. The Parties shall be entitled to change the addresses and numbers provided in § 18.2 below by the giving of written notice to the other Party.

18.2 The addresses referred to in § 18.1.3 are:

18.2.1 in the case of the Purchaser:

Address:	**Revetas Capital** Tuchlauben 8 / 1B A-1010 Vienna
Tel:	+ 43 699 180 17 285
E-Mail	kmk@revetas.com
For Attention	Kiril Klaturov General Counsel

and

Address:	Promontoria Holding 217 B.V. Oude Utrechtseweg 32 3743 KN Baarn, The Netherlands
Tel:	+31 35 5488 716
E-Mail	gjschipper@cerberusglobal.nl
For Attention	Geert-Jan Schipper

With a copy to:

Address:	**Wolf Theiss Rechtsanwalte GmbH** 58-60 Gheorghe Polizu St., 13th Floor Bucharest, Romania
Tel:	0040729155382
E-Mail	ileana.glodeanu@wolftheiss.com
For Attention	Ileana Glodeanu Partner

18.2.2 in the case of the Vendor:

Address	Dorsha B.V. Krijn Taconiskade 430, 1087 HW Amsterdam, The Netherlands
Tel:	0031206704455
E-Mail	Alon@etmtrust.com
For Attention	Alon Elmaliyah

With a copy to:

Address:	Hod Hasharon, Israel, no. 13 Igal Yadin
Tel:	00972526076236
E-Mail	ron@elbitimaging.com
For Attention	Ron Hadassi

18.3 A Notice is deemed given, if an earlier actual delivery is not proved:

18.3.1 if delivered personally, when the person delivering the notice obtains the signature of any person authorised to accept the notices on behalf of the Purchaser or the Vendor respectively, at the address referred to in § 18.2.1 and in § 0;

18.3.2 if sent by post, except to another country, on the third (3rd) Business Day after the date at which the Notice was posted;

18.3.3 if sent by post to another country, on the tenth (10th) Business Day after the date at which the Notice was posted; or

18.3.4 if sent by electronic transmission (e-mail or facsimile) immediately upon confirmed delivery and receipt.

19. Continuation of Obligations

Each right and obligation set out in this Agreement that is not fully performed upon Closing shall remain binding on the Party under the obligation after Closing unless expressly waived in writing.

20. Termination

20.1 Subject to § 4.4, this Agreement shall terminate automatically, following notice by either Party to the other, if the Condition Precedent is not fulfilled by 23:59 EET on the Long Stop Date, as provided in § 4.4 above.

20.2 Termination Prior to Closing. This Agreement may be terminated at any time prior to Closing:

20.2.1 by the Purchaser by giving a MAC Termination Notice in terms of §5.1.2 (c)(ii) above in the event that the Vendor fails or declines to issue the MAC Cure Notice following delivery of a MAC Notice or in the event the Vendor, having issued a MAC Cure Notice, shall have failed to complete a MAC Cure in all material respects within the deadline set out in the MAC Cure Notice to the reasonable satisfaction of the Purchaser; and/or

20.2.2 by the Purchaser by written notice to the Vendor, if the Vendor shall be in material breach of any warranty or covenant provided herein and shall fail to cure such breach within fifteen (15) days after its receipt of a written demand to do so or, if sooner, by the day preceding the Closing Date; and/or

20.2.3 by the Vendor by written notice to the Purchaser, if the Purchaser shall materially breach any warranty or covenant provided herein and shall fail to cure such breach within fifteen (15) days after its receipt of a written demand to do so or, if sooner, by the day preceding the Closing Date.

In the event of termination of this Agreement by either of the Parties pursuant to this § 20.2, a written notice thereof shall be given to the other Party and this Agreement shall terminate on the date such written notice is given.

20.3 Effect of termination

Upon termination of this Agreement pursuant to the provisions hereof, neither Party shall have any future rights or obligations hereunder except with respect to:

20.3.1 §§ 14, 20 (other than § 20.1 and 20.2), 24, 25, 26, 27, 31 and 33 of this Agreement, all of which shall remain in full force and effect and shall survive any termination of this Agreement;

20.3.2 the release of the Escrow Deposit from the Pre-Closing Escrow Account and the release of the Advance Payment from the Closing Escrow Account, all as provided for in the Escrow Agreement and this Agreement; and

20.3.3 an antecedent breach.

20.4 No Termination Post-Closing. Neither of the Parties shall be entitled to terminate this Agreement after Closing except where a right of termination is expressly stated in this Agreement. It is hereby expressly agreed between the Parties that all statutory provisions that may otherwise give any of the Parties the right to terminate this Agreement under Applicable Law, shall not be applicable to this Agreement.

20.5 No Prejudice. Termination pursuant to the terms of this Agreement shall be without prejudice to any claims on the part of the terminating Party arising prior to such termination.

20.6 No Waiver

The rights of a Party hereto will not be prejudiced or restricted by any indulgence or forbearance extended to the other Party and no waiver by any Party in respect of any breach will operate as a waiver in respect of any subsequent breach.

21. Further Assurances

Subject to the terms and conditions of this Agreement, each of the Parties agrees following Closing to use all reasonable efforts to take, or cause to be taken, all actions, including the execution of all documents, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transfer of the Target Shares contemplated by this Agreement and all ancillary documents.

22. Costs and Expenses

Except as expressly provided to the contrary in this Agreement, each Party shall bear all costs and expenses incurred by it or upon its order in connection with the entering into, and the performance of, this Agreement.

23. Assignment

Except as regards financiers (including any person providing finance to the Purchaser or a Purchaser's Group Company), the Parties agree that they may not assign or transfer or in any other way alienate any of their respective rights (including receivables and/or claims) whether in whole or in part under this Agreement or any other transaction document to which it is a Party to a third party, without the prior written consent of the other Party provided that the Purchaser may assign its rights under this Agreement to an Affiliate of the Purchaser.

24. Set-Off

No Party may effect a set-off against any of the claims that another Party has against it under this Agreement other than by written agreement with the Party against which the set-off is directed or pursuant to the terms of the Vendor Loan.

25. Severability

The illegality, invalidity or unenforceability of any provision of this Agreement under any law of any jurisdiction shall not affect or impair the legality, validity or enforceability of the rest of this Agreement, nor the legality, validity or enforceability of that provision under the law of any other jurisdiction.

26. Whole Agreement

26.1 The Transaction Documents contain the entire agreement between the Parties and replace all previous agreements and understandings between them relating to their subject matter.

26.2 The Parties agree that:

26.2.1 no representations have been made in connection with any of the Transaction Documents; and

26.2.2 no warranties, undertakings or promises have been expressly or impliedly given in respect of the subject matter of the Transaction Documents other than those which are expressly stated in the Transaction Documents.

26.3 Neither Party shall have any remedy in respect of any statement not set out in the Transaction Documents unless the statement was made fraudulently.

26.4 Neither Party shall be entitled to terminate this Agreement except as otherwise expressly provided in this Agreement.

26.5 The Parties agree that they shall have no right to bring a claim in tort or under the Misrepresentation Act 1967 in connection with the Transaction Documents.

27. Third Party Rights

27.1 The Parties do not intend any third party to have the right to enforce any provision of this Agreement under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

27.2 The Parties may terminate or vary this Agreement without the consent of any third party.

28. Amendments

This Agreement may only be amended by written amendments executed by all Parties.

29. Language

This Agreement is drawn up in the English language only except that some of the Schedules are in whole or in part drawn up in the Romanian language only.

30. Counterparts

This Agreement is executed in three (3) identical counterparts. Each counterpart shall constitute an original of this Agreement but all the counterparts shall together constitute one and the same Agreement.

31. Arbitration

31.1 Any dispute, controversy or claim arising out of or in connection with this Agreement, including any question regarding its existence, validity, interpretation, breach or termination, shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the London Court of International Arbitration, which rules are deemed to be incorporated by reference into this section.

31.2 The arbitration tribunal shall consist of three arbitrators, provided that, if the amount in dispute is less than EUR 10,000,000 (ten million Euro), then the dispute shall be adjudicated by a sole arbitrator. Each of the claimant and the respondent shall nominate a party-appointed arbitrator respectively. The third arbitrator, who shall be the chairman of the tribunal, shall be nominated by the two Party-nominated arbitrators within thirty (30) days of the last of their appointments.

31.3 The venue of the arbitration proceedings shall be London, United Kingdom or in such other alternative location as shall be agreed between the Parties from time to time. The language of the arbitration shall be English.

31.4 Any award of the tribunal shall be binding from the day it is made. The Parties agree to keep confidential all matters relating to the arbitration, including related court proceedings, to the greatest extent practicable.

31.5 This § 33 constitutes a separate agreement to arbitrate which shall survive the termination of this Agreement for any reason.

32. Service of Process

32.1 The Purchaser irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent for service of process in relation to any English court proceedings in connection with this Agreement.

32.2 The Vendor irrevocably appoints TMF Corporate Services Limited of 6 St Andrew Street, 5th Floor, London, EC4A 3AE, as its agent for service of process in relation to any English court proceedings in connection with this Agreement.

32.3 Service on the agent (as named above or notified in accordance with this section) shall be deemed to be valid service whether or not the process is received by the relevant party.

32.4 If the agent changes its address to another address in England, the relevant party shall within 5 (five) Business Days notify the other parties of the new address.

32.5 If a party's agent ceases to be able to act as agent or to have an address in England, that party shall within 5 (five) Business Days notify the other parties of the appointment of a new agent, failing which the other parties may serve proceedings on that party by an advertisement in the Financial Times newspaper stating how the party may obtain a copy of the proceedings. The proceedings shall be deemed to be served on the date of publication of the advertisement.

32.6 Nothing in this Agreement shall affect a party's right to serve process in any other manner permitted by law.

33. Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by the laws of England and Wales, except where the mandatory provisions of Romanian law are applicable.

Schedule 1
Land Book Extract

Schedule 2
Extracts from the Trade Register

SCHEDULE 3

PURCHASE PRICE CALCULATION METHODOLGY

PART A
THE PURCHASE PRICE

For the purpose of the calculation of the Estimated Net Purchase Price, Revised Estimated Net Purchase Price, the Final Net Purchase Price, the Price Adjustment Amount and, for the purposes of the Estimated Net Purchase Price and Revised Estimated Net Purchase Price only, the Net to Owner Contribution, the following provisions of this Schedule shall apply:

1) Definitions:

All Capitalized Terms which are not specifically defined in this Schedule 3 shall have the meanings ascribed to them in the Agreement.

2) Calculation of Purchase Price and the Purchase Price Formula

a) The Estimated Net Purchase Price has been calculated by applying the following formula on the basis of the Initial Accounts, namely:

[PV] – [CGT] - [EOA] –/+ [SWAP] + [NAV] + [NOC] = [EEV]

[EEV] x [SV] = ENPP

Where :

[PV]	Is	The Agreed Property Value
[CGT]	is	the CGT Adjustment Amount (as defined in Section 2(d) below)
[EOA]	is	The Estimated Offset Amount
[SWAP]	is	the mark-to-market value of the hedge instruments to which the Company is a party at the Initial Accounts Date
[NAV]	is	the Estimated Aggregated NAV Adjustment Amount (calculated in the manner provided for in Section 4 below) (*Note 1*) (*Note 2*)
[NOC]	is	Net to Owner Contribution (as defined in Paragraph 5 of this Part A to Schedule 3)
[EEV]	is	the Estimated Equity Value
[SV]	is	the Vendor's Shareholding Factor at the Execution Date
[ENPP]	is	the Estimated Net Purchase Price

Notes : (1) The Estimated Aggregated NAV Adjustment Amount may be a negative figure;
(2) The Exchange Rate applied is the Initial Exchange Rate.

b) The Revised Estimated Net Purchase Price will be calculated on the same basis as paragraph (a) above other than to the extent set out in Clause 3.1.2 of the Agreement.

c) The Final Net Purchase Price will be calculated after the Closing Date following the implementation of the Price Verification Procedure by applying the following formula on the basis of the Final Accounts, namely:

[PV] - [CGT] – [OA] –/+ [SWAP] + [NAV] = [FEV]

[FEV] x [SV] = FNPP

Where :

[PV]	is	the Agreed Property Value
[CGT]	is	the CGT Adjustment Amount (as defined in Section 2(d) below)
[OA]	is	the OffSet Amount
[SWAP]	is	the mark-to-market value of the hedge instruments to which the The Company is a party at the date of Final Accounts
[NAV]	is	the Final Aggregated NAV Adjustment Amount (calculated in the manner provided for in Section 4 below) (Note 1) (Note 2)
[FEV]	is	the Final Equity Value
[SV]	is	the Vendor's Shareholding Factor on the Closing Date
[FNPP]	is	the Final Net Purchase Price

Note : (1) The Final Aggregated NAV Adjustment Amount may be a negative figure;
(2) The Exchange Rate applied is the Final Exchange Rate.

d) **The CGT Adjustment Amount.** The Parties have agreed that a value adjustment of EUR 5,700,000 (five million seven hundred thousand Euro) will be deducted from the Agreed Property Value as a full, final and total adjustment in order to compensate for any potential future exposure to capital gains tax which may arise following the Closing Date (the **"CGT Adjustment Amount"**).

e) The **Price Adjustment Amount** shall be calculated as the difference between the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant, and the Final Net Purchase Price.

f) The **Net to Owner Contribution** shall be calculated in the manner prescribed in Paragraph 5 of this Part A to Schedule 3.

3) <u>Special Arrangements</u>

The following special arrangements will be taken into consideration when calculating the Estimated Net Purchase Price, Revised Estimated Net Purchase Price (if relevant) and the Final Net Purchase Price, respectively:

a) *Exchange Rate.*

i) The Estimated Aggregated NAV Adjustment Amount has been calculated in Euros by translating the Initial Accounts denominated in RON using the Exchange Rate of 4.5985 (RON/EUR) published by the National Bank of Romania on the date of the Initial Accounts.

ii) The Final Aggregated NAV Adjustment Amount will be calculated in Euros by translating the Final Accounts denominated in RON using the Final Exchange Rate published by the National Bank of Romania on the date of the Final Accounts.

iii) No adjustments shall be made to the Final Net Purchase Price due to future foreign exchange rate fluctuations or changes in the market value of the Property and/or of the Target Shares after the Closing Date.

b) *Accounting policies.* Except as set out below, the same accounting policies shall be applied for the purpose of the preparation of the Final Accounts as have been used for the preparation of the Initial Accounts. The same accounting policies shall be applied for the purpose of calculation of the Final Aggregated NAV Adjustment Amount as have been used for the calculation of the Estimated Aggregated NAV Adjustment Amount and the Initial Accounts.

4) Provisions relating to Calculation of Final Aggregated NAV Adjustment Amount

The **"Final Aggregated NAV Adjustment Amount"** means the aggregate of the Working Capital Assets listed in Clause 4.1 below, less the aggregate of the Working Capital Liabilities listed in Clause 4.2 below.

(A) Estimated Aggregated NAV Adjustment Amount

As at the Execution Date, the Estimated Aggregated NAV Adjustment Amount has been calculated as the aggregation of the Working Capital of each of the Target Companies calculated on the basis of the Initial Accounts, with reconciled inter-company balances between the Target Companies.

4.1 Working Capital Assets. The aggregate value of all the working capital assets as reflected in the Initial Accounts, namely:

a. Cash and cash equivalents, including: **(i)** restricted cash (but specifically excluding the restricted cash deposit held on account as partial security for the repayment of the Existing Loan Facility to the extent it is taken into consideration in the calculation of the Estimated Offset Amount and/or in the calculation of the OffSet Amount); and **(ii)** any cash amounts which are deposited in a special FF&E Reserve Account in accordance with relevant provisions of the Hotel Management Agreements and which amounts are reflected as cash and/or cash equivalent in the Initial Accounts;

b. Inventories of all kinds as reflected in the Initial Accounts;

c. Short term trade and other receivables as reflected in the Initial Accounts, less any allowance for doubtful and bad debts, such as receivables of debtors which are subject to insolvency or enforcement proceedings, but excluding: **(i)** any deferred costs, prepayments for CAPEX, prepayments related to several benefits granted to discontinuing management and employees post-Closing such as but not limited to medical insurance, life insurance, school for the children, fees and expenses which will not generate future cash flow and **(ii)** receivables from any related parties (defined in accordance with Accepted Accounting Standards). Short term trade and other receivables shall be: **(aa)** included in the Initial Accounts and/or Final Accounts where they are overdue for less than 90 days at the relevant calculation date; or **(bb)** excluded in the Initial Accounts where they are overdue for more than 90 days at the relevant calculation date; provided however that where receivables are excluded from the Initial Accounts but are subsequently collected prior to the Execution Date (for the calculation of the Estimated Aggredated NAV Adjustment Amount) or finalization of the Final Accounts following the Price Verification Procedure, such collected receivables shall be taken into account in the calculation of the Estimated / Final Aggregated NAV Adjustment Amount;

d. Other Receivables – as reflected in the Initial Accounts, including advances paid, prepaid expenses, VAT recoverables, etc. The provisions of Section 4.1(c)(iii) above shall apply to such other receivables included in the Initial Accounts;

e. For the avoidance of doubt, the Company shall assign to the Vendor the right to demand and receive payment of any receivables which remain overdue more than 90 days and uncollected as at the date of the Purchase Price Statement.

4.2 Working Capital Liabilities. The aggregate value of any and all current or non-current liabilities of the Target Companies as reflected in the Initial Accounts (excluding those liabilities included in the OffSet Amount), namely:

a. Trade Payables, such as suppliers, service providers and other payables as reflected in the Initial Accounts;

b. Liability for Taxes for all of the Target Companies as reflected in the Initial Accounts;

c. Accrued expenses and other payables (including but not limited to accrued payroll expenses, accrued liabilities, advances and guarantees received from clients and/or lessees, fixed asset suppliers, deferred revenues, value added tax and other payables, untaken holidays (including related taxes and social contributions of both employer and employee), accruals for discounts received from suppliers as reflected in the Initial Accounts;

d. Accrual and provision for compliance with GDPR following GDPR gap assessment, if such costs have not already been paid for / charged to the Target Companies' account and unless such accrual / provision was included in the above items;

e. Debts and liabilities to related parties;

f. Provisions for risks as would be made in the normal course of business under the Romanian GAAP to be included in the risk weighted amount to be agreed bona fide between the parties. In absence of such agreement, Vendor's decision will prevail.

4.3 All Working Capital Assets and Liabilities should meet the definition of "assets" and "liabilities" as specified in the Romanian GAAP except where otherwise stated in this Schedule 3.

4.4 Exclusions. The following are excluded from the calculation of the Estimated Aggregated NAV Adjustment Amount, namely:

a. The Related Party Loan will be excluded from the Working Capital Assets as this was accounted for in the Offset Amount;

b. Any potential exposure to capital gains tax is fully and finally accounted for by the inclusion of the CGT Adjustment Amount in the calculation of the Equity Value as provided above, and will therefore be excluded from the calculation of the Estimated Aggregated NAV Adjustment Amount in terms hereof. For the avoidance of doubt, any deferred income tax, assets, liabilities (to the extent included in the Initial Accounts and Final Accounts) will be disregarded;

c. All and any amounts owed by the Company to the Existing Lender pursuant to the Existing Loan Facility Agreement, including prepayment and breakage costs, if any, all accrued interest as at the Closing Date, and any liablity under the hedging agreement, shall in each case be disregarded for the purpose of the calculation of the Final Aggregated NAV Adjustment Amount. All other liabilities to the Existing Lender other than the ones mentioned above are included in the calculation of Final Aggregated NAV Adjustment Amount.

d. Non-current property values (reflected in Agreed Property Value) and investment in Romextur.

e. In the calculation of the Working Capital for the Estimated Net Purchase Price a deduction from the cash balance in the Initial Accounts of EUR 3,000,000 will be applied, whilst for the calculation of the Working Capital for the Final Net Purchase Price a deduction from the cash balance in the Final Accounts of the entire BUTU Prepayment Amount will be applied to the extent this is shown as cash.

(B) Final Aggregated NAV Adjustment Amount

The provisions of Sections 4.1 to 4.3 inclusive above shall apply, *mutatis mutandis*, to the calculation of the Final Aggregated NAV Adjustment Amount on the basis of the Final Accounts.

5) Agreed Provisions relating to Net to Owner Contribution

5.1 The Parties have agreed that the Net to Owner Contribution shall be calculated as the Operating Revenues forecasted to accrue during the Contribution Period, less the Pro Rata Expenses forecasted for the Contribution Period, less the forecasted Pro Rata CAPEX and less any expected liabilities resulting during the Contribution Period from past events prior to Anticipated Closing Date or Revised Anticipated Closing Date except for those corresponding to Pro Rata Expenses as defined below:

5.1.1 **"Operating Revenues"** are comprised of: (a) the combined forecasted revenues deriving from the operation of the Radisson Hotel Facility and the Park Inn Hotel Facility, as reflected in the "SAP (Opera) Report" prepared and produced by the Hotel Operator in respect of the Contribution Period; plus (b) the forecasted rental income generated by the Commercial Areas, calculated pro rata in respect of the Contribution Period;

5.1.2 **"Pro Rata Expenses"** means the forecasted expenses expected to be incurred by the Target Companies which may be fairly and reasonably attributed to the Contribution Period on a pro rata basis, where the following expenses shall – where relevant – be taken into account: **(i)** all costs taken into account in the calculation of gross operating profit of the Target Companies; plus **(ii)** costs below the calculation of gross operating profit that have a cash impact on the Target Companies, including but not limited to: the base and incentive fees paid to the Hotel Operator; building and other insurance premiums; property and miscellaneous taxes; lease of equipment; all-in maintenance contracts; owner's costs (not directly attributable to operation of Hotels and Commercial Areas, including but not limited to Elbit Consultancy Fee, Elbit Guarantee Fee, management cost&travel, professional fees, staff related expenses, expenses with hotels' guests entries to World Class, marketing expenses, administrative expenses, expensed CAPEX funded by Owner); any Tax in respect of the Contribution Period; any other financial expenses other than those towards the Existing Lender qualifying to be included in the Offset Amount and excluding financial expenses and costs which are accounted for in the calculation of the Estimated Net Purchase Price and the Final Net Purchase Price or are related to a new financing structure in place after Closing.

5.1.3 **"Pro rata CAPEX"** - means the capital expenditures (investments in non-current assets not recorded as an expense) expected to be incurred by the Target Companies which may be fairly and reasonably attributed to the Contribution Period on a pro rata basis, where the following expenditure shall, where relevant, be taken into account: i) capital expenditure made from the FF&E reserve set up for the Hotels' operations; ii) any other capital expenditure made by the Target Companies.

5.1.4 **"Contribution Period"** means the period which shall elapse between the date of the relevant Financial Statements and the Anticipated Closing Date or Revised Anticipated Closing Date, as relevant.

5.2 The Net to Owner Contribution shall be calculated contemporaneously with the Estimated Net Purchase Price and Revised Estimated Net Purchase Price, if relevant.

PART B

INITIAL ACCOUNTS

PART C

CLOSING ACCOUNTS AND PURCHASE PRICE VERIFICATION PROCEDURE

1. Immediately following the Closing Date, the Vendor shall prepare and finalise the Final Accounts and cause the auditors of the each of the Target Companies to perform the Agreed Upon Procedures (i.e. not a full audit) on the Final Accounts. Following the Agreed Upon Procedures, the Vendor shall adjust the Final Accounts in order to incorporate the auditors' proposed adjustments.

2. The Purchaser agrees and undertakes that following the Closing Date it shall diligently use and apply all commercial, contractual, legal and statutory rights available to it as the beneficial holder of the Target Shares so as to ensure that the Final Accounts are prepared and reviewed by the auditors as aforesaid, and same by not later than 45 (forty five) Business Days following the Closing Date. In this regard, the Purchaser shall allow full and free access for the Vendor and its representatives to the Books and Records of the Target Companies following the Closing Date so as to enable and facilitate the preparation and finalization of the Final Accounts as aforesaid and the performance of Agreed Upon Procedures on the Final Accounts.

3. As soon as possible after the Closing Date the Vendor shall itself: **(i)** prepare the draft Final Accounts of the Target Companies as of the Closing Date and **(ii)** cause such Final Accounts to be reviewed by the auditors of the Target Companies to the extent of the Agreed Upon Procedure (i.e. not a full formal audit) so as to enable the proper conduct of the Price Verification Procedure on the basis of the Final Accounts in terms of this Schedule 3.

4. By not later than a date 45 (forty five) Business Days following the Closing, the Vendor shall prepare and submit the following draft documents to the Purchaser:

    (a) the draft Final Accounts for the Target Companies, following the performance of Agreed Upon Procedures (i.e. not a full audit);

    (b) the draft calculation of the Final Aggregated NAV Adjustment Amount; and

    (c) the draft Purchase Price Statement, reflecting the Price Adjustment Amount (if any).

    (together the "**Draft Final Calculation Documents**").

5. The Final Accounts shall be prepared in accordance with Part A of this Schedule 3.

6. The Parties shall provide each other (and, upon written request, the their respective accountants) with access to those assets, documents, records and information within its possession or control which they may reasonably require for the purpose of reviewing and agreeing the Draft Final Calculation Documents.

7. Within fifteen (15) Business Days starting on the day following the receipt of the Draft Final Calculation Documents (the "**Evaluation Period**"), the Purchaser shall notify the Vendor in writing whether or not it agrees with the Draft Final Calculation Documents.

8. In the event that within the Evaluation Period the Purchaser either: **(i)** notifies its agreement with the Draft Final Calculation Documents; or **(ii)** fails to give any notification whatsoever by the expiry of the Evaluation Period; then and in such event the Draft Final Calculation Documents shall be deemed final and binding on the Parties and shall thereupon be deemed to be the Final Accounts as agreed between the Parties. The Final Purchase Price and the resultant Price Adjustment Amount, if any, shall then be determined accordingly on the basis of the Final Accounts.

9. In the event, however, that the Purchaser disputes the Draft Final Calculation Documents or any part thereof, it shall be required to furnish the Vendor prior to the expiry of the Evaluation Period with its written notice (the "**Dispute Notice**") specifying: **(i)** those matters which are disputed by the Purchaser; **(ii)** its reasons and arguments for disputing those matters in reasonable detail; and **(iii)** the quantum of the adjustments which the Purchaser considers should be made to the Draft Final Calculation Documents.

10. If the Purchaser provides a Dispute Notice as aforesaid, then the Parties shall without any delay enter into discussions in a good faith endeavour to resolve any such dispute. If the Parties succeed in resolving their dispute, the Parties shall jointly confirm their agreement in writing and the resulting confirmed and (if applicable) updated Final Accounts of the Target Companies and the Purchase Price Statement shall be conclusive and binding on the Parties.

11. In the event that the Parties are unable to resolve the disputed matters or any part thereof (**"Matters in Dispute"**) within 15 (fifteen) Business Days following the Seller's receipt of Buyer's Dispute Notice (**"Resolution Period"**), then and in such event either Party shall be entitled within an additional 10 (ten) Business Days following the expiry of the Resolution Period (the **"Referral Period")** to refer the Matters in Dispute together with the Draft Final Calculation Documents to the Accounting Expert for resolution pursuant to the procedures set out in paragraph 12 below. If neither party shall have exercised its right to refer Matters in Dispute to the Accounting Expert by the expiry of the Referral Period, then and in such event the position set forth by the Purchaser in its Dispute Notice regarding the Matters in Dispute shall be deemed to have been accepted by the Vendor and agreed by the Parties, and the Draft Final Calculation Documents shall be amended accordingly to reflect those positions, whereupon the Draft Final Calculation Documents so amended shall be deemed to be final and binding upon the Parties.

12. The Accounting Expert shall act on the following basis in respect of Matters of Dispute which are referred to him for adjudication :

(a) the Accounting Expert will act upon the joint written instructions of the Parties;

(b) the Parties will not unreasonably refuse their agreement to the terms of engagement proposed by the Accounting Expert or by the other Party;

(c) the Accounting Expert will act as an expert, and not as an arbitrator;

(d) the Accounting Expert will base its review solely on the written statements and supporting documents provided by the Parties and not on an independent examination or audit of the financial or accounting records of the Target Companies;

(e) each of the Parties will provide the Accounting Expert with all information which the Accounting Expert may reasonably require in connection with the performance of its obligations arising hereunder on a timely basis;

(f) none of the Parties may present to the Accounting Expert materials relating to the Matters in Dispute except in writing and with an instruction to the Accounting Expert to release a copy thereof to the other Party once the Accounting Expert has received such materials from both Parties; and neither may they discuss such matters with the Accounting Expert unless the other Party is present;

(g) the costs of the Accounting Expert will be borne by the Parties in equal shares, unless the Accounting Expert determines otherwise based on its determination of fault in respect of the Matters in Dispute;

(h) The Accounting Expert shall make its determination in writing within 10 (ten) Business Days of the date of the referral of the Matters in Dispute to it, subject to any agreed extensions, such agreement not to be unreasonably withheld; and

(i) The Parties shall thereafter promptly adjust and amend the Draft Final Calculation Documents, including the Purchase Price Statement, in order to reflect the determination made by the Accounting Expert in respect of the Matters in Dispute.

13. The Draft Final Calculation Documents shall become final and binding upon the Parties and shall thereupon become the Final Accounts:

(a) by agreement between the Parties, as contemplated in paragraph 8 above; or

(b) by the deemed waiver of the Purchaser of its right to dispute the contents of the Draft Final Calculation Documents, as contemplated in paragraph 8 above; or

(c) by negotiation and agreement following receipt of a Dispute Notice, as contemplated in paragraph 10 above;

(d) by the deemed acceptance by Vendor of the position set forth by the Purchaser in its Dispute Notice regarding the Matters in Dispute, in the event that Vendor shall fail or decline to refer such Matters in Dispute to the Accounting Expert prior to the expiry of the Referral Period, as contemplated in paragraph 11 above; or

(e) in accordance with the determination of the Accounting Expert as contemplated in paragraph 12 above.

14. Once the Final Accounts and the Purchase Price Statement become final and binding, or are deemed to become final and binding, in accordance with this Schedule, neither of the Parties shall have any further right to challenge the Final Accounts and/or Purchase Price Statement as determined.

15. The provisions of § 3.3 of the Agreement shall govern the settlement of the Price Adjustment Amount between the Parties.

16. The determination of the Accounting Expert shall be final and binding upon the Parties and shall not be subject to further appeal, save only in the event of manifest error.

17. Any dispute which may arise between the Parties regarding the implementation of the provisions of Part C of this Schedule 3 shall be referred to arbitration in terms of § 30 of the Agreement.

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SCHEDULE 4

VENDOR'S WARRANTIES

DEFINED TERMS

All Capitalized Terms which are not specifically defined in the body of this Schedule 4 shall have the meanings ascribed to them in the Agreement.

VENDOR'S WARRANTIES MADE AS AT THE EXECUTION DATE

The Vendor's Warranties set out in this Schedule 4 are made as at the Execution Date, subject to any qualifications set forth in the Disclosure Letter, if issued, and subject to the provisions of § 9 and 10 of the Agreement**.**

1 THE VENDOR

1.1 Incorporation and capacity

The Vendor has been duly incorporated and validly exists under the laws of the Kingdom of The Netherlands. The Vendor has the requisite capacity, right, authority and power to enter into this Agreement and to sell and transfer the Bucuresti Shares and the BEA Romania Shares owned by it to the Purchaser, and to perform all of the Vendor's undertakings and obligations under this Agreement.

1.2 Authority

1.2.1 The Vendor warrants that it has taken, and that its respective shareholders, directors and officers respectively have taken, all necessary actions, steps and proceedings to approve or authorize, validly and effectively, the entering into, execution, delivery and performance of this Agreement, and all and any ancillary documentation required or necessary to consummate the Transaction contemplated under this Agreement.

1.2.2 The undertaking to sell and transfer of the Bucuresti Shares and the BEA Romania Shares to the Purchaser in terms of this Agreement constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms and provision of applicable law in force.

1.2.3 Each person signing on behalf of the Vendor has all the necessary authority to do so. The Vendor has duly and validly executed and delivered this Agreement, and, on or prior to the Closing, the Vendor shall have duly and validly executed and delivered all other ancillary Transaction Documents required to consummate the Transaction.

1.3 Filings and consents

Other than as contemplated under this Agreement, no filings, consents, authorisations, orders or approvals, declarations or registrations with, any Governmental Authority are required to be made by the Vendor in connection with the Transaction contemplated by this Agreement nor for its execution and implementation.

1.4 No default

The execution, delivery and performance of this Agreement and the consummation of the Transaction contemplated herein will not: **(i)** result in any Encumbrance upon the Bucuresti Shares and/or the BEA Romania Shares or any of the assets of the Target Companies; or **(ii)** constitute a default or a breach under or violate or contravene any provisions of:

1.4.1 the memorandum or articles of association or any other constitutional documents, by-laws or board or shareholder resolutions of the Vendor or of any of the Target Companies; or

1.4.2 any Applicable Law;

1.4.3 or any agreement or contractual restriction of any kind by which the Vendor or any of the Target Companies are bound.

2 THE TARGET COMPANIES

2.1 Incorporation and existence

The Company

2.1.1 The Company is a joint-stock company (in Romanian *societate pe actiuni*) incorporated under Romanian law, having a registered and fully paid up share capital of RON 28,186,700 (in words: twenty eight million one hundred and eighty six thousand seven hundred New Romanian Lei). The Company has been duly incorporated and validly exists under Romanian law and is duly qualified and licensed to do business in Romania.

2.1.2 The Company owns the Property and the Romextur Shares. The Company does not presently have any other business operations, assets or liabilities other than as reflected in the Initial Accounts.

2.1.3 The Company is registered with the Trade Register as appears on the copy of the extract attached as a Part A of Schedule 2.

2.1.4 The information in respect of the Company given in the Trade Registry Extract is accurate and up-to-date. No applications to the Trade Register with respect to the Company are pending.

Romextur

2.1.5 Romextur is a joint-stock company (in Romanian *societate pe actiuni*) incorporated under Romanian law, having a registered and fully paid up share capital of RON 328,080 (in words: three hundred and twenty eight thousand and eighty New Romanian Lei). Romextur has been duly incorporated and validly exists under Romanian law and is duly qualified and licensed to do business in Romania.

2.1.6 Romextur owns the Romextur Area. Romextur does not presently have any other business operations, assets or liabilities other than as reflected in the Initial Accounts.

2.1.7 Romextur legally leases the Romextur Area to the Company under the terms and conditions of the Lease Agreement applicable to the Romextur Area.

2.1.8 Romextur is registered with the Trade Register as appears on the copy of the extract attached as a Part B of Schedule 2.

2.1.9 The information in respect of Romextur given in the Trade Registry extract is accurate and up-to-date. No applications to the Trade Register with respect to Romextur are pending.

BEA Hotels Romania

2.1.10 BEA Hotels Romania is a joint stock company (in Romanian *societate pe actiuni*) incorporated under Romanian law, having a registered and fully paid up share capital of RON 90,276 (in words: ninety thousand two hundred and seventy six New Romanian Lei). BEA Hotels Romania has been duly incorporated and validly exists under Romanian law and is duly qualified and licensed to do business in Romania.

2.1.11 BEA Hotels Romania does not presently have any other business operations, assets or liabilities other than as reflected in the Initial Accounts.

2.1.12 BEA Hotels Romania is registered with the Trade Register as appears on the copy of the extract attached as a Part C of Schedule 2.

2.1.13 The information in respect of BEA Hotels Romania given in the Trade Registry Extract is accurate and up-to-date. No applications to the Trade Register with respect to BEA Hotels Romania are pending.

2.2 Directors

2.2.1 Each of the Incumbent Directors of the Target Companies and in respect of whom documents evidencing their appointment are not included in the Disclosed Documents, have been properly appointed.

2.2.2 No current or previous directors or members of the board of directors of the Target Companies have submitted any claim against the Target Companies or any of them which are currently pending, nor, to the Vendor's Knowledge, have any other claims by any of the aforementioned been threatened.

2.2.3 No current or previous directors or members of the board of directors of the Target Companies have entered into any oral or written agreement or contract with any of the Target Companies relating to the performance of their duties or to receive any remuneration or other benefits arising from their positions as directors or on the board of directors of the Target Companies, other than as Disclosed.

2.2.4 The Incumbent Directors of the Target Companies are not, to the extent that it relates to the fulfilment of their duties as directors of the Target Companies, engaged in or subject to any Proceedings, nor to Vendors' Knowledge have they been served with written notice that there are any Proceedings which have been commenced against them and/or any of them, or are pending against them or any of them.

2.3 Compliance with judgments

There are no enforceable (in Romanian *executori*) judgments or another court or administrative decisions, arbitral awards, preliminary injunctions (in Romanian *masuri asiguratori/sechestre*) or any other decisions allowing execution against any of the Target Companies or their respective assets, including the Hotel Complex and/or the Commercial Areas and/or the Land and/or the Buildings, which are outstanding against the Target Companies or any of them which have not been fully complied with.

2.4 Compliance with Applicable Laws

For so long as it or its Affiliates have held the Target Shares, and for so long as the Company has held the Romextur Shares (**"the Warrantied Period"**), the Target Companies have, conducted their businesses in accordance with Applicable Law in all material respects.

2.5 No judicial or administrative execution

2.5.1 The Target Companies are not involved in any Proceedings nor have they been served with written notice that they are involved in any Proceedings, nor to the Vendor's Knowledge are any Proceedings threatened against the Target Companies.

2.5.2 The Company has not been served with written notice that the Property and/or any part thereof is the subject of any Proceedings, nor to Vendor's Knowledge are any such Proceedings threatened against it and/or in respect of the Property and/or any part thereof;

2.5.3 Neither Romextur nor BEA Hotels Romania are involved in any Proceedings or have been served with written notice that they are involved in any Proceedings, nor to the Vendor's Knowledge are any Proceedings threatened against either of them and/or in relation to the Romextur Area.

2.5.4 None of the Vendor and/or the Target Companies have been served with written notice that there are any Proceedings which have been commenced against them and/or any of them, or are pending against them or any of them, that question or challenge the validity of any action taken or to be taken by the Vendor and/or the Company pursuant to this Agreement or in connection with the Transaction contemplated under this Agreement, nor to the Vendor's Knowledge are any such Proceedings threatened against the Vendor and/or any of the Target Companies.

3 THE PROPERTY

3.1 The Company is the exclusive owner of the Property, which includes the Hotel Complex, the Commercial Areas, the Land and the Buildings, but excludes the Romextur Area, as well as all other assets of the Company which are reflected in the Initial Accounts. The Company has a good and marketable title (in Romanian: *"este in circuitul civil"*) to the Property, and is registered with the relevant Land Books as the owner of the Property.

3.2 Romextur is the exclusive owner of Romextur Area. Romextur has a good and marketable title (in Romanian: *"este in circuitul civil"*) to the Romextur Area, and is registered with the relevant Land Books as the owner of the Romextur Area.

3.3 The information in relation to the Property and/or to the Romextur Area has been Fairly Disclosed, is true, accurate and complete in all material respects and there has been no intentional or gross negligent omissions of any information which may render any of such information inaccurate or misleading.

3.4 The Property and Romextur Area are free and clear of all and any Encumbrances (other than Permitted Encumbrances), legal defects and claims of third parties of any kind whatsoever, whether or not recorded in the Initial Accounts, or Tax obligations, unless such are included, reserved or provisioned for in the Initial Accounts.

3.5 Save as contemplated under this Agreement and/or as Disclosed: **(i)** the Company has made no applications to the Land Book/OCPI which are detrimental to the Company, except as such application would be based on documents which have been Disclosed; and **(ii)** no third-party's requests or applications have been made, nor are there any grounds for the making of such requests or applications of which it has been informed; and **(iii)** no utility service providers have a legal right to register encumbrances over the Property or any part thereof which are not reflected in the extracts from the Land Book/OCPI, nor are there any applications pending in that regard of which it has been notified.

3.6 Save as contemplated under this Agreement and/or as Disclosed: **(i)** Romextur has made no applications to the Land Book/OCPI in respect of the Romextur Area which are detrimental to Romextur, except as such application would be based on documents which have been Disclosed; and **(ii)** no third-party's requests or applications have been made, nor are there any grounds for the making of such requests or applications of which it has been informed; and **(iii)** no utility service providers have a legal right to register encumbrances over the Romextur Area or any part thereof which are not reflected in the extracts from the Land Book/OCPI, nor are there any applications pending in that regard of which it has been notified.

3.7 There are no unregistered rights or restrictions regarding the Property and/or the Romextur Area other than the Permitted Encumbrances.

3.8 Other than the Property and the Romextur Area, the Company does not own, lease, use or occupy any other immovable property.

3.9 Other than the Lease Agreements identified in the list set forth in Schedule 11 (List of Lease Agreements), and unless otherwise Disclosed, there are no occupancy rights (written or oral), leases, subleases or tenancies (including in respect of parking areas or parking spaces) affecting the Property, nor has the Company entered into any legally binding agreement which would create such rights in the future.

3.10 No fees, levies or other payments are due and payable to any third party or Public Authority for the use of or access to the Property and/or to the Romextur Area.

3.11 No Person other than the Company, Romextur and the tenants under the Lease Agreements are in possession of any part of the Property and/or the Romextur Area.

3.12 The Vendor has not received any written notice that any patent construction, structural or technical defects of a material nature exist in the Buildings, nor has the Company and/or Romextur received any such notices.

3.13 There are no disputes concerning boundaries, easements, covenants or other matters relating to the Land and/or the Buildings and/or the Romextur Area which have been notified to it, nor are there any such disputes which have been notified to the Company and/or to the Vendor's Knowledge are threatened.

3.14 Save as Disclosed, there are no restitution claims which have been filed in relation to the Property and/or any part thereof and/or the Romextur Area, nor are there any other similar claims of the former owners of the Land.

3.15 The Company and/or Romextur did not enter into any agreement for the sale of, or for the creation of any Encumbrance over, any part of the Property or of the Romextur Area, other than as reflected in the Disclosed Documents.

3.16 Any and all regulatory documents in relation to the Property and/or the Romextur Area, such as building permits, endorsements and approvals, were obtained in full compliance with the requirements of Applicable Law.

3.17 None of the Property or the Romextur Area has suffered from any flooding, subsidence, heave, landslip, structural defects, defects in the drains or dry rot, wet rot, rising damp and any infestation.

3.18 Any and all Buildings included in the Property and / or the Romextur Area were erected in full compliance with the building permits, endorsements and approvals obtained for each particular building and all buildings properly observed the height and number of parking spaces requirements in accordance with the Permits and in accordance with Applicable Law.

3.19 All Buildings which comprise the Property (excluding the the Romextur Area) are built on Land which belongs to the Company and, save as regards the Romextur Area, no land owned by any third party is affected by such constructions.

3.20 All Buildings when completed were properly and timely handed over with the observance the requirements of Applicable Law.

3.21 There is no official investigation, enquiry or proceeding outstanding or, to the Vendor's Knowledge, anticipated, which is likely to result in the suspension, cancellation, modification or revocation of any building permits, endorsements or approvals issued in relation to the Property or for the Romextur Area.

4 LEASES

4.1 Neither the Vendor, nor the Target Companies, have received any notifications from any tenant claiming that its respective Lease Agreement is not legally valid or in full force and effect.

4.2 There are no break options or early termination rights of any counterparty under any Lease Agreement, save as expressly specified therein or as otherwise Disclosed.

4.3 Neither the Vendor nor any of the Target Companies have received any written notifications from any tenant or sub-tenant purporting to exercise a right of termination under any Lease Agreement or sub-lease agreement, or purporting to reduce the size or usage of such tenant's leased area.

4.4 Neither the Company nor Romextur are in material default or material breach under any Lease Agreement as lessor or sub-lessor, and no tenants have given any written notice of default or breach under its respective Lease Agreement on the part of the Company as lessor or sub-lessor.

4.5 In respect of the Lease Agreements:

4.5.1 The Company is not obligated to make any fit-out contributions or provide other tenant incentives which have not been Disclosed or which are not specified in the Lease Agreements; and

4.5.2 No Tenant is entitled to any rent free periods, rent reductions, concessions, allowances, rebates or refunds except as provided for in the Lease Agreements; and

4.5.3 Except as Disclosed, all tenant securities have been delivered to and are held by the Company as lessor or sub-lessor.

4.6 Except as specified in the Lease Agreements, neither the Vendor nor the Company has given or promised any direct financial support to any tenants or their respective Affiliates in connection with the Commercial Areas, including payments, incentives, services, investments or loans to any tenant or its Affiliate.

4.7 Neither the Company (as lessee) nor Romextur (as lessor) are in material breach of their respective obligations under the Lease Agreement pertaining to the Romextur Area.

4.8 No brokerage or leasing commissions or other compensation is or will be due or payable by the Company or by Romextur to any person with respect to or on account of any Lease Agreement that is not reflected in the Initial Accounts.

5 ASSETS

5.1 The Target Companies are the full legal and beneficial owners of, and have good and marketable title (in Romanian:*" in circuitul civil"*) to, all their respective assets reflected in the Initial Accounts, and any assets acquired since the Initial Accounts were prepared, and all other assets used by the Target Companies except for those disposed of since the Initial Accounts in the normal course of business.

5.2 None of the assets shown in the Initial Accounts or acquired by the Target Companies since the Initial Accounts or used by the Target Companies are the subject of any lease, lease hire agreement, hire purchase agreement or agreement for payment on deferred terms or is the subject of any licence or factoring arrangement, other than as Disclosed.

5.3 The Target Companies are in possession and control of all the assets included in the Initial Accounts, and those acquired since the Initial Accounts, except for those Disclosed as being in the possession of a third party in the normal course of business.

5.4 Save for Permitted Encumbrances, none of the assets of the Target Companies are subject to an Encumbrance, or to any agreement or commitment to create an Encumbrance, and no person has claimed to be entitled to create such an Encumbrance.

The assets of the Target Companies comprise all the assets which are reasonably necessary in all material respects for the continuation of the relevant Target Company's business activities in the manner in which such business are being conducted as at the Execution Date.

6 THE TARGET SHARES

6.1 Ownership and transfer of the Target Shares

6.1.1 The Vendor is the exclusive owner of, and has full legal title to, the Bucuresti Shares, including those Bucuresti Shares acquired out of the Company's privatization. The Bucuresti Shares represent 98.2140% of the Company's entire issued and registered share capital and have been properly issued, are fully paid up and transferable and constitute all of the issued and outstanding equity interests and voting rights of the Vendor in respect of the Company.

6.1.2 The Company is the exclusive owner of, and has full legal title to, the Romextur Shares. The Romextur Shares represent 95.3% of the entire issued and registered share capital of Romextur, and have been properly issued, are fully paid up and transferable and constitute all of the issued and outstanding equity interests and voting rights of the Company in respect of Romextur.

6.1.3 The Vendor is the exclusive owner of, and has full legal title to, the BEA Romania Shares. The BEA Romania Shares represent 99.99% of the entire issued and registered share capital of BEA Hotels Romania, and have been properly issued, are fully paid up and transferable and constitute all of the issued and outstanding equity interests and voting rights of the Vendor in respect of BEA Hotels Romania.

6.1.4 Parent, being the majority shareholder of the Vendor, is the exclusive owner of, and has full legal title to, the Parent Share in BEA Hotels Romania. The Parent Share represents 0.01% of the entire issued and registered share capital of BEA Hotels Romania, and has been properly issued, is fully paid up and transferable and constitutes all of the issued and outstanding equity interests and voting rights held by Parent in the issued share capital of BEA Hotels Romania

6.1.5 There are no outstanding securities convertible into shares in the Company, Romextur or BEA Hotels Romania.

6.1.6 There are no shareholders' agreements in relation to the Company, Romextur or BEA Hotels Romania.

6.1.7 Save as provided by the relevant provisions of Applicable (Romanian) Law, there are no existing: **(i)** options, calls, subscriptions, pre-emption or other rights, convertible securities, agreements or commitments of any character (other than arising under this Agreement) obligating the Vendor, the Parent or the Target Companies or any of them to issue, transfer or sell any equity interests or securities convertible into or exchangeable for such equity interests; **(ii)** contractual obligations of the Vendor, the Parent or the Target Companies or any of them to repurchase, redeem or otherwise acquire any equity interests in the Company, Romextur or BEA Hotels Romania, as the case may be; or **(iii)** voting agreements to which the Vendor, Parent and/or any of the Target Companies is a party with respect to the voting of equity interests in the Company, Romextur or BEA Hotels Romania, as the case may be.

6.1.8 The Vendor has not been served with any written notice that a third party has made any claim in respect of the ownership or title to the Bucuresti Shares and/or the Romextur Shares and/or the BEA Romania Shares and/or the Parent Share, and no such third party claims have been notified to any of the Target Companies, or to the Vendor's Knowledge are threatened, which claim any rights to the ownership of any of the Target Shares and/or the Romextur Shares.

6.1.9 Save a provided for in the Agreement, there are no approvals or consents for the sale and transfer (directly or indirectly) of the Target Shares and/or Romextur Shares that are required to be obtained by the Vendor, whether under the provisions of Applicable Law or by operation of any agreement, or, to the extent required, they have been duly obtained.

6.2 No Encumbrance

Other than the Permitted Encumbrances, the Target Shares and/or the Romextur Shares are free and clear of all and any Encumbrances and other third party rights, and there is no commitment to give or create any of the foregoing. Other than in respect of the Permitted Encumbrances, none of the Target Companies have received notice from any person claiming to be entitled to the benefit of any Encumbrance or entitlement in respect of any of the Target Shares and/or the Romextur Shares, nor to the Vendor's Knowledge are there any such claims or entitlements which are threatened or alleged.

6.3 Additional share capital; cash distributions

6.3.1 From 1 January 2017, none of the Target Companies have declared or paid or made any other distributions on or in respect of, any of their respective equity interests. Other than as provided in terms of this Agreement, there is no agreement, arrangement or obligation requiring the transfer or redemption of, or the grant to a person of the right to require the transfer or redemption of any of the Target Shares and/or the Romextur Shares (including any option right, conversion right or right of pre-emption provided under or pursuant to Applicable Law or the articles of association of the Target Companies).

6.3.2 No person is entitled to or has claimed to be entitled to require any of the Target Companies to issue any shares or other equity securities in any of the Target Companies.

6.3.3 All dividends or distributions declared, made or paid out by the Target Companies during the Warrantied Period have been declared, made or paid in accordance with that relevant Target Company's constitutional documents, Applicable Law and any agreements or arrangements made with any third party regulating the payment of dividends and distributions.

6.3.4 The Target Companies have not at any time during the Warrantied Period given any financial assistance in contravention of the Applicable Law.

7 TAX MATTERS

7.1 Tax Filings.

7.1.1 The Vendor is resident for Tax purposes in the Kingdom of The Netherlands. The Target Companies are all residents for Tax purposes in Romania. None of the aforegoing are residents for Tax purposes in any other jurisdiction other than as specified above.

7.1.2 The Target Companies are duly registered with the relevant fiscal authority (including for VAT purposes, where relevant) and have been so registered at all times when they are required to be so registered under the provisions of Applicable Law.

7.1.3 The Initial Accounts provide adequate provisions for all Tax for which the Target Companies are liable, including Tax losses.

7.1.4 **(i)** the Target Companies have effected all registrations and filings with the Tax Authority and have filed all Tax returns required to be filed by it within the applicable time limits and in a correct and complete manner in all material respects; and **(ii)** the Target Companies have paid, or adequately provided for in the Initial Accounts, all Taxes which are due and payable, and has paid all assessments, reassessments, penalties, interest and fines due and payable by it.

7.1.5 None of the Target Companies have received from any Tax Authority any payment to which they were not entitled, nor have any of the Target Companies received any Tax assessment in which its Tax liability was understated.

7.1.6 There are no liens imposed upon the Land and/or the Buildings relating to or attributable to unpaid Taxes. To Vendor's Knowledge there is no basis for any claim relating to Taxes which, if adversely determined, would result in any lien being so imposed.

7.1.7 The Target Companies are not party to any special arrangement pursuant to which it has agreed or will be required to make any special Tax payments after the Closing Date, nor to the Vendor's Knowledge are Romextur and/or BEA Hotels Romania party to any such arrangements, which will not be adequately provided for in the Closing Accounts.

7.1.8 The Target Companies have complied in all material respects with all their statutory obligations to keep financial documents required for accounting and/or tax purposes relating to the open tax periods, and to the Vendor's Knowledge both Romextur and BEA Hotels Romania are in compliance in all material respects with such statutory obligations.

7.1.9 There are no existing claims, audits, inquiries, investigations or examinations or any Proceeding pending with respect to any of the Target Companies, which have been initiated and notified to the relevant Target Company in relation to Tax and which, if determined adversely, would result in the assertion by any relevant authority of any Tax deficiency against the relevant Target Company.

7.1.10 There are no outstanding Tax liabilities (including material penalties, default interest or fines in connection with any Taxes) for which any of the Target Companies are liable and which will not be adequately provided for in the Initial Accounts.

7.1.11 The Target Companies have complied with all their statutory obligations to obtain and hold residency certificates for all related party transactions.

7.1.12 The Target Companies have prepared complete transfer pricing documentation files during the last seven (7) years.

7.1.13 The Target Companies have prepared and hold back-up documentation for the last seven (7) years (i.e. exemption certificates) for suppliers of services/goods for which the VAT exemption with deduction right was applied.

7.1.14 The Company holds corporate income tax computations for the last seven (7) years, detailing all non-deductible expenses (including the allocation of the common expenses) and non-taxable revenues.

7.1.15 The Company holds a signed statement of beneficial owner for the interest payments made by the Company to Bea Finance.

7.1.16 The Target Companies hold beneficiary owner representations for withholding tax purposes for all transactions subject to withholding tax.

7.1.17 All interest expenses related to the Existing Loan Facility used for equity operations as well as for the payment of the guarantee fee paid to Elbit for the Existing Loan Facility used for equity operation and Related Party Loan are deductible.

7.1.18 The interest in relation to the Related Party is in compliance with Applicable Law and it may not be subject to any seizure.

7.1.19 All expenses and associated VAT recoverability in relation to service expenses provided by third parties and related parties suppliers are deductible.

7.1.20 VAT liabilities have not been underestimated.

7.1.21 There are no transfer pricing adjustments.

7.1.22 The Company's management has been remunerated in accordance with Applicable Law.

7.1.23 There are no VAT liabilities in relation to operations deemed as VAT exemption with deduction right.

7.1.24 There are no tax liabilities arising from and in connection with the sale of Cina restaurant.

7.1.25 There are no tax liabilities arising from inventory losses.

7.1.26 HoReCa tax has been duly assessed and paid and/or provisioned.

7.2 Other Warranties.

7.2.1 During the Warrantied Period, none of the Target Companies have been engaged in, nor have they become parties to, any transaction or series of transactions or any scheme or other arrangement which is contrary to Applicable Law, or deemed to involve or result in the illegal avoidance of, deferral of or reduction in any Tax liability.

8 ACCOUNTS

8.1 A complete copy of the Initial Accounts (i.e. comprising of Profit & Loss, Balance Sheet, Notes and all required disclosures as per Applicable Law) has been provided and Disclosed to the Purchaser as part of the Disclosed Documents.

8.2 All Financial Statements and the Initial Accounts during the last seven (7) years have been prepared in accordance the Accepted Accounting Standards consistently applied (save where specifically provided to the contrary), and fairly present in all material respects the financial position of each of the Target Companies and the results of the operations of the relevant Target Companies as of the dates and for the periods referred to therein.

8.3 As of the Execution Date, no change in accounting policies or methods was made in the period between the Initial Accounts and the Execution Date. As of the Closing Date, no change in accounting policies or methods was made in the period between the Initial Accounts and the Closing Date.

9 FINANCIAL STATUS AND INSOLVENCY

9.1 None of the Target Companies are subject to any bankruptcy, insolvency or other similar Proceedings, nor are they subject to Proceedings on enforcement of any court or administrative decision. No order has been made, petition presented or resolution passed for the liquidation or corporate restructuring of any of the Target Companies. The Target Companies are not insolvent (in Romanian *in stare de insolventa*) or unable to pay their debts as they fall due.

9.2 All Books and Records of the respective Target Companies have been and are properly maintained by it or under its direct control, are fairly represent in all material respects all matters which are required to be recorded therein under any relevant Applicable Laws.

9.3 Since the reporting date of the Initial Accounts, the businesses of each of the Target Companies has been conducted only in the ordinary course of business.

9.4 Since the reporting date of the Initial Accounts and save as Disclosed, the Target Companies have not other than in the normal course of business: **(i)** waived or committed to waive any material rights; **(ii)** made any increase in any of the compensation payable or to become payable to any officer, board member or director; **(iii)** suffered any material damage, destruction or casualty loss in respect of any of part of the Property and/or any of their assets, whether or not covered by insurance; **(iv)** failed to pay and discharge current liabilities as and when due, except in the case of such liabilities which are disputed in good faith; or **(v)** permitted the establishment of any Encumbrance on any of its assets other than the Permitted Encumbrances.

9.5 Other than in the ordinary course of business and consistent with past practice, since the most recent Financial Statement (December 31, 2016), there has been no MAC Event affecting the assets and/or liabilities for each of the Target Companies that are not reflected in the Initial Accounts.

9.6 No step has been taken in any jurisdiction to initiate any process by or under which:

(i) the ability of the creditors of the Target Companies, to take any action to enforce their debts is suspended, restricted or prevented; or

(ii) some or all of the creditors of the Target Companies accept, by agreement or in pursuance of a court order, an amount less than the sums owing to them in satisfaction of those sums with a view to preventing the dissolution of the Target Companies; or

(iii) a person is appointed to manage the affairs, business and assets of the Target Companies, on behalf of the Target Companies' or any of its creditors; or

(iv) the holder of a charge over all or any of the Target Companies' assets is appointed to control the business and/or all or any assets of the Target Companies.

10 EXISTING CONTRACTS

10.1 For the purposes of this Section 10, the term **"Material Contract"** means an agreement or contractual arrangement to which any of the Target Companies is a party and which is of material significance to the business, profits or assets of the relevant Target Company.

10.2 Except for the Material Contracts which have been Disclosed, none of the Target Companies is a party to any agreement or arrangement which:

(i) is a Material Contract; or

(ii) is of an unusual or exceptional nature; or

(iii) is not in the ordinary and usual course of its business activities; or

(iv) may be terminated as a result of any change of control of any of the Target Companies; or

(v) restricts the freedom of any of the Target Companies to carry on the whole or any part of its business activities in such manner as it thinks fit; or

(vi) involves agency or distributorship; or

(vii) constitutes a shareholders agreement;

(viii) involves the creation of partnerships, joint ventures, consortiums, joint development or similar arrangements; or

(ix) cannot be readily fulfilled or performed by any of the Target Companies in a timely manner without the extraordinary expenditure of its available resources; or

(x) requires any of the Target Companies to pay any commission, finders' fee, royalty or the like;

(xi) is not on arm's length terms; or

(xii) is for the supply of goods and/or services by or to any of the Target Companies on terms under which retrospective or future discounts, price reductions or other financial incentives are given.

10.3 Each Material Contract is in full force and effect and binding on the parties to it. None of the Target Companies have defaulted under or are in material breach of a Material Contract and:

(i) no other party to a Material Contract has defaulted under or breached such a contract; and

(ii) to Vendor's Knowledge no such default or breach by any of the Target Companies or any other party is likely or has been threatened.

10.4 No notice of termination of a Material Contract has been received by or served upon any of the Target Companies, and to Vendor's Knowledge there are no grounds for determination, rescission, avoidance, repudiation or a material change in the terms of any such contract.

10.5 There are no agreements or arrangements to which any of the Target Companies are subject and which involve obligations or liabilities that ought reasonably to be made known to the Purchaser.

11 EMPLOYEES

11.1 Save for the Company Employees and for the Hotel Employees who are listed and specified in the Employee Schedule (Schedule 17) and/or as otherwise Disclosed, the Target Companies currently do not have any other employees, nor do they have any outstanding obligations in respect of any employees (past or present) arising under Applicable Law.

11.2 There are no contracts of employment in place with any Incumbent Directors or officers of any of the Target Companies that are not at arm's length.

11.3 BEA Hotels Romania currently employs those Hotel Employees who are listed and specified in the Employee Schedule (Schedule 17). Save as Disclosed, BEA Hotels Romania is in compliance in all material respects with its duties and obligations as an employer under the relevant provisions of Applicable Law, and specifically there are no outstanding obligations of a material nature in respect of any of the Hotel Employees arising under Applicable Law.

11.4 The acquisition of the Target Shares (and indirectly the Romextur Shares), or compliance with the terms of this Agreement, will not entitle any Incumbent Directors or any senior employees of any of the Target Companies to terminate their employment and to demand any payment or other benefit.

11.5 None of the Target Companies is a party to, bound by or proposing to introduce in respect of its Incumbent Directors and employees any redundancy payment scheme in addition to statutory redundancy pay, nor is there any agreed procedure for redundancy selection.

11.6 None of the Target Companies is a party to, bound by or proposing to introduce in respect of any of its Incumbent Directors or employees any incentive scheme (including, without limitation, any share option arrangement, profit sharing, commission or bonus scheme).

11.7 None of the Target Companies has in the last 36 months incurred any actual or contingent liability in connection with any termination of employment of its employees (including redundancy payments), or for failure to comply with any order for the reinstatement or re-engagement of any employee, which are not reflected in the Closing Accounts.

11.8 None of the Target Companies has incurred any liability for failure to provide information or to consult with employees under any applicable employment legislation.

11.9 Other than as reflected in the Employees Schedule (Schedule 17), or otherwise as Disclosed, none of the Target Companies has in the last 12 months altered nor have they undertaken to alter (whether to take effect prior to, on or after the Closing Date) any of the terms of employment or engagement of any of the employees other than in the ordinary course of business.

11.10 None of the Target Companies has, nor have they undertaken to, transfer or agree to transfer any employee from his or her employment with any of the Target Companies, or induce any employee to resign his or her employment with such company.

11.11 There are no sums owing to or from any employee other than for reimbursement of expenses, wages for the current salary period and holiday pay for the current holiday year.

11.12 None of the Target Companies has offered, promised or agreed to any future variation in the contract of any employee other than in the ordinary course of business.

11.13 In respect of each employee, the respective Target Companies have in all material respects:

(i) performed all obligations and duties they are required to perform (and settled all outstanding claims) which arise under contract, applicable legislation or otherwise;

(ii) complied with the terms of any relevant agreement or arrangement with any employee representative or body of employees or their representatives; and

(iii) maintained adequate, suitable and up to date records.

11.14 Save as Disclosed, no employee is currently subject to a disciplinary warning or procedure which may result in his or her dismissal.

12 RELATED PARTY AGREEMENTS

12.1 Save as Disclosed or otherwise addressed in this Agreement, there are no other agreements or arrangements of any kind between the Target Companies and the Vendor and/or any of the Vendor's Affiliates.

12.2 Payments to be made on or prior to Closing from the Target Companies to the Vendor and/or to its Affiliates are reflected in the Initial Accounts.

13 COMPLETENESS OF DISCLOSED DOCUMENTS

13.1 The Disclosed Documents which are contained in the Vendor's virtual data room and in its physical data room in the form Disclosed to the Purchaser, are correct and complete copies of those documents in all material respects (unless the incompleteness of a particular document is evident from the face of such document), none of which have been amended or supplemented except as Disclosed.

13.2 The Vendor has not deliberately withheld any information which, if Disclosed, might negatively affect the willingness of the Purchaser to acquire the Target Shares (and indirectly the Romextur Shares) in terms of this Agreement.

14 CONSTITUTIONAL AND CORPORATE DOCUMENTS

14.1 The copies of the constitutional and corporate documents of the Target Companies Disclosed to the Purchaser or its advisers are true, accurate and complete in all material respects, and copies of all the resolutions and agreements required to be annexed to or incorporated in those documents by the Applicable Law are annexed or incorporated.

14.2 All statutory books and registers of the Target Companies have been properly kept in all material respects and no notice or allegation that any of them is incorrect or should be rectified has been received.

14.3 All returns, particulars, resolutions and other documents which the Target Companies are required by law to file with or deliver to any authority in any jurisdiction (including, in particular, one responsible for maintaining a register of companies) have in all material respects been correctly made and filed or, as the case may be, delivered.

14.4 All shareholders' resolutions of the Target Companies during the Warrantied Period were taken in compliance with Applicable Law and there are no irregularities in relation to such in all material respects.

15 INSURANCE

15.1 The relevant Target Company is party to the Insurance Policies, as have been provided to the Purchaser in the Disclosed Documents and listed in Schedule 8, and to no other insurance policies.

15.2 All the Insurance Policies are in full force and effect, are not void or voidable, nothing has been done or not done which could make any of them void or voidable and Closing will not terminate, or entitle any insurer to terminate, any such policy.

15.3 The relevant Target Company has made all payments required to be made under all Insurance Policies for all periods up to the Closing Date.

15.4 None of the Target Companies: **(i)** have received a written notice of cancellation of any Insurance Policy that is still pending and has not been withdrawn; or **(ii)** are in default with respect to any of the provisions contained in any Insurance Policy and have not failed to give any notice or pay any premium or present any claim under such Insurance Policy.

15.5 There are no unsettled insurance claims in respect of such insurance policies, other than those listed in Schedule 8.

15.6 To the extent that the Vendor has made claims under the existing Insurance Policies, such claims have been made in accordance with the terms and conditions of such existing Insurance Policies in respect of the insured losses suffered thereby, and the Vendor has not been notified of any denial of coverage. The provisions of this Paragraph 15.6 are applicable, *mutatis mutandis,* to each of the Target Companies.

16 CONSTRUCTION WARRANTIES

16.1 All remaining construction warranties related to the Hotel Complex (collectively, the "**Construction Warranties**") are in force for the remainder of their validity period), and no waiver has been made under any Construction Warranty.

17 ENVIRONMENTAL MATTERS

17.1 Throughout the Warrantied Period:

17.1.1 None of the Target Companies have by their respective operations been in material breach of the applicable Environmental Laws;

17.1.2 Neither the Company nor Romextur nor the Hotel Operator has discharged or dumped any Environmental Contaminants on the Property or into the environment.

17.2 The Target Companies have obtained and complied with Environmental Laws in all material. All permits issued under applicable Environmental Laws are in full force and effect, and there are no facts or circumstances that may lead to the revocation, suspension, variation or non-renewal of or the inability to transfer any such permits.

17.3 All information provided by or on behalf of the Target Companies to any relevant enforcement authority, and all records and data required to be maintained by the Target Companies under the provisions of any Environmental Laws, are complete and accurate in all materials respects.

17.4 The Target Companies have never been required to hold, or have never applied for, a waste disposal licence, or a waste management licence, under any Environmental Laws.

17.5 There have been no claims, investigations, prosecutions or other proceedings against or threatened against any of the Target Companies or any of its Incumbent Directors or employees in respect of harm arising from the operation of the business or occupation of any part of the Property, or for any breach or alleged breach of the terms and conditions of any permits or of the Environmental Laws, and to the Vendor's Knowledge there are no facts or circumstances that may lead to any such claims, investigations, prosecutions or other proceedings. At no time has any of the Target Companies received any notice, communication or information alleging any liability in relation to any environmental matters or that any remediation works are required.

17.6 None of the Target Companies has received any enforcement, prohibition, injunction, remediation, improvement or any other notice from any enforcement authority, including the relevant Romanian environmental authority, with regard to any breach of Environmental Laws.

18 POWERS OF ATTORNEY/BANK ACCOUNTS

18.1 Schedule 6 *(Powers of Attorney)* contains a statement that currently there are no effective power of attorneys issued on behalf of the Target Companies.

18.2 Schedule 8 *(Bank Accounts)* contains a complete and accurate list of all banking accounts maintained by each of the Target Companies, the account numbers thereof, the names of all banks or other financial institutions in which any such accounts are held and details of all signatories.

18.3 No person, acting as agent under a power of attorney or otherwise, is entitled or authorised to bind or commit any of the Target Companies to any obligation not in the ordinary course of that Target Company's business.

19 ANTITRUST

19.1 None of the Target Companies is engaged in any agreement, arrangement, practice or conduct which amounts to an infringement of anti-trust laws under the Applicable Law, and no Incumbent Director is engaged in any activity which would be an offence or infringement under any such anti-trust laws.

19.2 None of the Target Companies is the subject of any investigation, inquiry or proceedings by any relevant government body, agency or authority in connection with any actual or alleged infringement of anti-trust laws under the Applicable Law.

19.3 No such investigation, inquiry or proceedings as mentioned in paragraph 19.3 of this Schedule 4 have been threatened or are pending and there are no circumstances likely to give rise to any such investigation, inquiry or proceedings.

19.4 None of the Target Companies is affected by any existing or pending decisions, judgments, orders or rulings of any relevant government body, agency or authority responsible for enforcing the anti-trust laws and none of the Target Companies have given any undertakings or commitments to such bodies which affect the conduct of their respective businesses.

20 LICENCES AND CONSENTS

20.1 Each Target Companies has all necessary Permits necessary to carry on its business in the places and in the manner in which its business is now carried on, all of which are currently valid and subsisting for the period for which they have been issued.

20.2 There are no grounds for the suspension, cancellation or revocation of the Permits referred to in Paragraph 20.1 above.

20.3 The Company has submitted a complete file for the prolongation of the license no. D/1411 issued on 21 February 2017 for the operation of food service activity at the address 63-81 Victoria Avenue for the year 2018, as well as license no. D/1414 issued on 20 March 2017 for the operation of food service activity in 2018 at the address 2-4 Luterana Street. Such file contains the entire documentation that was required in the past for the issuance of food service activity licences.

21 SUPPLIERS

21.1 In the 12 months ending with the Execution Date, the business activities of the Target Companies have not been materially and adversely affected due to a loss of any of their major suppliers, or by reason of a change in the terms upon which it trades with such suppliers.

22 TRANSACTIONS WITH THE VENDOR

22.1 Save as Disclosed, there is no outstanding Indebtedness or other liability (actual or contingent) and no outstanding contract, commitment or arrangement between any of the Target Companies and any of the following:

(i) the Vendor, or any Vendor Group Company (other than the Target Companies); or

(ii) any Incumbent Director.

22.2 The Vendor is not entitled to a claim of any nature against any of the Target Companies which arise from events or circumstances that occurred prior to the Execution Date, nor are the any claims or causes of action against any of the Target Companies which have been assigned to any person and to which the Vendor would otherwise be entitled.

23 FINANCE AND GUARANTEES

23.1 Full particulars of all monies borrowed by the Target Companies (including full particulars of the terms on which such monies have been borrowed) have been Disclosed.

23.2 Save for the Permitted Encumbrances, no guarantee, mortgage, charge, pledge, lien assignment or other security agreement or arrangement has been given by or entered into by any of the Target Companies or any third party in respect of borrowings or other obligations of the Target Companies.

23.3 The total amount borrowed by the Target Companies does not exceed any limitations on the borrowing powers contained:

(i) in the constitutional documents of the Target Companies; or

(ii) in any debenture or other deed or document binding on any of the Target Companies.

23.4 Save as Disclosed, none of the Target Companies has any outstanding loan capital nor have they lent any money to any third party, that has not been repaid and there are no debts owing to the Target Companies other than debts that have arisen in the normal course of business.

23.5 None of the Target Companies have:

(i) factored any of its debts or discounted any of its debts or engaged in financing activities of a type which are not required to be reflected in the Initial Accounts in accordance with the Accepted Accounting Standards; or

(ii) waived any right of set-off it may have against any third party.

23.6 No Indebtedness of any of the Target Companies is due and payable and no security over any of the assets of the Target Companies is now enforceable, whether by virtue of the stated maturity date of the Indebtedness having been reached or otherwise. None of the Target Companies has received any notice from any creditor requiring any payment to be made and/or intimating the enforcement of any security which it may hold over the assets of the Target Companies.

23.7 Other than in relation to the Existing Loan Facility and the Related Party Loan, none of the Target Companies has given or entered into any guarantee, mortgage, charge, pledge, lien, assignment or other security agreement or arrangement or is responsible for the Indebtedness, or for the default in the performance of any obligation, of any other person.

23.8 None of the Target Companies is subject to any arrangement for receipt or repayment of any grant, subsidy or financial assistance from any government department or other body.

23.9 Particulars of the balances on all the Bank Accounts showing the position as at the day immediately preceding the Execution Date have been Disclosed in Schedule 7. The Target Companies have no bank accounts other than those specified in Schedule 7.

23.10 Save as Disclosed, a change of control of any of the Target Companies will not result in:

(i) the termination of, or have a material affect on, any financial agreement or arrangement to which any of the Target Companies is a party; or

(ii) any Indebtedness of any of the Target Companies becoming due, or capable of being declared due and payable, prior to its stated maturity date.

24 INTELLECTUAL PROPERTY

24.1 For the purposes of this Section 24, the term **"Intellectual Property Rights"** means: patents, rights to inventions, copyright and related rights, trade marks, business names and domain names, licenses, goodwill and the right to sue for passing off, rights in designs, rights in computer software, database rights, rights to use, and protect the confidentiality of, confidential information (including know-how and trade secrets), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist.

24.2 The Vendor has, in all material respects, Disclosed complete and accurate particulars of all registered Intellectual Property Rights (including applications for such rights, as well as licenses, agreements, authorizations and permissions) and material unregistered Intellectual Property Rights owned, used or held for use by the Target Companies.

24.3 Save as Disclosed the Target Companies are the sole legal and beneficial owners of (or applicants for) the Intellectual Property Rights, free from all Encumbrances.

24.4 The Intellectual Property Rights held by the Target Companies are sufficient in order to carry on their respective activities as currently carried out.

24.5 The Intellectual Property Rights which have been Disclosed are valid, subsisting and enforceable and nothing has been done or omitted to be done as a result of which such Intellectual Property Rights have ceased or might cease to be valid, subsisting or enforceable.

24.6 There has been no infringement by any third party of any Intellectual Property Rights nor to Vendor's Knowledge is any such infringement anticipated.

24.7 A change of control of Target Companies will not result in the termination of or materially affect any Intellectual Property Rights.

24.8 The activities of the Target Companies:

(i) have not infringed and do not infringe the Intellectual Property Rights of any third party;

(ii) have not given and do not give rise to any obligation to pay any royalty, fee, compensation or any other sum whatsoever.

25 INFORMATION TECHNOLOGY

25.1 For the purposes of this Section 25:

25.1.1 **"IT System"** means all computer hardware (including network and telecommunications equipment) and software (including associated preparatory materials, user manuals and other related documentation) owned, used, leased or licensed by or to the Target Companies.

25.1.2 **"IT Contracts"** means all arrangements and agreements under which any third party (including without limitation any member of the Vendor's Affiliates provides any element of, or services relating to, the IT System, including leasing, hire purchase, licensing, maintenance and services agreements.

25.2 The Vendor has in all material respects Disclosed complete and accurate particulars of the IT System and all IT Contracts.

25.3 Save as Disclosed, the Target Companies are the owners of the IT System free from Encumbrances. The Target Companies have obtained all necessary rights from third parties to enable them to make unrestricted use of the IT System.

25.4 The IT Contracts are valid and binding and no act or omission has occurred which would, if necessary with the giving of notice or lapse of time, constitute a breach of any such contract.

25.5 There are and have been no claims, disputes or proceedings arising or threatened under any IT Contracts.

25.6 None of the IT Contracts are liable to be terminated or otherwise materially affected by a change of control of the Target Companies.

25.7 The elements of the IT System:

(i) are properly functioning and are not defective in any material respect;

(ii) include sufficient user information to enable reasonably skilled personnel in the field to use and operate the IT System without the need for further assistance; and

(iii) have been satisfactorily and regularly maintained and the IT System has the benefit of appropriate maintenance and support agreements.

25.8 The Target Companies have implemented appropriate procedures (including in relation to off-site working where applicable) for ensuring the security of the IT System and the confidentiality and integrity of all data stored in it.

25.9 The Target Companies have in place a disaster recovery plan which is fully documented and would enable the business Target Companies to continue if there were significant damages to or destruction of some or all of the IT System.

26 DATA PROTECTION

26.1 Save as Disclosed or otherwise provided for in this Agreement, the Target Companies have fully complied with the requirements of Applicable Law concerning rights in respect of privacy and personal data.

26.2 The Target Companies have contracted legal and technical advisors to perform: (i) A preliminary assessment ("As is" analysis); (ii) A gap analysis; (iii) an action plan – providing for actions to be taken in view of ensuring the compliance of the data processing activities with the legal requirements, as well as an implementation plan for such solutions; (iv) the actual implementation, i.e. developing the data privacy documentation and other customized data privacy controls depending on the assessment results and (v) the trainings and workshops for employees.

27 EFFECT OF SALE OF SHARES

Neither the acquisition of the Target Shares by the Purchaser and respectively the Romextur Shares indirectly, nor compliance with the terms of this Agreement will:

(i) cause the Target Companies to lose the benefit of any right or privilege it presently enjoys; or

(ii) relieve any person of any obligation to the Target Companies (whether contractual or otherwise), or enable any person to determine any such obligation or any right or benefit enjoyed by the Target Companies, or to exercise any right in respect of, the Target Companies; or

(iii) give rise to or cause to become exercisable any right of pre-emption over the Target Shares and Romextur Shares; or

(iv) entitle any person to acquire, or affect the entitlement of any person to acquire, any shares in the Target Companies; or

(v) result in any customer or supplier being entitled to cease dealing with the Target Companies or to reduce substantially its existing level of business or to change the terms on which it deals with the Target Companies; or

(vi) result in any officer or senior employee leaving the Target Companies; or

(vii) result in a breach of contract, law, regulation, order, judgment, injunction, undertaking, decree or other like imposition; or

(viii) result in the loss or impairment of or any default under any licence, authorisation or consent required by the Target Companies for the purposes of their business; or

(ix) result in the creation, imposition, crystallisation or enforcement of any Encumbrance on any of the assets of the Target Companies; or

(x) result in any present or future Indebtedness of the Target Companies becoming due and payable, or capable of being declared due and payable, prior to its stated maturity date or in any financial facility of the Target Companies being withdrawn.

28 BROKERS

Save as Disclosed, no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any broker's or finder's fee or any other commission or similar fee due or payable by any of the Target Companies in connection with the Transaction contemplated by this Agreement.

VENDOR'S WARRANTIES REPEATED AS AT THE CLOSING DATE

The Vendor's Warranties are repeated as at the Closing Date, subject to any qualifications set forth in the Disclosure Letter, if issued, and subject to the provisions of § 9 and 10 of the Agreement.

Schedule 5

Disclosed Documents

#28.11.2017

VENDOR'S DISCLOSURE LETTER

1. This Disclosure Letter, including the Disclosure Schedule, is made and given pursuant to the provisions of the Master Agreement for the Sale and Purchase of the Target Shares in Bucuresti Turism S.A. and in BEA Hotels Eastern Europe (Romania) S.A., and indirectly in Romextur S.A. dated 29 November 2017 (the **"SPA"**).

2. This Disclosure Letter makes disclosures for the purpose of detailing exceptions to the Vendor's Warranties made under Schedule 4 of the SPA (the **"Vendor's Warranty Schedule"**).

3. In this regard it should be noted that :

   A. The Section and/or Schedule numbers in this Disclosure Letter correspond to the section numbers in the Vendor's Warranty Schedule where such disclosure is appropriate, unless specifically stated otherwise.

   B. Any defined or capitalized terms appearing in this Disclosure Letter shall have the same meanings as are conferred upon them in terms of the SPA, unless the context otherwise requires.

   C. The disclosure of any matter or document in this Disclosure Letter will neither imply any condition, warranty or representation not expressly given in the SPA, nor be taken as extending the scope of any condition or Warranty given in the Agreements.

   D. The matters referred to in this Disclosure Letter and the exceptions raised herein relate solely to the Target Companies, the Target Shares and the Property.

   E. Save only as provided to the contrary in terms of the SPA, neither the Vendor nor any of its Incumbent Directors or the Incumbent Directors of the Target Companies shall have any liability in respect of any Claim to the extent that such claim, or the subject matter thereof, arises from or consists of any fact, matter or circumstances which has been disclosed in this Disclosure Letter.

   F. All matters Fairly Disclosed in this Disclosure Letter are deemed to have been "Disclosed" for the purposes of the SPA.

   G. The Vendor makes no further warranties, whether express or implied, other than those Warranties set forth in the Vendor Warranty Schedule, nor do they accept any other liability in contract, tort, or otherwise, with respect to the information Disclosed in this Disclosure Letter other than as provided for in the SPA.

4. **Disclosure Schedule**

Section 3.3. and 3.21

i. As Disclosed from the documentation provided in VDR, in sections 2.8.1.2.1 and 2.11.1, there are several handover minutes missing, namely with respect to:

- BP no 541 / 2012 authorising interior and exterior fit-out works at the commercial premises located at the ground floor of Building F2;
- BP no. 534 / 2011 authorising extension of the ground floor at Building A; however we have been provided with the Handover Protocol at the termination of the works no. 1099300/23.08.2012 (providing for the admission of the reception);
- BP no. 370 / 2010 authorsing the fit-out works at the underground, ground floor and mezzanine of the gym center with the interior swimming pool. However, we have been provided with the Handover Protocol at the termination of the works no. 18/412/04.03.2011 (providing for the admission of the reception);
- BP no. 93 / 2011 authorising interior fit-out works at the stair houses in Buildings I2, G1, F1, F2, D and E; however we have been provided with the Handover Protocol at the termination of the works no. 1060113/28.05.2012 (providing for the admission of the reception);
- BP no. 212 / 2009 authorising the execution of three (3) lighting fittings (temporary construction);
- BP no. 167 / 2005 authorising demolition works: underground and infrastructure of Buildings B and B1; however we have been provided with the Handover Protocol at the termination of the works no. 212/1/09.02.2009 (providing for the admission of the reception);
- BP no. 175 / 2003 authorising demolition of Building B, B1 and A5 and maintain infrastructure; however we have been provided with the Handover Protocol at the termination of the works no. 211/1/09.02.2009 (providing for the admission of the reception);

ii. As Disclosed from the documentation provided in the VDR in section 2.11 and as recorded by the Purchaser's technical advisor during the site inspection, there is an external staircase in A1 building, which, although in line with the fire authorisations, it is not complying with the current norms. In this respect, the Company has obtained already a certificate of urbanism (enclosed hereto as **Annex 1**).

Section 9.2

The following documents were disclosed:

i. Romextur tax audit register (in Romanian, *registrul unic de control*) (sent by e-mail by D. Moshe on 21.11.2017, 19:33)

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Additional documents:

i. Q2 2017 and Q3 2017 corporate income tax calculation (sent by e-mail by M. Cohen on 21.11.2017, 18:52 and on 27.11.2017 at 19:15),

ii. corporate income tax calculation for the period up to October 31, 2017 (sent by e-mail by M. Cohen on 22.11.2017, 15:47),

iii. Statement of beneficial owner for the interest payments made by the Company to Bea Finance signed on 21.11.2017 (sent by e-mail by D. Moshe on 21.11.2017, 19:33),

iv. BOOKING.COM invoice dated on 05/04/2011, amounting to 20,663.06 RON and justification (sent by e-mail by D. Moshe on 21.11.2017, 19:33),

v. BOOKING.COM invoice dated on 03/08/2013, amounting to 43,392.09 RON and justification (sent by e-mail by D. Moshe on 21.11.2017, 19:33),

vi. Breakdown of the amounts booked in the account 7588 (sent by e-mail by D. Moshe on 27.11.2017, 11:29);

vii. All transfer pricing files (sent by e-mail by M. Cohen on 27.11.2017, 19:07),

viii. Inventory summary 2011-2016, provided as an answer to QA 263369 in the VDR (sent by e-mail by D. Moshe on 27.11.2017, 12:28),

ix. Swap Hedging mark to market value (sent by M. Cohen on 27.11.2017 at 15:14),

x. The Company received the letter no. 21013/7.11.2017 from Bucharest Environment Protection Agency, which was requested for the purpose of complying with the provisions of art. 10 of Government Emergency Ordinance no 195/2005 (sent by e-mail by the Company's lawyer on 21.11.2017, 14:18).

Schedule 6
List of Powers of Attorney

Schedule 7
Bank Accounts of the Target Companies

Schedule 8
List of Insurance Policies

Schedule 9
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Schedule 10
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Schedule 13

Copy of the Escrow Agreement

ESCROW AGREEMENT
No. CTE15977

THIS ESCROW AGREEMENT (hereinafter referred to as the "**Escrow Agreement**") is concluded today 29.11.2017 (the "**Signing Date**") by and between:

1. **NEMO INVESTMENT VEHICLE S.R.L.**, having its headquarters in Bucharest, Romania, at 17 C.A. Rosetti street, office 120 Register 03, 1st floor, District 2 registered with the Office of the Trade Registry under no. J40/19526/2017, Sole Registration Code 38520000, represented by Vlad Dragoescu (hereinafter referred to as "**Purchaser**");

2. **BEA HOTELS EASTERN EUROPE B.V.**, a limited liability company (*besloten vennootschap*) registered with the Chamber of Commerce in Amsterdam, the Netherlands, under file No 34149675, with its registered address at Krijn Taconiskade 430, 1087 HW Amsterdam, the Netherlands, represented by Doron Moshe (hereinafter referred to as "**Vendor**");

3. **BUCURESTI TURISM S.A**., a joint stock company incorporated and existing under the laws of Romania, whose registered office is at Calea Victoriei 63-81, Sector 1, Bucharest, registered in the Trade Register under number J40/167/1991, sole registration code 1567802, represented by Doron Moshe and Moshe Maimon Cohen (hereinafter referred to as "**BUTU**");

4. **BEA Hotels Finance BV**, of Krijn Taconiskade 430, 1087 HW Amsterdam, the Netherlands, registered with the Netherlands Chamber of Commerce with number 34357583 represented by Doron Moshe (hereinafter referred to as "**BEAHF**"); and

5. **RAIFFEISEN BANK S.A**., a banking company registered and incorporated under the laws of Romania, with its registered office in Romania, Bucharest, Sky Tower Building, Calea Floreasca no. 246C, postal code 014476, District 1, registered with Banking Registry under No. RB-PRJ-40-009/1999 and with the Trade Register under no. J40/44/1991, unique registration code 3618210, duly represented by Roxana Barbato acting in its capacity as the Escrow Agent in terms of this Escrow Agreement (hereinafter referred to as the "**Escrow Agent**" or the "**Bank**"); and

The Purchaser and the Vendor are referred to herein collectively as the "**Transaction Parties**".

The Purchaser, the Vendor, BEAHF and BUTU are referred to herein collectively as the "**Escrow Parties**" and individually as an "**Escrow Party**".

The Purchaser, the Vendor, BEAHF, BUTU and the Escrow Agent are referred to herein collectively as the "**Parties**".

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WHEREAS:

(A) On 29 November 2017, the Vendor and the Purchaser have entered into a master agreement with respect to the transfer of shares (the "**SPA**"), in terms of which the Vendor has undertaken to sell the Target Shares with all ancillary rights thereto to the Purchaser, and the Purchaser has undertaken to acquire the Target Shares from the Vendor, all on the terms and subject to the conditions set forth in the SPA (the "**Transaction**");

(B) On 22 March 2016, BUTU granted a loan to BEAHF in an amount of EUR **27,965,672** (twenty-seven million nine hundred and sixty-five thousand and six hundred and seventy-two Euro) (the "**Intercompany Loan 1**"), and the Transaction Parties have agreed that Intercompany Loan 1 will be repaid in full by not later than one Business Day prior to the Closing Date;

(C) On 29 November 2017, the Vendor has granted a loan to the BEAHF in an amount of EUR **27,965,672** (twenty-seven million nine hundred and sixty-five thousand and six hundred and seventy-two Euro) (the "**Intercompany Loan 2**") in terms of which the said loan will be disbursed in full latest by not later than one Business Day prior to the Closing Date. The proceeds of Intercompany Loan 2 will be applied by BEAHF solely for the purpose of the full repayment by BEAHF of the Intercompany Loan 1 to BUTU (the **"Intercompany Loan 1 Repayment Amount"**).

(D) The Purchaser has undertaken to pay the Advance Payment by not later than one Business Day prior to the Closing Date, which represents a partial payment on account of the Final Net Purchase Price payable by the Purchaser to the Vendor pursuant to the provisions of the SPA;

(E) Furthermore, in terms of the SPA the Purchaser has undertaken to deposit the amount of the Escrow Deposit into an escrow account on the Execution Date pending the consummation of the Transaction on the Closing Date;

(F) The Existing Lenders made the Existing Loan Facility available to BUTU;

(G) The Transaction Parties have agreed that upon the Closing Date, BUTU will make a partial prepayment under the Existing Loan Facility in an amount equal to Advance Payment (the **"Partial Loan Repayment Amount"**);

(H) Accordingly, pursuant to the provisions of the SPA and as described above: **(i)** the Vendor has a receivable against the Purchaser in the amount of the Advance Payment and the Escrow Deposit under the SPA; and **(ii)** the Vendor has undertaken to disburse the full amount of Intercompany Loan 2 granted by it to BEAHF; and **(iii)** BEAHF has the obligation to repay to BUTU the full outstanding amount of the Intercompany Loan 1;

(I) The Escrow Parties have agreed to establish the Escrow Accounts in order to enable and secure all of the above payments in the manner provided for under the SPA on or before the Closing Date;

(J) The Escrow Parties wish to appoint the Escrow Agent to act, as a depository and administrator of the Escrow Amounts held in and to be released from the Escrow Accounts, and the Escrow Agent has accepted such appointment upon the terms, conditions and provisions set forth in this Escrow Agreement;

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(K) The Escrow Parties confirm that:

(a) the Vendor will open the Closing Escrow Account with the Escrow Agent in its name, into which the Purchaser will deposit the Advance Payment;

(b) the Purchaser will open the Pre-Closing Escrow Account with the Escrow Agent in its name, into which the Purchaser will deposit the Escrow Deposit;

(c) BUTU will open the BUTU Escrow Account with the Escrow Agent in its name, into which the Intercompany Loan 1 Repayment Amount will be transferred for and on behalf of BEAHF;

(d) the Advance Payment, the Intercompany Loan 1 Repayment Amount, the Partial Loan Repayment Amount and the Escrow Deposit will be released from the relevant Escrow Account strictly in accordance with the terms and under the conditions stated hereinafter.

Now, therefore, it has been agreed as follows:

ARTICLE 1
INTEGRATION, DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In this Escrow Agreement terms used as defined terms shall have the following meanings:

Advance Payment	means the advance payment in the amount of EUR **27,965,672** (twenty-seven million nine hundred and sixty-five thousand and six hundred and seventy-two Euro) or any amount equal to the principal amount and any outstanding interest in respect of the Intercompany Loan 1 as notified to the Escrow agent by the Purchaser and the Vendor jointly in the form set out in Schedule 11, not later than the date set out in 2.5.2, that is to be made by the Purchaser on account of the Final Net Purchase Price by not later than one (1) Business Day prior to the Closing Date, which is to be deposited by the Purchaser into the Closing Escrow Account and released in the manner provided for in Clause 6.3 below.
Bank / Escrow Agent	has the meaning ascribed to it in the list of the Parties to this Escrow Agreement.
BEAHF	has the meaning ascribed to it in the list of the Parties to this Escrow Agreement.
BEA Hotels Romania	BEA Hotels Eastern Europe (Romania) S.A., being a joint stock company registered in Romania and bearing company registration number J40/8173/2001 at the Bucharest Trade Register, sole registration number 14198413, whose registered address is Bucharest, District 1, 63-81 Calea Victoriei, room 7A.

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Business Day	means any day other than a Saturday or a Sunday on which banks are generally open for business in Romania, the United Kingdom, the Netherlands, Israel, Austria and Luxembourg.
BUTU	has the meaning ascribed to it in the List of the Parties to this Escrow Agreement.
BUTU Escrow Account	means the escrow account which is to be opened by BUTU with the Escrow Agent, in accordance with Clause 2.2(c) below.
Certificate of Consummation	means the written confirmation to be executed by the Transaction Parties on the Closing Date, substantially in the form attached hereto as Schedule 9 confirming - for the evidentiary purposes - the Transaction has been consummated and ownership of the Target Shares has passed to the Purchaser.
Closing	means the closing and consummation of the Transaction.
Closing Date	means the date upon which the closing and consummation of the Transaction is completed, as evidenced by the joint issuance by the Purchaser and of the Vendor of the Certificate of Consummation.
Closing Escrow Account	means the escrow account to be opened by the Vendor with the Escrow Agent in accordance with Clause 2.2(b) below, into which the Purchaser will deposit the Advance Payment and from which the Intercompany Loan 1 Repayment Amount will be released as provided in Clause 5.1.2 or returned as provided in Clause 6.3 below.
Escrow Accounts	means: **(i)** the Pre-Closing Escrow Account; **(ii)** the Closing Escrow Account and **(iii)** the BUTU Escrow Account; or any of them.
Escrow Amounts	means all or any of the Advance Payment / the Intercompany Loan 1 Repayment Amount / the Partial Loan Repayment Amount and the Escrow Deposit.
Escrow Deposit	means the amount of EUR 3,000,000 (three million Euro) which shall be deposited by the Purchaser into the Pre-Closing Escrow Account on the Execution Date, and which shall be held in and released from the Pre-Closing Escrow Account in accordance with the provisions of Clause 5.1.3 or Clause 6.2 below.

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EUR	means the single currency unit of the participating member states of the European Union.
Execution Date	means the date of the signing and execution of the SPA, as this date is mentioned into Recital (A) from the present Escrow Agreement.
Existing Lenders	means Raiffeisen Bank International AG and Raiffeisen Bank Romania SA.
Existing Loan Facility	means the term loan facilities in a maximum principal amount of EUR 97,000,000 (ninety seven million Euro) (the "**Loan**"), under the loan facilities agreement dated 16 September 2011, as further amended by the amendment letter dated 27 September 2011 and amendment letter dated 26 March 2012; as further amended on 27 September 2011, 26 March 2012, 18 September 2014, on 5 May 2015 and as further amended and restated on 10 March 2016.
Final Net Purchase Price	means the Final Net Purchase Price payable by the Purchaser to the Vendor in consideration for the acquisition of the Target Shares, under the SPA.
Joint Release Instruction	means the written instructions which are to be executed jointly by the Purchaser and the Vendor on the Closing Date regarding the release of the Escrow Deposit from the Pre-Closing Escrow Account in terms of Clause 5.1.3, substantially in the form and text attached as Schedule 4.
Long Stop Date	means February 28, 2018, subject to Clause 5.3.1 (i).
Parties	means all the parties to this Escrow Agreement, namely the Vendor, the Purchaser, BEAHF, BUTU and the Escrow Agent.
Partial Loan Repayment Amount	has the meaning set forth in Recital (G);
Prepayment Account	means the loan account having IBAN no. **AT163100001354051172** denominated in EUR held by BUTU with RAIFFEISEN BANK INTERNATIONAL AG Vienna Austria
Purchaser	has the meaning ascribed to it in the list of the Parties to this Escrow Agreement.

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Purchaser's Transaction Account	means the account having IBAN no. RO93RZBR0000060019848120 denominated in EUR held by the Purchaser with Raiffeisen Bank, details of which are set out in Schedule 2.
Recitals	means the recitals to this Escrow Agreement.
Signing Date	means the date of signing this Escrow Agreement, as indicated in the Preamble.
SPA	has the meaning set forth in Recital A.
Target Shares	(i) 11,073,313 ordinary shares of RON 2.50 each, which in the aggregate comprise 98.2140% of the entire issued and paid up share capital of BUTU and (ii) 7,522 shares of RON 12, which jointly comprise 99.99% of the entire issued and paid up share capital of BEA Hotels Romania.
Vendor	has the meaning ascribed to it in the List of the Parties to this Escrow Agreement.
(a) ***Vendor's Transaction Account***	**(b)** means the account having IBAN DE62 5501 0400 0667 0958 12 denominated in EUR held by the Vendor with Aareal Bank AG details of which are set out in Schedule 2.

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in this Escrow Agreement to:

(a) the "**Purchaser**", the "**Vendor**", "**BUTU**", "**BEAHF**", the "**Bank**" or the "**Escrow Agent**" shall be construed so as to include their successors in title, permitted assigns and permitted transferees; and

(b) references to any person in this Escrow Agreement shall include its successors or assignees (if any).

1.2.2 References therein to "herein", "hereof", "hereto" and "hereunder" and other like terms are references to this Escrow Agreement and references to the singular shall import the plural and vice versa;

1.2.3 "Includes" and "including" are not limiting.

1.2.4 References to this Escrow Agreement and to any provisions of it or to any other document referred to in this Escrow Agreement shall be construed as references to it in force for the time being and as amended, varied, supplemented, restated, substituted or novated from time to time;

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1.2.5 References to Clauses, Recitals and Annexes are references to, respectively, Clauses, Recitals, and Annexes to this Escrow Agreement and references to this Escrow Agreement include its Annexes; and

1.2.6 A provision of law is a reference to that provision as amended or re-enacted; and

1.2.7 The Parties hereby agree that the Closing Escrow Account, the Pre-Closing Escrow Account and the BUTU Escrow Account are referred to herein jointly and collectively as Escrow Accounts.

ARTICLE 2
ESCROW ACCOUNTS

2.1 Appointment of the Escrow Agent

2.1.1 The Escrow Parties hereby appoint the Escrow Agent to act as their escrow agent under the terms and provisions of this Escrow Agreement, and the Escrow Agent hereby accepts this appointment. The Escrow Agent shall have the exclusive control and rights of funds transfer under each Escrow Account and exclusive authority with strict observance of the provisions of the Escrow Agreement.

2.1.2 On or before the Signing Date, the Purchaser, the Vendor and BUTU will or will have delivered to the Escrow Agent all documents required in order to open each of the Escrow Accounts and any other document expressly specified herein.

2.2 Opening of the Escrow Accounts

2.2.1 Upon execution of this Escrow Agreement on the Signing Date and receipt of the requested documents, the Escrow Agent shall open and maintain the following accounts:

(a) The Pre-Closing Escrow Account: a special account having IBAN no. **RO83RZBR0000060019853150** opened in the name of the Purchaser and denominated in EURO, for the purpose of depositing the Escrow Deposit and releasing the same on the conditions set forth Clause 5.1.3 or Clause 6.2 hereunder; and

(b) The Closing Escrow Account: a special account having IBAN no. **RO43RZBR0000060019855131** opened in the name of the Vendor and denominated in EURO, for the purpose of depositing the Advance Payment and releasing the same as the Intercompany Loan 1 Repayment Amount on the conditions set forth in Clause 5.1.1 hereunder; and

(c) The BUTU Escrow Account: a special account having IBAN no. **RO59RZBR0000060019853194** opened in the name of BUTU and denominated in EURO, for the purpose of depositing the Intercompany Loan 1 Repayment Amount and releasing the Partial Loan Repayment Amount on the conditions set forth in Clause 5.1.2 hereunder.

2.3 Operation of the Escrow Accounts

2.3.1 The Escrow Accounts will be opened by the Escrow Agent and will be at all times under the sole control and authority of the Escrow Agent. The Escrow Agent shall manage the Escrow Accounts and release the relevant Escrow Amounts therefrom strictly in accordance with the provisions of this Escrow Agreement.

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2.3.2 The Escrow Agent shall not release any amount from any Escrow Account except strictly as provided in Articles 5 and 6 of this Escrow Agreement.

2.3.3 The Purchaser, the Vendor and BUTU may not dispose of the Escrow Amounts in whole or in part or close any Escrow Account, irrespective of the fact that the escrow accounts are opened in their respective names. The Escrow Agent shall not accept any instruction from any Party unless it is in strict accordance with Articles 5 and 6 of this Escrow Agreement.

2.3.4 The Escrow Parties hereby expressly authorize the Escrow Agent to act, fill, execute and sign for and on their behalf all the necessary instructions / payment instruments (including, but not limited to payment orders, foreign exchange orders, payment instructions) for purposes of carrying out the various transfers of the Escrow Amounts from the respective Escrow Accounts, according to the terms and provisions of this Escrow Agreement.

2.4 Confirmation regarding the balance of the Escrow Accounts

2.4.1 On the date upon which each Escrow Amount is credited to the relevant Escrow Account, the Escrow Agent shall confirm the receipt of the relevant Escrow Amount by issuing and sending to each of the Escrow Parties a confirmation of crediting the escrow accounts evidencing, as the case may be: **(i)** the deposit of the Escrow Deposit into the Pre-Closing Escrow Account; and (ii) the deposit of the Advance Payment into the Closing Account; and thereafter (iii) the deposit of the Intercompany Loan 1 Repayment Amount into BUTU Escrow Account; all in accordance with the provisions of Clause 2.5 below.

2.4.2 The Escrow Agent shall also provide confirmations regarding the balance of the Escrow Accounts to each of the Escrow Parties respectively after the transfer and the release of the relevant Escrow Amount from the relevant Escrow Account, and otherwise upon request of any of the Escrow Parties.

2.5 Deposit of Escrow Amounts

The Purchaser undertakes that it shall transfer and deposit:

(a) the Escrow Deposit into the Pre-Closing Escrow Account, within 5 (five) business days from the Execution Date; and

(b) the Advance Payment into the Closing Escrow Account, not later than one (1) Business Day prior to the Closing Date.

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ARTICLE 3
FEES

3.1 Escrow Agents Fee

The Escrow Agent shall be entitled to an administration fee of EUR 31,700.00 and the Escrow Agent's standard international payment fee per transfer (the "**Fee**") for the services to be rendered by it pursuant to the provisions of this Escrow Agreement. The administration fee and the payment fee shall be paid by the Vendor and the Purchaser in equal shares by automatic debit of their EUR current accounts held with the Escrow Agent. The administration fee shall be debited within 5 (five) Business Days of the Signing Date, while the payment fee shall be debited within 2 (two) Business Days of each transfer and/or release of an Escrow Amount in terms hereof.

ARTICLE 4
INTEREST

4.1 Interest Payments

The Escrow Parties agree that for the credit balance of each Escrow Account, the Escrow Agent will calculate interest equal to the annual interest rate for the current accounts offered by the Bank. The interest which shall have accrued on the Escrow Amounts in the respective Escrow Accounts shall be transferred by the Escrow Agent when the relevant Escrow Amount is released as per the terms and conditions of this Escrow Agreement and shall be paid by the Escrow Agent to the Purchaser's Transaction Account.

ARTICLE 5
RELEASE OF THE ESCROW AMOUNTS

5.1 Escrow Amounts Release Conditions:

5.1.1 Release of the Intercompany Loan 1 Repayment Amount. Upon the deposit of the Advance Payment into the Closing Escrow Account, it shall be deemed to constitute the Intercompany Loan 1 Repayment Amount, and shall thereupon immediately and automatically be transferred by the Escrow Agent as the Intercompany Loan 1 Repayment Amount from the Closing Escrow Account into the BUTU Escrow Account. The Purchaser, the Vendor and BEAHF hereby irrevocably authorise the Escrow Agent to perform such transfer without seeking any other instruction or further confirmation from any of the Escrow Parties.

5.1.2 Release of the Partial Loan Repayment Amount. Upon the deposit of the Intercompany Loan 1 Repayment Amount into the BUTU Escrow Account, it shall be deemed to constitute the Partial Loan Repayment Amount. After the execution of the specific transfer instructions given to the Escrow Agent in Clause 5.1.1 above, the Escrow Agent shall release and transfer the Partial Loan Repayment Amount from the BUTU Escrow Account to the Prepayment Account immediately upon receipt by it of the Purchaser's Release Instructions executed by the Purchaser in the form and text attached hereto as Schedule 3.

5.1.3 Release of the Escrow Deposit. The Escrow Agent shall release and transfer the Escrow Deposit from the Pre-Closing Escrow Account to the Vendor's Transaction Account immediately upon receipt by it of the Joint Release Instructions executed jointly by the Purchaser and the Vendor in the form and text attached hereto as Schedule 4.

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5.1.4 Currency Conversions. In the event that the Escrow Agent is required to convert any amount to be released into a different currency, then and in such event the Vendor, BUTU and the Purchaser hereby expressly and irrevocably agree and empower the Bank to effect such currency exchange in the name of and for the benefit of the Vendor and/or BUTU and/or the Purchaser by using its own quotations and filling in the documents required for this operation, as the case may be.

5.1.5 Discharge of Obligations. The Vendor, BEAHF and BUTU hereby agree that the transfer to be made by the Escrow Agent in accordance with the provisions of Clause 5.1.1 above will discharge in full the obligations of the Vendor to disburse the Intercompany Loan 2 to BEAHF and the obligations of BEAHF to execute the full repayment of Intercompany Loan 1 to BUTU.

5.2 The persons empowered to duly instruct the Escrow Agent

5.2.1 The persons empowered to duly instruct the Escrow Agent on behalf of the Escrow Parties will be the persons nominated in the specimen signature lists provided in Schedule 1 (*List of Authorized Persons and Specimen Signatures*) to this Escrow Agreement.

5.3 Term and Validity

5.3.1 Escrow Period. This Escrow Agreement is concluded for a period (the "**Escrow Period**") commencing on the Signing Date and terminating on whichever date comes first from the following dates: (i) in case of a Failed Closing as set forth in Clause 6.1 below, a date which is three (3) months following the Long Stop Date or another date notified by the Purchaser and the Vendor jointly in writing to the Escrow Agent prior to the Long Stop Date that the Purchaser and the Vendor have agreed to postpone this date, in the form and text attached hereto as Schedule 10; or (ii) a date which is three (3) months following the date of the Certification of Consummation; or (iii) on the date of 31 December 2018.

5.3.2 Release upon Expiry. In case the Escrow Agreement is terminated due to the lapse of the Escrow Period, any amounts remaining on deposit in the Escrow Accounts on that date shall be transferred to the Purchaser.

5.3.3 Failure to Deposit. In case the Escrow Deposit is not transferred into the Pre-Closing Account within 10 (ten) Business Days from the Signing Date, then this Escrow Agreement shall be of no further force and effect and the Escrow Agent shall be released of all and any obligations to the Escrow Parties.

ARTICLE 6
FAILED CLOSING

6.1 Failed Closing

6.1.1 A failed closing shall be deemed to have occurred if the Escrow Agent shall not have been furnished with a copy of the Certificate of Consummation by the Long Stop Date or by any other later date notified by the Purchaser in writing to the Escrow Agent (a **"Failed Closing"**).

6.2 Release of Escrow Deposit in the event of a Failed Closing

6.2.1 In the event that a Failed Closing shall occur, the Purchaser shall be entitled to furnish the Escrow Agent with its **Purchaser's Failed Closing Notice & Escrow Deposit Release Instructions**, substantially in the form and text attached hereto as Schedule 5.

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6.2.2 Upon its receipt of Purchaser's Failed Closing Notice & Escrow Deposit Release Instructions in terms of Clause 6.2.1 above, the Escrow Agent shall notify the Vendor in writing in accordance with Clause 9 of this Agreement, substantially in the form and text attached hereto as Schedule 6, that it has received such a written demand from the Purchaser (**"Escrow Agent's Release Notification"**).

6.2.3 Within 10 (ten) Business Days of its receipt of the Escrow Agent's Release Notification, the Vendor shall be entitled to lodge a written objection with the Escrow Agent to the release of the Escrow Deposit to Purchaser from the Pre-Closing Escrow Account on the grounds that the Purchaser is required to forfeit the Escrow Deposit pursuant to the provisions of the SPA (**"Vendor's Notice of Objection"**). The Vendor's Notice of Objection will be substantially in the form and text attached hereto as Schedule 7.

6.2.4 Upon its receipt of the Vendor's Notice of Objection, the Escrow Agent shall refrain from taking any further action in regard to the release of the Escrow Deposit unless and until (A) it is served with either: **(i)** Joint Written Instructions signed by both the Vendor and the Purchaser directing the Escrow Agent to whom to release the Escrow Deposit; or **(ii)** the original or a copy certified by a notary public of an Arbitral Award directing the Escrow Agent to whom to release the Escrow Deposit; or (B) the date mentioned at Clause 5.3.1 (iii) has occurred.

6.2.5 If Vendor fails or declines to deliver its Vendor's Notice of Objection to the Escrow Agent in a timely manner provided in Clause 6.2.3 above, then the Escrow Agent is hereby irrevocably authorized to execute the Purchaser's Failed Notice Escrow Deposit Release Instructions and to release the Escrow Deposit to the Purchaser.

6.3 Release of Advance Payment / Partial Loan Repayment Amount in the event of a Failed Closing

6.3.1 In the event that a Failed Closing shall occur, the Purchaser shall be entitled to furnish the Escrow Agent with its **Purchaser's Failed Notice Advance Payment or Intercompany Loan 1 Repayment Amount Release Instructions**, substantially in the form and text attached hereto as Schedule 8, directing the Escrow Agent to transfer to the Purchaser's Transaction Account either: **(i)** the Advance Payment from the Closing Account; or **(ii)** the Intercompany Loan 1 Repayment Amount from the BUTU Escrow Account.

6.3.2 For the avoidance of doubt, neither the Vendor nor BEAHF nor BUTU shall have any right to object to the release of the Advance Payment or the Intercompany Loan 1 Repayment Amount from the Closing Escrow Account or from the BUTU Escrow Account.

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ARTICLE 7
OBLIGATIONS OF THE ESCROW AGENT

7.1 Obligations of the Escrow Agent

7.1.1 The Escrow Agent shall bear no liability regarding the content, authenticity, validity, correctness or form of the documents provided by the Vendor and/or the Purchaser according to the provisions of this Escrow Agreement or the compliance of such documents with the legal regulations or internal procedures of authorities.

7.1.2 The Escrow Agent shall verify the face conformity of the documents presented to it. The Escrow Agent shall consider duly valid all the documents provided by the Escrow Parties in accordance with the provisions set forth in this Escrow Agreement if they appear to be signed by the persons nominated in Schedule 1 (*List of Specimen Signatures*) to the Escrow Account or, if these documents are issued by the competent authorities, the Escrow Agent shall consider these documents legally valid if they appear, *prima facie*, as being issued by that respective authority.

7.1.3 The Escrow Agent shall not be bound by any modification, cancellation or rescission of this Escrow Agreement unless in writing and signed by all Parties hereto.

7.1.4 The Escrow Agent shall not be required to perform any acts which will violate any law or regulations issued by any public authority. In the event of bankruptcy proceedings or enforcement proceedings against any of the Parties, pursuant to applicable laws and regulations, the Escrow Agent shall, notwithstanding the provisions of this Escrow Agreement, act and perform in accordance with such laws and regulations.

7.1.5 The Escrow Agent shall not be obliged to make payments from the Escrow Accounts if such payments could be illegal or contrary to any rules the Escrow Agent is subject to according to the law.

7.1.6 No provision of the Escrow Agreement could be deemed as creating an implicit obligation of the Escrow Agent. The Escrow Agent duties and obligations are exclusively the ones expressly mentioned in this Escrow Agreement regardless of any provision of any agreement executed between the Purchaser, BUTU, BEAHF and/or the Vendor.

7.2 Indemnification

The Purchaser and the Vendor agree to reimburse the Escrow Agent on demand for, and to indemnify and hold the Escrow Agent harmless against and with respect to, any and all losses, liabilities, damages, or expenses that the Escrow Agent may suffer or incur in connection with the entering into Escrow Agreement and/or the performance of its obligations under this Escrow Agreement or otherwise in connection therewith, except to the extent any such loss, liability, damage or expense arises from the Escrow Agent's negligence, fraud, or breach of the provisions of this Escrow Agreement. The Purchaser and Vendor shall be jointly and several liable for any such reimbursements or costs of indemnification.

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ARTICLE 8
AUTHORITY

Each Party warrants and represents to the other Parties that:

a) it has full power, authority and legal right to incur the obligations, to execute and deliver, and to perform and observe the terms and provisions of this Escrow Agreement; and

b) the undertakings and obligations of each Party made and assumed in terms of this Escrow Agreement are legally binding, valid and enforceable in accordance with its terms and do not conflict with any law, regulation or instrument binding on or relating to such Party; and

c) this Escrow Agreement is within its powers and has been duly authorized by it, that all necessary actions have been taken and all consents and approvals have been granted to authorize the execution, delivery and performance of this Escrow Agreement and that the person signing this Escrow Agreement on behalf of each Party is authorized to do so.

ARTICLE 9
MISCELLANEOUS

9.1 Notices

All notices and other communications provided for hereunder shall be in writing. Scan copies of all notices and communications will be sent by e-mail, with signed original copies to follow by registered mail or delivered personally, respectively as follows:

To the Vendor

BEA HOTELS EASTERN EUROPE B.V.

Address: Krijn Taconiskade 430, 1087 HW Amsterdam, The Netherlands
Attn: Dorsha B.V.
Contact person: Alon Elmaliyah
Adress: Krijn Taconiskade 430, 1087 HW Amsterdam
Email: Alon@etmtrust.com
Phone number: 0031206704455
and
Attn: Ron Hadassi
Address: Hod Hasharon, Israel, no. 13 Igal Yadin
Email: ron@elbitimaging.com
Phone number: 00972526076236

To the Purchaser

NEMO INVESTMENT VEHICLE S.R.L.
Attn: Vlad Dragoescu
Address: Sos. Vitan - Barzesti, nr. 7A, Sector 4, Bucharest, Romania
Tel: 0040729.097.173
Email: vlad.dragoescu@vitantis.ro
and

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Wolf Theiss Rechtsanwalte GmbH
Attn: Ileana Glodeanu
Address: 58-60 Gheorghe Polizu St., 13th Floor, Bucharest, Romania
Email: ileana.glodeanu@wolftheiss.com
Phone number: 0040729155382.

To BEAHF
Address: Krijn Taconiskade 430, 1087 HW Amsterdam, the Netherlands
Attn: Dorsha B.V.
Contact person: Alon Elmaliyah
Adress: Krijn Taconiskade 430, 1087 HW Amsterdam
Email: Alon@etmtrust.com
Phone number: 0031206704455
and
Attn: Ron Hadassi
Address: Hod Hasharon, Israel, no. 13 Igal Yadin
Email: ron@elbitimaging.com
Phone number: 00972526076236

To BUTU
BUCURESTI TURISM S.A.
Attn: Vlad Dragoescu
Address: Sos. Vitan - Barzesti, nr. 7A, Sector 4, Bucharest, Romania
Tel: 0040729.097.173
Email: vlad.dragoescu@vitantis.ro
and
Wolf Theiss Rechtsanwalte GmbH
Attn: Ileana Glodeanu
Address: 58-60 Gheorghe Polizu St., 13th Floor, Bucharest, Romania
Email: ileana.glodeanu@wolftheiss.com
Phone number: 0040729155382.

To the Bank
RAIFFEISEN BANK S.A
Calea Floreasca nr 246D
Cladirea Floreasca City Center
Bucharest
Romania
Attention: Letters of Credit Team

or any substitute address, fax number e-mail address or department or officer as the any Party may notify to the other Parties by not less than five (5) Business Days' notice.

Any notice given under or in connection with this Escrow Agreement shall be in the English language.

9.2 Entire Agreement

This Escrow Agreement, together with its Schedules (which constitute an integral part hereof), and the General Banking Business Terms of the Escrow Agent, of which the Escrow Parties are fully aware and which were fully agreed and expressly accepted by each of the Escrow Parties, constitute and represents, in the signed form and content, the Parties' full agreement and the result of arms-length negotiations carried out in good faith.

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9.3 Amendments

This Escrow Agreement may only be amended by a written instrument signed by all Parties hereto.

9.4 Language

The Escrow Agreement has been executed in English language.

9.5 Assignment

Neither this Escrow Agreement nor any of the rights or obligations hereunder may be assigned by a Party hereto without the prior written consent of all the other Parties.

9.6 Severability

If any provision of this Escrow Agreement is or becomes at any time invalid or incapable of being executed in accordance with the applicable law, then the legality, the validity and the applicability of such a provision within the limit approved by the law, as well as of the other provisions of this Escrow Agreement, shall not be affected nor prejudiced thereby. The Parties shall make all the necessary and reasonable efforts in order to achieve those acts and/or modifications which would lead to the same legal and/or economic result which was envisaged at the date this Escrow Agreement was concluded.

9.7 Governing Law and Dispute Resolution

9.7.1 This Escrow Agreement shall be governed by, and construed in accordance with, the laws of Romania.

9.7.2 All disputes which may arise between the Escrow Parties pertaining to the validity, implementation and execution of the provisions of this Escrow Agreement which cannot be settled amicably shall be referred to arbitration in accordance with § 31 of the SPA whose provisions are incorporated into this Escrow Agreement by reference.

9.7.3 Any disputes between the Escrow Parties or any of them and the Escrow Agent shall be settled in an amicable manner. If this is not possible, only the courts of law with appropriate jurisdiction are competent to adjudicate upon these litigations, in accordance with the procedural norms then in force.

9.7.4 Acting as plaintiff, the Escrow Agent and/or the Bank shall be able, if so required, to bring the case not only in front of the Romanian courts but also before a foreign court, which has jurisdiction over the relevant Escrow Parties.

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9.7.5 All reasonable costs incurred by the Escrow Agent if litigation shall occur between them and any of the Escrow Parties, or in respect of any dispute between the Escrow Parties themselves, shall be reimbursed by the Vendor and by the Purchaser in equal shares.

The present Agreement is concluded today 29 November 2017, in Bucharest, Romania, in five (5) original counterparts, one for each Party.

For and on behalf of the Vendor
Name: Doron Moshe
Position: Authorized signatory

_____

For and on behalf of the Purchaser
Name: Vlad Dragoescu
Position: Authorized signatory

_____

For and on behalf of BUTU
Name: Doron Moshe
Position: Authorized signatory

_____

Name: Moshe Maimon Cohen
Position: Authorized signatory

_____

For and on behalf of BEAHF
Name: Doron Moshe
Position: Authorized signatory

_____

For and on behalf of the Escrow Agent
Name: Roxana Barbato
Position: Authorized signatory

_____

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SCHEDULE 1 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

LIST OF AUTHORISED PERSONS AND SPECIMENS SIGNATURES

PURCHASER	
Name:	
E-Mail Address:	
ID/Passport Number:	
Specimen Signature	

VENDOR	
Name:	
E-Mail Address:	
ID/Passport Number:	
Specimen Signature	

BUTU	
Name:	
E-Mail Address:	
ID/Passport Number:	
Specimen Signature	

BEAHF	
Name:	
E-Mail Address:	
ID/Passport Number:	
Specimen Signature	

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SCHEDULE 2 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

DETAILS OF TRANSACTION ACCOUNTS

Purchaser's Transaction Account	
Bank	**RAIFFEISEN BANK SA**
Address	**Calea Floreasca Nr. 246C Bucharest Romania**
Branch	**AG.COL.INROLARE SI SUPORT CLIENTI**
Account Number	**19848120**
IBAN Number	**RO93RZBR0000060019848120**
Beneficiary	**NEMO INVEST VEHICLE S.R.L**

Vendor's Transactional Account	
Bank	**AAREAL BANK AG (BIC: AARBDE5WDOM)**
Address	**POSTFACH (PO BOX) 040663**
Branch	**...**
Account Number	**..**
IBAN Number	DE62 5501 0400 0667 0958 12
Beneficiary	**BEA HOTELS EASTERN EUROPE BV**

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SCHEDULE 3 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF PURCHASER'S RELEASE INSTRUCTIONS

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest, Romania

Sirs,

Re: BUTU Escrow Account having IBAN No. _____ denominated in…

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU. Additionally, reference is made to the escrow account designated therein as the BUTU Escrow Account (Account having IBAN No. _____ denominated in ….).

1. This is a Purchaser's Release Instruction given pursuant to the provisions of Clause 5.1.2 of the Escrow Agreement.

2. You are hereby instructed to transfer the Partial Loan Repayment Amount (being the entire principal amount held in the BUTU Escrow Account) to the Prepayment Account whose details are as follows:

   Bank: RAIFFEISEN BANK INTERANTIONAL AG

   Branch: _____

   Account Number: _____

   IBAN Number: **AT163100001354051172**

   You are further instructed that interest which shall have accrued on the amounts held in the BUTU Escrow Account, if any, is to be transferred to the Purchaser's Transaction Account whose details are set forth in Schedule 2 to the Escrow Agreement.

3. All capitalized terms in this Purchaser's Release Instruction shall have the meanings ascribed to them in the Escrow Agreement.

4. This Purchaser's Release Instruction is governed by Romanian Law.

Yours faithfully

[The Purchaser]

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SCHEDULE 4 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF JOINT RELEASE INSTRUCTIONS

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest, Romania

Sirs,

Re: Pre-Closing Escrow Account having IBAN No. _____ denominated in …

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU. Additionally, reference is made to the escrow account designated therein as the Pre-Closing Escrow Account (Account having IBAN No. _____ denominated in ….).

1. This is a Joint Release Instruction given pursuant to the provisions of Clause 5.1.3 of the Escrow Agreement.

2. You are hereby instructed to transfer the Escrow Deposit (being the entire principal amount held in the Pre-Closing Escrow Account) to the Vendor's Transaction Account whose details are set forth in Schedule 2 to the Escrow Agreement.

3. You are further instructed that all interest which shall have accrued on the Escrow Deposit held in the Pre-Closing Escrow Account is to be transferred to the Purchaser's Transaction Account whose details are set forth in Schedule 2 to the Escrow Agreement.

4. All capitalized terms in this Joint Release Instruction shall have the meanings ascribed to them in the Escrow Agreement.

5. This Joint Release Instruction is governed by Romanian Law.

Yours faithfully

_____

NEMO INVESTMENT VEHICLE S.R.L.

The Purchaser

_____

BEA Hotels Eastern Europe BV

The Vendor

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SCHEDULE 5 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF PURCHASER'S FAILED CLOSING NOTICE AND

ESCROW DEPOSIT RELEASE INSTRUCTION

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest, Romania

Sirs,

Re: Pre-Closing Escrow Account having IBAN No. _____ denominated in …

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU. Additionally, reference is made to the escrow account designated therein as the Pre-Closing Escrow Account (Account having IBAN No. _____ denominated in …).

1. This is a Purchaser's Failed Closing Notice & Escrow Deposit Release Instruction given pursuant to the provisions of Clause 6.2.1 of the Escrow Agreement.

2. You are hereby advised that a Failed Closing has occurred as provided in Clause 6.1.1 of the Escrow Agreement.

3. You are hereby instructed to transfer the Escrow Deposit, together with all interest which has accrued thereon, to the Purchaser's Transaction Account whose details are set forth in Schedule 2 to the Escrow Agreement.

4. All capitalized terms in this Purchaser's Failed Closing Notice & Escrow Deposit Release Instruction shall have the meanings ascribed to them in the Escrow Agreement.

5. This Purchaser's Failed Closing Notice & Escrow Deposit Release Instruction is governed by Romanian Law.

Yours faithfully

_____

NEMO INVESTMENT VEHICLE S.R.L.
The Purchaser

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SCHEDULE 6 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF ESCROW AGENT'S RELEASE NOTICE

Date: _____

To:

BEA Hotels Eastern Europe BV
Krijn Taconiskade 430,
1087 HW Amsterdam,
The Netherlands

For the Attention of: _____ (Email: _____)

Sirs,

Re: Pre-Closing Escrow Account having IBAN No. _____ denominated in ..

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU. Additionally, reference is made to the escrow account designated therein as the Pre-Closing Escrow Account (Account having IBAN No. _____ denominated in …).

1. This is an Escrow Agent's Release Notice given pursuant to the provisions of Clause 6.2.2 of the Escrow Agreement.

2. You are hereby advised that the Escrow Agent has received a Purchaser's Failed Closing Notice & Escrow Deposit Release Instruction in terms of Clause 6.2.1 of the Escrow Agreement, a copy of which is attached hereto.

3. Pursuant to the provisions of Clause 6.2.3 of the Escrow Agreement you have the right to object to the release of the Escrow Deposit to the Purchaser, and same within 10 (ten) Business Days following your receipt of this Notice.

4. All capitalized terms in this Escrow Agent's Release Notice shall have the meanings ascribed to them in the Escrow Agreement.

5. This Escrow Agent's Release Notice is governed by Romanian Law.

Yours faithfully

RAIFFEISEN BANK S.A.

The Escrow Agent

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SCHEDULE 7 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF VENDOR'S NOTICE OF OBJECTION

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest, Romania

Sirs,

Re: Pre-Closing Escrow Account having IBAN No. _____ denominated in …

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU. Additionally, reference is made to the escrow account designated therein as the Pre-Closing Escrow Account (Account having IBAN No. _____ denominated in …..).

1. This is a Vendor's Notice of Objection given pursuant to the provisions of Clause 6.2.3 of the Escrow Agreement.

2. We acknowledge receipt of your Escrow Agent's Release Notification dated _____.

3. You are hereby advised that the Vendor objects to the release of the Escrow Deposit to the Purchaser in terms of the Purchaser's Failed Closing Notice & Escrow Deposit Release Instructions dated _____, on the grounds that the Vendor is required to forfeit the Escrow Deposit pursuant to the provisions of the SPA.

4. All capitalized terms in this Vendor's Notice of Objection shall have the meanings ascribed to them in the Escrow Agreement.

5. This Vendor's Notice of Objection is governed by Romanian Law.

Yours faithfully

_____
BEA Hotels Eastern Europe BV

The Vendor

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SCHEDULE 8 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF PURCHASER'S FAILED CLOSING NOTICE AND

ADVANCE PAYMENT OR INTERCOMPANY LOAN 1 REPAYMENT AMOUNT RELEASE INSTRUCTION

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest,
Romania

Sirs,

Re: Closing Escrow Account having IBAN No. _____ denominated in …. and BUTU Escrow Account having IBAN No. _____ denominated in …..

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU. Additionally, reference is made to the escrow accounts designated therein as the Closing Escrow Account (Account having IBAN No. _____ denominated in ….) and the BUTU Escrow Account (Account having IBAN No. _____ denominated in …) respectively.

1. This is a Purchaser's Failed Closing Notice & Advance Payment and/or Intercompany Loan 1 Repayment Amount Release Instruction given pursuant to the provisions of Clause 6.3.1 of the Escrow Agreement.

2. You are hereby advised that a Failed Closing has occurred as provided in Clause 6.1.1 of the Escrow Agreement.

3. You are hereby instructed to transfer the Advance Payment or the Intercompany Loan 1 Repayment Amount held in either the Closing Escrow Account or the BUTU Escrow Account, together with all interest which has accrued thereon, to the Purchaser's Transaction Account whose details are set forth in Schedule 2 to the Escrow Agreement.

4. All Capitalized Terms in this Purchaser's Failed Closing Notice & Advance Payment Release Instruction shall have the meanings ascribed to them in the Escrow Agreement.

5. This Purchaser's Failed Closing Notice & Advance Payment Release Instruction is governed by Romanian Law.

Yours faithfully

_____

NEMO INVESTMENT VEHICLE S.R.L.

The Purchaser

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SCHEDULE 9 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF CERTIFICATE OF CONSUMMATION

Date: [_____]

To :
BEA Hotels Eastern Europe BV
Krijn Taconiskade 430,
1087HW Amsterdam,
The Netherlands
Attention : _____
E-Mail : _____

To :
NEMO Investment Vehicle SRL
Address : 17 C.A. Rosetti
street, office 120 Register 03,
1st floor, District 2, Bucharest
Attention : _____
E-Mail : _____

Sirs,

Re : **Certificate of Consummation**

Reference is made to the **Master Agreement for the Sale and Purchase of Shares in Bucuresti Turism SA and other Affiliated Companies** dated ___ [ ] November 2017 (the **"Agreement"**) made and entered into by and between BEA Hotels Eastern Europe BV as the Vendor and Nemo Investment Vehicle SRL as the Purchaser.

Pursuant to the provisions of Section 6.4.10 of the Share Purchase Agreement, we hereby confirm and declare as follows :

1. all actions set forth in [§6.2 to §6.4] (inclusive) of the Agreement have been duly executed and completed;

2. the Transaction has been consummated and the transfer of ownership from the Vendor to the Purchaser with respect to the Target Shares has been achieved; and

3. Closing has accordingly been completed, and the Transaction has therefore been consummated.

All capitalized terms employed in this Certificate of Consummation shall have the meanings ascribed to them in the Agreement.

This Certificate of Consummation is executed today, [ ], in two (2) copies.

BEA Hotels Eastern Europe BV
Vendor

Nemo Investment Vehicle SRL
Purchaser

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SCHEDULE 10 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF LONG STOP DATE EXTENSION

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest
Romania

Sirs,

Re: Long Stop Date

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU.

We would like to inform you that NEMO INVESTMENT VEHICLE S.R.L. as Purchaser and BEA Hotels Eastern Europe BV as Vendor have agreed to postpone the Long Stop Date until [*TO BE INSERTED*].

Yours faithfully

NEMO INVESTMENT VEHICLE S.R.L.

The Purchaser

_____

BEA HOTELS EASTERN EUROPE BV

The Vendor

_____

SCHEDULE 11 TO THE ESCROW AGREEMENT NO. [●] DATED [●]

FORM OF NOTICE REGARDING ADVANCE PAYMENT AMOUNT

Date: _____

To:

The Escrow Agent,
RAIFFEISEN BANK S.A.
Sky Tower Building, Calea Floreasca no. 246C,
Postal Code 014476, District 1
Bucharest
Romania

Sirs,

Re: Advance Payment

Reference is made to the Escrow Agreement No. _____ dated _____ entered into by and between yourselves as Escrow Agent, NEMO INVESTMENT VEHICLE S.R.L. as Purchaser, BEA Hotels Eastern Europe BV as Vendor, BEA Hotels Finance BV as BEAHF and Bucuresti Turism SA as BUTU.

We would like to inform you that NEMO INVESTMENT VEHICLE S.R.L. as Purchaser and BEA Hotels Eastern Europe BV as Vendor have agreed that the Advance Payment amounts to [*TO BE INSERTED*].

Yours faithfully

NEMO INVESTMENT VEHICLE S.R.L.

The Purchaser

_____

BEA HOTELS EASTERN EUROPE BV

The Vendor

_____

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Schedule 14
Form of Certificate of Consummation

Schedule 15
Existing Loan Encumbrances

Schedule 16
GSM Convocation Notices

Schedule 17
List of Hotel Employees/Company Employees

Schedule 18
Deed of Waiver

Schedule 19

Vendor Loan Agreement

PRIVATE & CONFIDENTIAL

29 November, 2017

PROMONTORIA NEMO B.V.

as Borrower

and

BEA HOTELS EASTERN EUROPE BV

as Lender

VENDOR LOAN AGREEMENT

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Annexes

1. Form of Escrow Agreement
2. Form of Subordination Agreement

THIS VENDOR LOAN AGREEMENT (the "**Agreement**") is made and entered into on 29 November 2017

BETWEEN:

(1) **PROMONTORIA NEMO B.V.**, a limited liability company (*besloten vennootschap*) registered with the Chamber of Commerce in Amsterdam, the Netherlands, under file No 70027668, with its registered address at Oude Utrechtseweg 32, 3743 KN Baarn, the Netherlands (the "**Borrower**"); and

(2) **BEA HOTELS EASTERN EUROPE BV,** a limited liability company (*besloten vennootschap*) registered with the Chamber of Commerce in Amsterdam, the Netherlands, under file No 34149675, with its registered address at Krijn Taconiskade 430, 1087 HW Amsterdam, the Netherlands (the "**Lender**").

WHEREAS:

(A) Nemo Investment Vehicle s.r.l. a limited liability company duly incorporated and functioning under the Romanian law, registered with Bucharest Trade Registry under no. J40/19526/2017, sole registration code 38520000, having its registered office at 17 C.A. Rosetti, office no. 120 Register03, 1st floor, District 2, Bucharest, Romania ("**Buy-Co**") is a wholly owned subsidiary of the Borrower;

(B) Buy-Co and the Lender have on even date entered into a share purchase agreement (the "**SPA**") concerning the acquisition by Buy-Co from the Lender of shares in Bucuresti Turism S.A. and in BEA Hotels Eastern Europe (Romania) s.r.l..

(C) The Parties have agreed that a portion of the Estimated Net Purchase Price or Revised Estimated Net Purchaser Price, as relevant, and as otherwise payable by Buy-Co to the Lender, in an amount corresponding to the Vendor Loan (as defined below), shall be settled by the Borrower on behalf of Buy-Co by entering into this Agreement).

(D) The Borrower wishes to borrow the Vendor Loan from the Lender, and the Lender is agreeable to awarding the Vendor Loan to the Borrower, all on the terms, provisions and conditions in this Agreement set forth.

(E) Capitalised terms used in this Agreement that have not been specifically defined herein shall have the meanings ascribed to them in the SPA.

NOW, THEREFORE, IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement including the Recitals:

"**Adjudicated Claim Amount**" means the amount of any claim under the SPA which has been submitted by Buy-Co pursuant to the relevant provisions of the SPA, and which is confirmed and determined either: **(i)** by written agreement between the Vendor and Buy-Co; or **(ii)** in a binding arbitral award handed down by an arbitration tribunal appointed in terms of §31 of the SPA;

"**Adjudicated Set-off Claim Amount**" means any Adjudicated Claim Amount which, as at the due date for payment of such Adjudicated Claim Amount, remains outstanding and which shall, to the greatest extent possible, be automatically and immediately settled by way of set-off against the outstanding principal amount of the Vendor Loan (provided that the aggregate of all such Adjudicated Set-Off Claim Amounts shall not exceed EUR 8,000,000 (eight million Euro));

"**Base Escrow Retention Amount**" means:

(a) if a Mandatory Trigger or any voluntary payment of a Prepayment Amount pursuant to Clause 4(c) occurs at any time prior to the date 18 months following the Closing Date, EUR 8,000,000 (eight million Euro);

(b) if a Mandatory Trigger or any voluntary payment of a Prepayment Amount pursuant to Clause 4(c) occurs at any time from (and including) the date 18 months following the Closing Date and prior to the Maturity Date, EUR 4,000,000 (four million Euro); or

(c) if a Mandatory Trigger has not occurred prior to the Maturity Date, EUR 2,500,000 (two million and five hundred thousand Euro);

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for business in Romania, the United Kingdom, the Netherlands, Israel, Austria and Luxembourg;

"**BUTU**" means Bucuresti Turism S.A., a joint stock company incorporated and existing under the laws of Romania, whose registered office is at Calea Victoriei 63-81, Sector 1, Bucharest, registered in the Trade Register under number J40/167/1991, sole registration code 1567802;

"**CapEx Indebtedness**" has the meaning ascribed to it in Clause 8.4(b) below;

"**Cash Sweep Retention Amount**" has the meaning ascribed to it in Clause 8.5(a)(i)(1) below;

"**Closing Date**" has the meaning given to such term in the SPA;

"**Escrow Agent**" means such reputable and independent escrow agent as Buy-Co and the Lender may agree in writing acting reasonably;

"**Escrow Agreement**" has the meaning ascribed to it in Clause 5.1(b) below;

"**Escrow Retention Account**" means a special escrow account with the Escrow Agent to be created by the Lender pursuant to Clause 5 into which the Escrow Retention Amount is to be deposited by the Borrower in accordance with the terms of this Agreement;

"**Claim Provisions Amount**" has the meaning ascribed in limb (c) of the definition of Escrow Retention Amount;

"**Escrow Retention Amount**" means an amount equal to the lower of (i) EUR 8,000,000 (eight million Euro) less the aggregate amount of any Adjudicated Set-off Claim Amounts, and (ii) the aggregate of the following:

(a) the Base Escrow Retention Amount;

(b) the aggregated amount of any outstanding Adjudicated Claim Amounts which do not constitute Adjudicated Set-off Claim Amounts; and

(c) the aggregate amount of any claims for damages and/or Losses which have been submitted by Buy-Co, acting in good faith, to the Lender (in its capacity as the Vendor under the SPA) pursuant to the relevant provisions of the SPA but which do not yet constitute Adjudicated Claim Amounts ("**Claim Provisions Amount**") save that:

(1) if the Vendor notifies Buy-Co in writing that it disagrees with the amount of any such claim for damages and/or Losses; and/or

(2) in respect of any liability which is contingent,

the appropriate amount to be retained in the Escrow Retention Amount in respect of any such claim (which shall be an amount which is reasonably sufficient to provide for full recovery by the Purchaser in respect of the relevant claim) shall be determined by an independent legal expert who shall be a lawyer who has been a Queen's Counsel in England and Wales for at least ten years as at the date of appointment and shall be jointly appointed by the Borrower and the Lender and the parties shall agree the terms of appointment with the independent legal expert (the liability for the costs of such independent legal expert to be determined by the independent legal expert in its sole discretion) provided that, if the parties are unable to agree on the terms of that independent legal expert's appointment within seven days or the independent legal expert is unwilling or unable to act, either the Borrower or the Lender shall then be entitled to request the London Court of International Arbitration to appoint another expert who satisfies the relevant requirements and is willing and able to act and the London Court of International Arbitration shall agree on the terms of appointment with such independent legal expert (an "**Independent Legal Expert**"),

being the amount which is to be deposited into the Escrow Retention Account in accordance with the terms of this Agreement as security for the fulfilment by the Vendor of certain post-Closing liabilities pursuant to the provisions of the SPA;

"**Escrow Retention Date**" means the first date on which any funds are transferred to the Escrow Retention Account in accordance with Clause 4(b)(i), Clause 4(d)(i) or Clause 8.5(a) below;

"**Escrow Retention Funds**" has the meaning ascribed to it in Clause 5.2(a) below;

"**Finance Documents**" means:

(a) this Agreement;

(b) the Subordination Agreement;

(c) and any other document designated, in writing, as a "Finance Document" by the Lender and the Borrower;

"**Free Funds Available for Distribution**" means any amount which is available for distribution by BUTU and/or Buy-Co and/or the Borrower to their respective shareholders and/or affiliates after all debt service obligations of BUTU and/or Buy-Co under the Senior Debt Facility have been satisfied and fulfilled and subject to any retention that the respective board of directors of BUTU, Buy-Co and the Borrower may reasonably consider appropriate with respect to any other obligation or liability of that company and having made reasonable provisions and transfers to reserves in each case in accordance with the previous policy of the relevant board of directors;

"**Independent Legal Expert**" has the meaning ascribed to it in limb (c) of the the definition of Escrow Retention Amount;

"**Interest Period**" means each period determined under Clause 3(b) of this Agreement by reference to which interest on the outstanding principal amount of the Vendor Loan is calculated;

"**Lender Group Companies**" means: (i) the Lender; and (ii) BEA Hotels NV; and (iii) Elscint Holdings & Investments BV; and (iv) Elbit Imaging Ltd;

"**Mandatory Trigger**" means the occurrence of a Material Event of Default and/or a Non-Material Event of Default;

"**Material Event of Default**" has the meaning ascribed to it in Clause 8.1 below;

"**Maturity Date**" means the date that falls on the third anniversary of the Closing Date or, if such date is not a Business Day, on the Business Day immediately preceding such date;

"**Non-Material Event of Default**" has the meaning ascribed to it in Clause 8.2 below;

"**Party**" means a party to this Agreement and includes any permitted assignee of, or successor to, such party in accordance with this Agreement;

"**Prepayment Amount**" has the meaning ascribed to it in Clause 4(c)(i) below;

"**Refinancing**" has the meaning ascribed to it in Clause 8.4(b) below;

"**Refinancing Lender**" has the meaning ascribed to it in Clause 8.4(b) below;

"**Repayment Amount**" means, as at the relevant time, the amount equal to the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon, less the Escrow Retention Amount;

"**Senior Debt Facility**" means: the senior loan facility which is to be granted to Buy-Co and/or to BUTU by Raiffeisen Bank International AG and/or Raiffeisen Bank Romania S.A. on or before the Closing Date]

"**Subordination Agreement**" has the meaning ascribed to it in Clause 7 below;

"**Term of the Loan**" means the period commencing on the date hereof and terminating on the earlier to occur of: (i) the Maturity Date; and (ii) the repayment of the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon in accordance with Clause 4(b), Clause 4(c) or Clause 8.5(a); and

"Vendor Loan" means the loan made or to be made under this Agreement in the principal amount of EUR 8,000,000 (eight million Euro) as may be adjusted from time to time pursuant to (i) the capitalization of any accrued interest pursuant to Clause 3(d) below, (ii) any Prepayment Amount paid by the Borrower pursuant to Clause 4(c) below, (iii) any set-off as against the principal of any Adjudicated Set-off Claim Amounts, and/or (iv) any set-off as against the principal pursuant to Clause 8.5(a) and/or Clause 8.6(a) below.

1.2 Incorporation of provisions from Master Agreement

Each of the Parties agrees that the following provisions of the SPA shall be incorporated in and form part of this Agreement, *mutatis mutandis,* and shall be binding on each Party to this Agreement, namely: §1.1 (*Definitions*); §1.2 (*Interpretation*); §14 (*Confidential Information*); §15 (*Announcements*); §18 (*Notices*); §28 (*Amendments*); §31 (*Arbitration*); §32 (*Service of Process*) and §33 (*Governing Law*) of the SPA, including any defined terms used in such clauses which are defined in other clauses of the SPA.

2. LOAN

(a) The Lender agrees that it shall grant the Vendor Loan to the Borrower on the Closing Date in the amount of EUR 8,000,000 (eight million Euro).

(b) The Parties hereby agree that the Vendor Loan shall be deemed to have been drawn down by the Borrower on the Closing Date by means of the deduction of an amount equivalent to EUR 8,000,000 (eight million Euro) from the Estimated Net Purchase Price or Revised Estimated Net Purchase Price, as relevant, due and payable on that date by Buy-Co (in its capacity as Purchaser under the SPA) to the Lender (in its capacity as Vendor under the SPA).

3. INTEREST

(a) *Interest Rate*. Interest on the outstanding principal amount of the Vendor Loan shall accrue at the rate of 5% (five per cent.) per annum, and shall be calculated on the basis of a year of 360 days (the "**Interest Rate**").

(b) *Interest Periods*. Interest calculated at the Interest Rate shall accrue semi-annually (each of the above, an **"Interest Period"**) and shall be payable as provided in Clause 3(c) and Clause 3(d) below.

(c) *Interest Payments*. Interest accruing on the outstanding principal amount of the Vendor Loan shall be paid in arrears in respect of an Interest Period as follows:

(i) subject to Clause 3(d) below, the first interest payment pursuant to this Clause 3 shall take place on the date which is 18 months following the Closing Date (in respect of the 6-month period from the first anniversary of the Closing Date until the date which is 18 months following the Closing Date); and thereafter

(ii) semi-annually on that date which is 24 months, 30 months and 36 months respectively following the Closing Date.

(d) *Capitalization of Unpaid Interest*.

(i) In respect of interest which shall accrue at the end of the first and second Interest Periods (being the 6-month periods expiring on the date 6 months and 12 months respectively following the Closing Date), all such accrued but unpaid interest shall be capitalized with, and added to, the outstanding principal amount of the Vendor Loan and shall be deemed to form part thereof, and the outstanding principal amount of the Vendor Loan shall thereupon be treated as having been increased by the amount of interest capitalized in accordance with this Clause 3(d)(i); and

(ii) In the event that the Borrower shall fail to make any interest payment on due date thereof in terms of Clause 3(c) above, in whole or in part, and shall have failed to rectify such default within 10 (ten) Business Days of the due date for payment, then and in such event the amount of such unpaid interest shall be capitalized in the manner provided for in Clause 3(d)(i) above.

(e) *Default Interest*. Save only in respect of interest in relation to the first and second Interest Periods following the Closing Date which is capitalized and added to the outstanding principal amount of the Vendor Loan pursuant to Clause 3(d)(i) above, if the Borrower fails to pay any sum payable to the Lender under this Agreement when due, it shall pay interest on such sum from and including the due date up to and including the date of actual payment (both before and after judgment) at 5% (five per cent.) per annum above the Interest Rate. Such interest shall be calculated on the basis of the actual number of days elapsed and a 360-day year, shall accrue from day to day and shall be payable from time to time on demand.

4. REPAYMENT OF LOAN PRINCIPAL

Repayment of the Loan

(a) The Borrower shall repay the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon in full on or before the Maturity Date in accordance with Clause 4(b) below.

(b) Repayment shall be effected and completed by:

(i) subject to the creation of the Escrow Retention Account and the execution of the Escrow Agreement in accordance with Clause 5, the deposit by the Borrower of the Escrow Retention Amount less, if applicable, an amount equal to the Escrow Retention Funds at such time (if any), into the Escrow Retention Account; and

(ii) payment by the Borrower to the Lender of the Repayment Amount.

Voluntary Prepayment

(c) The Borrower shall be entitled to wholly or partially prepay the outstanding principal amount of the Vendor Loan together with all accrued but unpaid interest thereon prior to the Maturity Date in accordance with Clause 4(d) below, provided that:

(i) each prepayment amount (a "**Prepayment Amount**") is not less than EUR 500,000 (five hundred thousand Euro) other than any prepayment amount which repays in full the entire outstanding principal amount of the Vendor Loan together with all accrued but unpaid interest thereon;

(ii) it furnishes the Lender with not less than 10 Business Days advance written notice of its intention to do so and confirmation of the Prepayment Amount; and

(iii) any such prepayment shall be applied firstly to the payment of all accrued but unpaid interest and thereafter to the repayment of the outstanding principal amount of the Vendor Loan.

(d) Prepayment of any Prepayment Amount shall be effected and completed by:

(i) subject to the creation of the Escrow Retention Account and the execution of the Escrow Agreement in accordance with Clause 5, the deposit by the Borrower of an amount equal to the lower of (a) the Prepayment Amount, and (b) the Escrow Retention Amount less, if applicable, an amount equal to the Escrow Retention Funds (if any), into the Escrow Retention Account; and

(ii) to the extent that such Prepayment Amount exceeds the amount to be deposited into the Escrow Retention Account pursuant to Clause 4(d)(i), payment by the Borrower to the Lender of an amount equal to the excess.

Mandatory Prepayment

(e) Subject to the provisions of Clause 8.5 below, if a Material Event of Default has occurred and remains un-remedied and is continuing at the end of the Cure Period referred to in Clause 8.5(b) below, if notified in writing by the Lender, the Borrower shall within 10 Business Days, in accordance with Clause 4(b), repay the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon.

5. ESCROW RETENTION ACCOUNT

5.1 Prior to the Maturity Date or, if earlier, as soon as reasonably practicable following the earlier of (a) a Mandatory Trigger, and (b) the date of any notice delivered by the Borrower pursuant to Clause 4(c)(ii) of any intention to make a Prepayment Amount, the Lender and the Borrower shall:

(a) procure that the Escrow Retention Account is created and functional; and

(b) respectively use their best endeavours to ensure that an escrow agreement is agreed with an Escrow Agent substantially in the form and text attached hereto as Annex 1 (the "**Escrow Agreement**") and, following such agreement, is validly executed by each of the Lender, Buy-Co and the Escrow Agent.

5.2 The Parties agree and acknowledge that, following the Escrow Retention Date:

(a) the funds standing to the credit of the Escrow Retention Account from time to time (the "**Escrow Retention Funds**") shall be released from the Escrow Retention Account in the manner and on the terms specified in the Escrow Agreement; and

(b) notwithstanding Clause 5.2(a) or any term of the Escrow Agreement:

(i) if any Adjudicated Claim Amount, as at the due date for payment of such Adjudicated Claim Amount, remains outstanding, the Borrower shall be entitled to give written instructions to the Escrow Agent pursuant to the Escrow Agreement to transfer to the Borrower such amount of the Escrow Retention Funds as is necessary, to the greatest extent possible, to settle such Adjudicated Claim Amount;

(ii) subject to a Mandatory Trigger or any voluntary payment of a Prepayment Amount pursuant to Clause 4(c) having occurred prior to the date 18 months following the Closing Date, on the date 18 months following the Closing Date, to the extent that the Escrow Retention Funds exceed the aggregate of (1) EUR 4,000,000 (four million Euro), (2) the aggregated amount of any outstanding Adjudicated Claim Amounts which have not been settled out of the Escrow Retention Funds pursuant to Clause 5.2(b)(i), and (3) the Claim Provisions Amount, the Borrower and the Lender shall jointly give written instructions to the Escrow Agent pursuant to the Escrow Agreement to transfer to the Lender such amount of the Escrow Retention Funds as is equal to the excess;

(iii) on the third anniversary of the Closing Date, to the extent that the Escrow Retention Funds exceed the aggregate of (1) EUR 2,500,000 (two million and five hundred thousand Euro), (2) the aggregated amount of any outstanding Adjudicated Claim Amounts which have not been settled out of the Escrow Retention Funds pursuant to Clause 5.2(b)(i), and (3) the Claim Provisions Amount, the Borrower and the Lender shall jointly give written instructions to the Escrow Agent pursuant to the Escrow Agreement to transfer to the Lender such amount of the Escrow Retention Funds as is equal to the excess;

(iv) on the date 54 months following the Closing Date, to the extent that the Escrow Retention Funds exceed the aggregate of (1) EUR 1,500,000 (one million and five hundred thousand Euro), (2) the aggregated amount of any outstanding Adjudicated Claim Amounts which have not been settled out of the Escrow Retention Funds pursuant to Clause 5.2(b)(i), and (3) the Claim Provisions Amount, the Borrower and the Lender shall jointly give written instructions to the Escrow Agent pursuant to the Escrow Agreement to transfer to the Lender such amount of the Escrow Retention Funds as is equal to the excess;

(v) on the date 72 months following the Closing Date, to the extent that the Escrow Retention Funds exceed the aggregate of (1) the aggregated amount of any outstanding Adjudicated Claim Amounts which have not been settled out of the Escrow Retention Funds pursuant to Clause 5.2(b)(i), and (2) the Claim Provisions Amount, the Borrower and the Lender shall jointly give written instructions to the Escrow Agent pursuant to the Escrow Agreement to transfer to the Lender such amount of the Escrow Retention Funds as is equal to the excess; and

(vi) semi-annually following the date 72 months following the Closing Date, to the extent that any of the Escrow Retention Funds have been retained in the Escrow Retention Account in connection with any Claim Provisions Amount, the Lender shall be entitled to require that the Borrower and the Lender jointly appoint an Independent Legal Expert to determine whether (i) there is any reasonable prospect of the Claims Provisions Amount being required to satisfy a claim under the SPA and (ii) if the Claims Provisions amount is reasonably sufficient to provide for full recovery by the Purchaser in respect of the relevant claim and, to the extent that such Independent Legal Expert determines that any of the Claim Provisions Amount should not be retained (a "**Claim Provisions Release Amount**"), the Borrower and the Lender shall jointly give written instructions to the Escrow Agent pursuant to the Escrow Agreement to transfer to the Lender such amount of the Escrow Retention Funds as is equal to the Claim Provisions Release Amount.

6. RANKING

6.1 The Vendor Loan awarded in terms of this Agreement shall represent a direct obligation of the Borrower and, in a liquidation or insolvency scenario (an "**Insolvency Event**"), shall rank in right and priority of payment:

(a) junior to the Senior Debt Facility, any replacement senior debt finance facility and any capital expenditure facility;

(b) senior to all and any other debts or equity claims of the shareholders and/or of any affiliates of the Borrower by way of share capital, shareholder loans and other forms of equity participations; and

(c) senior to all other indebtedness of the Borrower to any third party.

6.2 For the avoidance of doubt, other than upon the occurrence of a Material Event of Default and solely for so long as such Material Event of Default is continuing and remains un-remedied, the Borrower shall, without limitation, be entitled, without restriction, to declare and pay dividends and repay any shareholder loans, other forms of equity participations and other indebtedness.

7. FINANCE DOCUMENTS

The Borrower and all its shareholders shall, on or before the Closing Date, execute a loan subordination agreement substantially in the form and text attached hereto as Annex 2 (the "**Subordination Agreement**") and deliver to the Lender a copy of the duly executed Subordination Agreement.

8. EVENTS OF DEFAULT

8.1 Material Events of Default

Each of the following shall be a "**Material Event of Default**" under this Agreement:

(a) the Borrower fails to execute payment of any amount due and payable under this Agreement, whether in respect of:

(i) interest payable upon the dates provided for in Clause 3(c) above; or

(ii) the repayment of the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon on the Maturity Date in accordance with Clause 4(b) above;

(b) an event of default is declared to have occurred under the Senior Loan Facility which has resulted in enforcement proceedings by the lenders under the Senior Loan Facility;

(c) commencement of a liquidation or insolvency scenario of, or in relation to, the Borrower.

(d) if a change of control occurs in the Borrower and/or in Buy-Co and/or in BUTU (where for the purposes hereof a change of control shall occur upon the sale or disposition of more than 50% (fifty per cent.) of the issued and outstanding shares of the Borrower or of Buy-Co or of BUTU (other than within the framework of a corporate restructuring within the Borrower's group of companies which does not result in a change of control having regard to the ultimate beneficial ownership of the Borrower and/or in Buy-Co and/or in BUTU, as relevant);

(e) any breach by the Borrower or Buy-Co of the negative pledge made in terms of Clause 8.4 below; and

(f) if BUTU or its successor in interest shall sell the ownership of and title to the Radisson Hotel Facility in Bucharest to a third party (other than within the framework of a corporate restructuring within the Borrower's group of companies which does not alter the ultimate beneficial ownership of the Radisson Hotel Facility in Bucharest).

8.2 Non-Material Events of Default

Each of the following shall be a "**Non-Material Event of Default**" under this Agreement:

(a) any breach by the Borrower of its financial covenant made in terms of Clause 8.3 below; and

(b) if, following any breach by the Borrower to, within a reasonable time period, provide the Lender with any information required to be delivered by the Borrower in accordance with Clause 9 below, the Lender gives written notice to the Borrower of such breach and the Borrower fails to remedy such breach within 3 (three) months of it receiving that notice.

8.3 Financial Covenant

The Borrower undertakes to ensure that throughout the Term of the Loan it shall maintain a minimum equity interest in Buy-Co (whether in the form of share capital or in the form of shareholder loans) in an amount not less than EUR 25,000,000 (twenty-five million Euro).

8.4 Negative Pledge

The Borrower undertakes to ensure that throughout the Term of the Loan the Borrower shall not, and shall procure that Buy-Co shall not, without the prior written consent of the Lender (in its sole discretion), incur any additional borrowings or other indebtedness which:

(a) in whole or in part, are directly utilized to facilitate any distribution by BUTU, Buy-Co and/or the Borrower to their respective shareholders; and

(b) result in the aggregate indebtedness of the Borrower, Buy-Co and/or BUTU increasing as against the aggregate of (i) the aggregate indebtedness of the respective entity immediately following the Closing Date, and (ii) any additional indebtedness incurred from time to time from Raiffeisen Bank International AG and/or Raiffeisen Bank Romania S.A. (or, following any Refinancing (as defined below), from the Refinancing Lender (as defined below)) in order to finance capital expenditure in relation to the Property ("**CapEx Indebtedness**"), provided that this Clause 8.4(b) shall not prevent each of the Borrower, Buy-Co and/or BUTU from (1) incurring / entering into any CapEx Indebtedness, and/or (2) entering into any refinancing arrangements with a single bank (or syndicate of banks) other than Raiffeisen Bank International AG and/or Raiffeisen Bank Romania S.A. provided that, pursuant to such refinancing, all of such entities financing arrangements are provided by a single bank (or syndicate of banks) (the "**Refinancing Lender**") ("**Refinancing**").

8.5 Remedies for Material Event of Default

(a) Cash Sweep. Upon the occurrence of a Material Event of Default and for so long as the such Material Event of Default is continuing, an immediate cash sweep shall be applied by the Borrower whereby all Free Funds Available for Distribution shall be immediately and exclusively applied by the Borrower to the repayment of the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon as follows:

(i) subject to the creation of the Escrow Retention Account and the execution of the Escrow Agreement in accordance with Clause 5:

(1) the deposit by the Borrower of an amount equal to the lower of (a) 50 per cent. of the Free Funds Available for Distribution, and (b) the Escrow Retention Amount less, if applicable, an amount equal to the Escrow Retention Funds (if any), into the Escrow Retention Account ("**Cash Sweep Retention Amount**"); and

(2) the payment by the Borrower to the Lender of an amount equal to the Free Funds Available for Distribution less the Cash Sweep Retention Amount.

(b) Cure Period. Upon the occurrence of a Material Event of Default in terms of Clause 8.1 above, and without derogating from the cash sweep provisions in Clause 8.5(a) above, the Borrower shall be permitted to remedy such Material Event of Default within a Cure Period of 3 (three) months following the date of the occurrence of the Material Event of Default. During the Cure Period, no enforcement proceedings shall be commenced by the Lender.

(c) Acceleration and Enforcement. On and at any time after the expiry of the Cure Period referred to in Clause 8.5(b) above, if the occurrence of a Material Event of Default is continuing and has not been remedied in full, then and in such event:

(i) the Lender may, by written notice to the Borrower cancel the Vendor Loan whereupon it shall immediately be cancelled, and declare that, pursuant to Clause 4(e), the outstanding principal amount of the Vendor Loan, together with all accrued but unpaid interest thereon, be immediately due and payable; and

(ii) the Lender shall be entitled to take and implement all and any acts, deeds and things and to implement any proceedings and any recourse available to it by operation of law in order to enforce its rights under this Agreement, including without limitation the institution of liquidation proceedings against the Borrower.

8.6 Remedies for a Non-Material Event of Default

(a) Upon the occurrence of a Non-Material Event of Default, an immediate cash sweep shall be applied by the Borrower and the provisions of Clause 8.5(a) above shall apply *mutatis mutandis*.

(b) The Lender shall not implement any enforcement proceedings in respect of a Non-Material Event of Default.

9. INFORMATION RIGHTS

Throughout the Term of the Loan the Lender shall be entitled to receive, and the Borrower undertakes to deliver to the Lender and/or to procure delivery to the Lender in a timely manner of:

(a) the annual financial statements of the Borrower, of Buy-Co and of BUTU;

(b) the annual valuation reports prepared in respect of the assets held by BUTU for the purpose of the preparation of its annual financial statements, or for any other purpose required under the terms of the Senior Debt Facility;

(c) written notice containing all relevant details of:

(i) any claim against the Borrower and/or against Buy-Co and/or against BUTU in an amount exceeding EUR 10,000,000 (ten million Euro);

(ii) the sale or disposition of any shares which would result in a change of control in the Borrower and/or in Buy-Co and/or in BUTU (where for the purposes hereof a change of control shall occur upon the sale or disposition of more than 50% (fifty per cent.) of the issued and outstanding shares of the Borrower or of Buy-Co or of BUTU (other than within the framework of a corporate restructuring within the Borrower's group of companies which does not result in a change of control having regard to the ultimate beneficial ownership);

(iii) the sale or disposition by BUTU of all or any part of the Radisson Hotel Facility; and

(iv) a notice by the lenders under the Senior Debt Facility that an event of default has been declared which has triggered enforcement proceedings by the lenders under the Senior Loan Facility.

10. PAYMENTS

(a) All sums payable by the Borrower to the Lender under this Agreement shall be paid free and clear of all deductions or withholdings of any kind, save only as may be required by law.

(b) If the Borrower is required by law to make a deduction or withholding in respect of Tax from any payment under this Agreement relating to an indemnity or a breach of warranty, the Borrower shall pay such sum as will, after the making of any such deduction or withholding, leave the Lender with the same amount as it would have received had no deduction or withholding been made.

(c) If any sum payable by the Borrower under this Agreement relating to an indemnity or a breach of warranty is subject to Tax in the hands of the Lender or taken into account in calculating the Tax of the Lender, the same obligation to make an increased payment as is referred to in Clause 10(b) shall apply in relation to such Tax liability as if it were a deduction or withholding required by law.

(d) A certificate from the Lender as to the amount at any time due from the Borrower to it under this Agreement shall, in the absence of manifest error, be conclusive.

11. INDEMNITY

The Borrower undertakes to indemnify the Lender on demand against any actions, charges, claims, costs, damages, demands, expenses, liabilities, losses and proceedings which the Lender may sustain or incur as a consequence of any default by the Borrower in the performance of any of the obligations expressed to be assumed by it in the Finance Documents.

12. WARRANTIES

Each of the Borrower and the Lender warrants to the other as at the date of this Agreement that:

(a) it is a corporation, properly established and validly incorporated, in existence and duly registered under the Applicable Laws of its jurisdiction of incorporation and it has the power to own its assets and carry on its business as it is being conducted;

(b) it has the requisite power and authority and has obtained all other applicable governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions required to empower it to enter into and perform the Finance Documents;

(c) the Finance Documents constitute legally valid and binding obligations of it; and

(d) entry into, performance and compliance by it of or with any term of any of the Finance Documents does not and will not:

(i) violate or conflict with the provisions of its charter, memorandum and articles of association, certificate of incorporation, by-laws, or equivalent constitutional documents in each relevant jurisdiction in any way;

(ii) result in violation or breach by it of any Applicable Laws in any relevant jurisdiction;

(iii) require any announcements, consultations, notices, reports or filings to be made by it or require any consents, approvals, registrations, authorisations or permits to be obtained by it;

(iv) violate any voting agreement, stockholders' agreement or voting trust agreement to which it is a party;

(v) conflict with, result in any breach of or constitute a default under any other agreement, commitment or other arrangement to which such Party or any of its Affiliates is a party or by which any of its respective assets are bound (including or the avoidance of doubt the Senior Debt Facility), except for any such conflicts, breaches or defaults that would not result in a material adverse effect on any such party or its Affiliates; or

(vi) require the consent of its direct or indirect shareholders.

13. ASSIGNMENT

Assignment by Lender.

(a) The Borrower has been made aware that it is the intention of the Lender to implement a corporate restructuring amongst the Lender Group Companies and/or other Affiliates immediately after the award of the Vendor Loan in terms of this Agreement.

(b) It is accordingly specifically agreed and understood that the Lender and its successors in interest shall be entitled transfer or novate all of its rights and obligations or liabilities under this Agreement, as follows:

(i) the Lender may transfer its rights and obligations under this Agreement to BEA Hotels NV; and thereafter

(ii) BEA Hotels NV may transfer its rights and obligations under this Agreement to Elscint Holdings & Investments BV; and thereafter

(iii) Elscint Holdings & Investments BV may transfer its rights and obligations under this Agreement to Elbit Imaging Ltd.

(c) The Lender also reserves the right to transfer all its rights and obligations in terms of this Agreement directly to Elbit Imaging Ltd.

(d) The Borrower hereby specifically agrees and consents to the transfer and novation of this Agreement as contemplated in Clause 13(b) and 13(c) above. The assignor and the assignee under any such transfer and novation, as the case may be, shall notify the Borrower promptly in writing that the relevant transfer and novation has taken place but shall not be required to obtain the consent of the Borrower for each such assignment.

Assignment by Borrower.

(e) None of the rights or obligations under this Agreement may be assigned or transferred by the Borrower without the prior written consent of the Lender.

(f) Except as expressly permitted by this Clause 13, any assignment or purported assignment of the whole or any part this Agreement shall be void.

(g) The Borrower shall maintain, or cause to be maintained, a register (the "**Register**") for the recordation of the names and addresses of the Lenders from time to time. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Parties may treat each person whose name is recorded in the Register as a Lender hereunder for all purposes hereof. The Register shall be available for inspection by a Lender at any reasonable time and from time to time upon reasonable prior notice.

(h) Upon receipt by the Borrower of a completed assignment of the Vendor Loan (in whole or in part) in accordance with the terms hereof, the Borrower shall record the information contained therein in the Register.

(i) Without prejudice to this Clause 13, the Vendor Loan (in whole or in part) may only be assigned or sold in whole or in part by registration of such assignment or sale on the Register. Any assignment or sale of all or part of the Vendor Loan may only be effected by registration of such assignment or sale on the Register. Prior to the registration of assignment or sale of the Vendor Loan (in whole or in part), the Borrower shall treat the person in whose name the Vendor Loan (in whole or in part) is registered on the Register as the owner thereof for the purpose of receiving all payments thereon, notwithstanding notice to the contrary.

14. SUCCESSORS

The rights and obligations of the Parties under this Agreement shall continue for the benefit of, and shall be binding on, their respective successors and permitted assignees.

15. COSTS, FEES, EXPENSES AND TAXES

(a) Each Party shall pay its own costs, fees and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement.

(b) The Borrower shall, within 5 (five) Business Days of demand, reimburse the Lender for the amount of all reasonable costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

16. THIRD PARTY RIGHTS

A person who is not a party to this Agreement shall have no right to enforce any of the terms of this Agreement by virtue of the Contracts (Rights of Third Parties) Act 1999 or otherwise.

17. COUNTERPARTS

This Agreement may be executed in counterparts, and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but the counterparts shall together constitute one and the same instrument.

18. GOVERNING LAW AND ARBITRATION

(a) This Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter shall be governed by, and construed in accordance with, English law; and

(b) The provisions of §31 (*Arbitration*) of the SPA are incorporated into this Agreement by reference.

IN WITNESS of which the Parties have entered into and they or their duly authorised representatives have executed this Agreement on the date first above written.

EXECUTED and **DELIVERED**)
as a Deed for and on behalf of)
BEA HOTELS EASTERN)
EUROPE BV. by)

Director

In the presence of:

Witness' signature

Witness' name

Witness' address

Witness' occupation

EXECUTED and **DELIVERED**)
as a Deed for and on behalf of)
PROMONTORIA NEMO B.V. by)

Director

In the presence of:

Witness' signature

Witness' name

Witness' address

Witness' occupation

ANNEX 1

FORM OF ESCROW AGREEMENT

ANNEX 2

FORM OF SUBORDINATION AGREEMENT

Schedule 20
Vendor Guarantee

Schedule 21

Agreed Upon Procedure

Schedule 21 – Agreed Upon Procedures used for the verification of Final Accounts

The Agreed Upon Procedures listed below should be performed on:

- ✓ The draft balance sheets and underlying books and records of each of the Target Companies to be prepared as of Closing Date in accordance with Romanian GAAP requirements ("**draft Balance Sheets**") and

- ✓ Management information specifically produced for the purpose of preparing Final Accounts ("**Management Statements**").

The Agreed Upon Procedures will be performed based on information in the statutory accounts of the Target Companies as at various dates, as specified below (e.g. 30 November 2017, Closing Date), if the Closing Date is 18 December 2017. Should the Closing Date be different than 18 December 2017, the procedures to be performed at 30 November 2017, as listed below, will be performed as at the last day of the month prior to the Closing Date month (e.g. if the Closing Date is 14 January 2018, the procedures which should be performed based on information at 30 November 2017, as listed below, will be performed based on information as at 31 December 2017). Similarly, procedures to be performed on statutory accounts for the period 1 December 2017 – Closing Date if the Closing Date falls during December 2017 will be performed for the period 1 January 2018 – Closing Date if the Closing Date falls during January 2018, 1 February 2018 – Closing Date if the Closing Date falls in February 2018 etc.

Any adjustments equal or above RON 100,000 (one hundred thousand Lei) identified following the Agreed Upon Procedures listed below should amend the draft Balance Sheets to be used for preparing the Final Accounts and / or to be reflected in the calculation of the Final Aggregated NAV Adjustment Amount with a view to establishing the Final Net Purchase Price.

I. Inventory

1. Participate at the merchandise stockcount performed as of **Closing Date** in order to validate stock count procedures of Bucuresti Turism S.A. and perform an independent count for a selection of top 15 product codes in terms of value and for another 15 product codes selected on site on a random basis. Report any differences exceeding 10,000 RON ("**Audit Differences**") or discrepancies noted. Obtain results of the full stock count performed by the Target Companies at **Closing Date** and ensure that all identified differences are corrected in the final stock countsheets.

2. Check that results of the final stock count are reflected in the books and records of Bucuresti Turism S.A. as of **Closing Date**.

3. Verify that all expired and damaged goods identified during the physical stock count are written off from the statutory books of Bucuresti Turism S.A. as of **Closing Date**.

II. Receivables

1. Obtain the ageing of trade receivables in balance at **Closing Date** containing customer name, invoice number and invoice date /due date, values, less specific allowances, where the case. Reconcile the detailed ageing listing with the corresponding trial balance at the respective date. Investigate Audit Differences and propose adjustments to trial balances, if the case.

2. Select from the provided ageing top 10 invoices (top 2 invoices per each ageing category), check the disclosed invoice date, customer and value against supporting documents. Investigate Audit Differences and propose adjustments to trial balances, if the case.

3. For overdue receivables more than 90 days as at **Closing Date (excluding balances between the Target Companies and related parties)**, check Vendor's computation of specific adjustment amount identifying also collections between **Closing Date** and the date of performing Agreed Upon Procedures for overdue receivables more than 90 days as at **Closing Date**.

4. For all tenants and top 5 non-tenant trade receivables in balance (with a receivables balance larger than nil) at **Closing Date**, send confirmation letters in respect of receivable, guarantee (on and off balance sheet) and other balances with these clients at 30 November 2017, reconcile with the trial balance. Investigate Audit Differences and propose adjustments to trial balances, if the case. Perform roll forward procedures for all tenants and top 5 non-tenant clients in balance as **Closing Date** (by checking invoices recorded and collections between 30 November 2017 and **Closing Date** against underlying supporting documents).

5. For the clients for which confirmations as at 30 November 2017 are not received, also review cash receipts subsequent to **Closing Date** against bank statements. Investigate Audit Differences and propose adjustments to trial balances, if the case. If there are no subsequent cash collections, check the accuracy of invoices details in balance as at **Closing Date** against contractual arrangements.

6. Check the accuracy of calculation of the specific allowances for bad and doubtful debts at **Closing Date** and underlying reasons for allowance/documentation (i.e. pending litigations, insolvency proceedings, bankruptcy).

7. Send confirmation letters to external legal advisors regarding litigations where Target Companies are plaintiffs and ensure that appropriate specific allowances are booked in statutory accounts as of **Closing Date**.

8. Perform cut off procedures at **Closing Date** by selecting 10 largest invoices since previous month end before **Closing Date** and verify if they are recorded in the books in the appropriate period.

III. Cash

1. Obtain a detailed listing of cash balances as at **Closing Date** and agree the amounts with the trial balance as at **Closing Date**. Investigate Audit Differences and propose adjustments to trial balances, if the case.

2. For all active Bank accounts in the trial balance as at 30 November 2017, send confirmation letters, reconcile with the trial balance. Investigate Audit Differences and propose adjustments to trial balances, if the case.

3. For all cash at Bank balances, including nil balances, reconcile the amounts with the bank statements at **Closing Date.** Investigate Audit Differences and propose adjustments to trial balances, if the case.

4. For cash in transit as of **Closing Date**, reconcile the amounts with the bank statements issued post Closing Date. Investigate Audit Differences and propose adjustments to trial balances, if the case.

IV. Payables

1. Obtain detailed listing of trade and CAPEX payables in balance at **Closing Date**. Reconcile the detailed listing with the trial balance at the respective date and report on differences.

2. For top 25 largest suppliers for goods / services and top 5 CAPEX suppliers selected based on FY17 purchases (excluding balances between the Target Companies and balances with related parties), send confirmation letters in respect of balances at 30 November 2017, reconcile, investigate Audit Differences and propose adjustments to trial balances, if the case. Perform roll forward procedures for the selected suppliers until **Closing Date** (by checking invoices received and payments between 30 November 2017 and **Closing Date** against underlying supporting documents).

3. In case no confirmations are received, review all payments subsequent to **Closing Date** towards selected suppliers against the bank statements and /or invoices paid. Investigate Audit Differences and propose adjustments to trial balances, if the case.

4. Perform cut off procedures selecting the highest 10 transactions before and after **Closing Date** (up to 15 days before and after the Closing Date) to ensure that invoices received were recorded in the appropriate period. Obtain a detailed listing of invoices received in January 2018 and select 10 largest transactions to test if they were recorded in the appropriate period.

5. Obtain all bank statements between **Closing Date** and the date of performing the Agreed Upon Procedures. Select 10 largest payments, agree transactions from the bank statements to supporting documents (i.e. invoice, contract) in order to verify whether the associated liabilities have been recorded in the appropriate period and for the appropriate amounts.

6. Obtain a detailed listing of unpaid invoices at the date of performing the Agreed Upon Procedures. For a selection of 10 largest amounts test supporting documentation (i.e. invoices, contracts) to verify whether the associated liabilities have been recorded in the appropriate period.

7. Obtain credit notes from suppliers for FY17. For a selection of 5 largest amounts test supporting documentation (i.e. invoices) to verify whether they have been recorded in the appropriate period.

8. Inquire Management on the credit notes for FY17 which were not received by Management at the date of performing the Agreed Upon Procedures and check whether accruals were recorded in the appropriate period.

9. Send confirmation letters to external legal advisors regarding litigations where Target Companies are defendants. For litigations where a negative outcome is probable (ie more likely than not that cash outflows will be required in the near future to settle such obligations) obtain Management estimate on expected future cash outflows to settle such obligations. Report on identified exposures.

V. Other receivables / payables

1. For Payroll (including Management's remuneration & fees), bonuses paid and accrued during the year, inquire on bonuses to be granted in relation to period before **Closing Date** and check if they were properly accrued for at **Closing Date**; if bonuses will be paid until the date of completion of these Agreed Upon Procedures, we will test the payments by tracing them to bank statements.

2. For untaken holiday, obtain calculation as at **Closing Date**, reconcile with the trial balance. Investigate Audit Differences and propose adjustments to trial balances, if the case. Verify that calculation includes gross salary and related contributions (of both employer and employee).

3. For prepayments, obtain detailed listing at **Closing Date**, reconcile the amounts with the trial balance as at **Closing Date.** Investigate Audit Differences and propose adjustments to trial balances, if the case. Verify top 5 amounts in balance at Closing Date against contract / invoice in order to check if they are properly recorded. Based on detailed listing as at **Closing Date** and inquiry with Management, identify prepayments related to benefits granted to Management and employees who will not continue with the Target Companies post Closing.

4. For advances paid to inventory / services suppliers, obtain detailed listing at **Closing Date**, reconcile the amounts with the trial balance as at **Closing Date.** Investigate Audit Differences and propose adjustments to trial balances, if the case. For the top 3 advances in balance at **Closing Date**, send confirmation letters in respect of balances at 30 November 2017, reconcile and report Audit Differences. Perform roll forward procedures for the selected suppliers until **Closing Date** (by checking invoices received and payments during 30 November 2017 and **Closing Date**).

5. For advances received from clients, obtain detailed listing at **Closing Date**, reconcile the amounts with the trial balance as at **Closing Date** and report on Audit Differences. For the top 3 advances in balance at **Closing Date**, send confirmation letters in respect of balances at 30 November 2017, reconcile and report Audit Differences. Perform roll forward procedures for the selected clients until **Closing Date** (by checking invoices and collections during 30 November 2017 and **Closing Date**).

6. Check VAT balances at 30 November 2017 against VAT statement and against corresponding sales and purchases journals. Check VAT accrual for the period between 30 November 2017 and **Closing Date** and check the basis of this VAT accrual.

VI. Accruals and Provisions

1. Obtain a detailed listing of the accruals (including tax accruals) as at **Closing Date**, agree the amounts with the trial balance as at **Closing Date**. For all accruals obtain the computation, the basis for the estimations. and investigate Audit Differences. For the top 10 accruals, check also subsequent invoices issued in respect to the accruals recorded as at **Closing Date.** Propose adjustments to trial balances, if the case.

2. Obtain information on costs incurred for assessing compliance with GDPR gap assessment. Check that relevant accruals have been made for such costs, obtain information of future costs to be incurred for GDPR compliance.

3. Inquire Management about potential contingencies as of **Closing Date**. Summarize nature of potential risks and obtain Management estimate of potential negative outcome and timing of potential cash outflows.

VII. Operating expenses / revenues

1. Obtain a summary of monthly operating revenues and expenses included in statutory accounts for FY16 and FY17 for each of the Target Companies except for Bucuresti Turism SA. Identify and explain abnormal variances between periods and from one year to another. In the case of Bucuresti Turism SA perform similar analyses for each of the profit centres: BUTU, Radisson, Park-Inn.

2. For all transactions booked by the Target Companies for December 2017, check the accuracy of "pro-rata" computation performed by Management to estimate relevant revenues / costs items for the period between 1 December 2017 to **Closing Date**.

Revenues may be allocated to period 1 December 2017 – **Closing Date** as follows: i) Hotels' revenues are the ones recorded daily in Opera system; ii) Rental revenues are recorded on a pro-rata basis based on no of days elapsed from 1 December 2017 until **Closing Date** and monthly rental revenues according to lease agreements; iii) Other revenues according to appropriate other considerations.

Expenses may be allocated to period 1 December 2017 – **Closing Date** based on: i) specific date (where expenses may be directly traced to specific period when the services were provided / goods were consumed); ii) pro-rata according to corresponding revenues; iii) pro-rata according to no of days between beginning of the month and **Closing Date**; iv) other considerations, as considered appropriate.

3. For all operating expenses which require adjustment due to final determination at year end (ie: Management fee to Rezidor based on Gross Operating Profit, Management Incentive Scheme (MIC) to Employees, discounts from suppliers and other as appropriate), verify that amounts recorded for 1 January 2017 - **Closing Date** have been adjusted accordingly.

VIII. Intra-group balances and transactions

1. Obtain Target Companies' intra-group (whereas the Group includes Bucuresti Turism SA, BEA Hotels Eastern Europe SLA, Romextur SA) balances at Closing Date and transactions for the period 1 January 2017 – **Closing Date** and reconcile with the amounts recorded in each of the Target Companies trial balances. Investigate Audit Differences and propose adjustments to trial balances, if the case.

2. Obtain Target Companies' related party balances at Closing Date and transactions for the period 1 January 2017 – **Closing Date** and reconcile with the amounts recorded in each of the Target Companies trial balances. Investigate Audit Differences and propose adjustments to trial balances, if the case.

3. For related party balances at 30 November 2017 and transactions for the period 1 January 2017 – **Closing Date**, send confirmation letters in respect of balances at 30 November 2017 and transactions for 1 January 2017 – 30 November 2017, reconcile and investigate Audit Differences and propose adjustments to trial balances, if the case. Perform roll forward procedures for the related party balances until **Closing Date** (by checking invoices issues/received and payments/collections during 30 November 2017 and **Closing Date**).

4. Perform cut off procedures at **Closing Date**, selecting intra-group and related party invoices before and after **Closing Date** to see if they were properly recorded/accrued for at **Closing Date**. Obtain a detailed listing of intra-group and related party invoices in the month subsequent to the month of the Closing Date and select 10 largest transactions to test if they were recorded in the appropriate period.

Schedule 22
Calculation of the NET Estimated Purchase Price

Schedule 23
Deed of Termination- Elbit Guarantee Agreement

Schedule 24
Deed of Termination- Elbit Management Services Agreement

SCHEDULE 25
Elbit Confirmation No Written Agreements

SCHEDULE 26
Power of Attorney BEA Hotels N.V

EXECUTED by the Parties

On 29 November 2017

For and on behalf of **BEA Hotels Eastern Europe BV** as the Vendor

Name: Doron Moshe

Title: Proxy

On 29 November 2017

For and on behalf of **NEMO INVESTMENT VEHICLE S.R.L.** as the Purchaser

Name: Vlad Dragoescu

Title: Director

Exhibit 4.17

Deed of Trust

Made and executed in Tel Aviv on the 18th day of February, 2018

Between: **Elbit Medical Technologies Ltd.**
Of 3 Shimshon St., Petah Tikva
Tel.: 03-6086048; Fax: 03-6086050
(Hereinafter: "**the Company**")

The first party;

And between: **Reznik Paz Nevo Trusts Ltd**
Of 14 Yad Harutsim St., Tel Aviv
Tel.: 03-6389200; Fax: 03-6389222
(Hereinafter: "**the Trustee**")

The second party;

Whereas: On May 29, 2017 the Company published a shelf prospectus (hereinafter: "**the Shelf Prospectus**") according to which the Company might issue different types of securities (including bonds);

And whereas: The Company wishes to publish a Shelf Offering Report, by virtue of the Shelf Prospectus, for the purpose of issuing Bonds (Series C) of the Company convertible into the shares of the Company;

And whereas: The Trustee is a company limited by shares and registered in Israel and was incorporated in Israel in accordance with the provisions set forth in the Companies Ordinance [New Version] 5743-1983 and that mainly engages in conducting businesses in trust and performing additional actions that are ordinarily performed by a trust company;

And whereas: The Trustee declares that there was no preclusion in accordance with the provisions set forth in the Securities Law 5728-1968 or any other law preventing its engagement with the Company in accordance with this Deed of Trust, including with respect to conflicts of interests that prevent its engagement with the Company as aforesaid, that the Trustee complies with the requirements and the conditions of competence set forth in the Securities Law 5728-1968 to serve as a trustee for the issue of the bonds subject matter of this Deed and that it lacks any interest in the Company, except for interest deriving from its capacity as a trustee for the bonds;

And whereas: The Company requested from the Trustee to serve as a trustee for the holders of the Bonds (Series C) and the Trustee agreed to the said subject to and in accordance with the provisions set forth in this Deed of Trust;

And whereas: The Company declares that it is not precluded in accordance with the provisions set forth in any law from engaging with the Trustee in accordance with this Deed of Trust and that it lacks any personal interest in the Trustee;

And whereas: The Company declares that all approvals and/or permits that are required in accordance with the provisions set forth in any law and/or agreement were obtained for the purpose of performing the issue in accordance with the provisions set forth in the Deed of Trust and the Company is entitled to issue the Bonds (Series C) in accordance with the conditions set forth in the Deed of Trust and there is no preclusion under any agreement and/or law preventing the performance of the issue contemplated in this Deed of Trust.

Therefore, it is Declared, Stipulated and Agreed between the Parties as Follows:

1. **Preamble, interpretation and definitions**

1.1. The preamble to this Deed of Trust and Appendixes thereof constitute an integral part hereof.

1.2. The headings of the Sections will serve for the purpose of orientation and convenience only and will not serve for the purpose of interpreting this Deed of Trust.

1.3. Anywhere in this Deed of Trust where the words "subject to the provisions set forth in any law" (or any similar expression) are used, the meaning is to any law that cannot stipulated upon.

1.4. In this Deed of Trust words which are in the plural form shall be deemed to include the singular form, and vice versa and words which are in the masculine gender shall be deemed to include the feminine gender, and vice versa and a person shall also denote a body corporate, as long as there is no other express and/or implied provision in this Deed of Trust and/or if content or context requires otherwise.

1.5. The signature of the Trustee on the Deed of Trust does not constitute an opinion of the Trustee regarding the quality of the Bonds (Series C) or the feasibility of investment therein.

1.6. In the event of discrepancy between the provisions set forth in this Deed of Trust (including different Appendixes thereof) and the provisions set forth in the Shelf Prospectus and/or the Shelf Offering Report with respect to Bonds (Series C), the provisions set forth in this Deed shall take precedence. The Company declares that as of the date of signing the Deed of Trust there is no discrepancy between the provisions set forth in the Shelf Offering Report and the provisions set forth in the Deed of Trust.

1.7. As used in this Deed of Trust, including Appendixes and Addenda thereof, the following terms shall have the respective meanings set forth beside them below, unless otherwise stated expressly:

"The Stock Exchange"	The Tel Aviv Stock Exchange Ltd.
"Stock Exchange Clearing House"	The Tel Aviv Stock Exchange Clearing House Ltd.
"Stock Exchange Instructions"	The instructions set forth in the Stock Exchange bylaws, the guidelines set forth thereunder and the Stock Exchange Clearing House bylaws (as the case may be). It is clarified that the Stock Exchange Instructions as published from time to time shall apply to the Bonds, their terms and the terms set forth in the Deed of Trust.
"Adjourned Meeting" or "Adjourned Holders Meeting"	A holders' meeting that was adjourned to a date other than the date set for the opening of the meeting as specified in detail in Sections 20 to 22 in the Second Addendum of this Deed.
"This Deed" or "the Deed of Trust"	This Deed of Trust including Appendixes enclosed therewith and constituting an integral part thereof, in their version from time to time.
"The Prospectus" or "the Shelf Prospectus"	The Shelf Prospectus of the Company that was published on May 28, 2017 in respect of the Bonds, *inter alia*.
"Shelf Offering Report" or "Offering Report"	The Shelf Offering Report that will be published in accordance with the Shelf Prospectus, in accordance with the provisions set forth in Section 23a(f) of the Securities Law 5728-1968 and in which all the particulars of the Bonds (Series C) issue will be completed in accordance with the provisions set forth in any law and in accordance with the Stock Exchange Instructions.

"Bonds (Series C) First Offering Report"	An offering report according to which the Bonds (Series C) will be first offered.
"Bonds (Series C)" or "the Bonds"	Series C of the registered Bonds of the Company, convertible into the shares of the Company and whose conditions shall be in accordance with the conditions set forth in the Deed of Trust and the Bonds certificates and the First Offering Report of the Bonds (Series C) that will be issued by the Company from time to time at its sole discretion.
"First Trustee"	Reznik Paz Nevo Trusts Ltd.
"The Trustee"	The First Trustee or any other trustee that will serve as a trustee of the bondholders in accordance with this Deed.
"Substitute Assets"	Within their meaning in Section 6.9.1 hereunder.
"The Register"	The Shareholders' Register as stated in Section 27 of this Deed.
"Bondholders" and/or "the Holders" and/or "Bond Owners"	According to the meaning of the terms "holder" and "holder of a certificate of indebtedness" in Section 35a of the Securities Law.
"Bond Certificate"	A bond certificate whose form appears in the First Addendum of this Deed.
"The Law" or "the Securities Law"	The Securities Law 5728-1968 and the regulations promulgated thereunder as amended from time to time.
"Companies Law"	The Companies Law 5759-1999.
"Principal"	The total par value of the Bonds (Series C).
"Trading Day"	Any day in which transactions are performed in the Stock Exchange.

"Business Day" or "Banking Business Day"	Any day in which the majority of the banks in Israel are open for business.
"Nominee Company"	The nominee company of Mizrahi-Tefahot Nominee Company Ltd. or any other nominee company with which the Company engages, at its sole discretion and subject to the provisions set forth in any law, provided that the entire securities of the Company will be registered in the name of the said Nominee Company.
"Liability Value of the Bonds" or **"Adjusted Value"**	The balance of the principal of Bonds in circulation in addition to interest accrued and not yet paid and that accumulated until the Review Date.
"VTL"	The ratio obtained following the division of: (a) the value of the Charged Shares (within its meaning hereunder); by (b) the balance of the Adjusted Value of the Bonds on the Review Date (or any other date to the extent noted expressly in the provisions set forth in the Deed of Trust) (i.e., principal and interest (including interest in arrears, to the extent applicable) and that accumulated until the said date) with deduction of cash and government bonds in the trust account and with deduction of bank guarantees that were deposited by the Trustee.
"Insightec"	Insightec Ltd., a private company that incorporated in Israel, Company Registration No. 512755745.
"Gamida"	Gamida-Cell Ltd., a private company incorporated in Israel, Company Registration No. 512601204.
"The Charged Shares"	Within their meaning in Section 6.1 hereunder.

"Government Bonds"	Bonds that were issued by the State of Israel and that are traded in the Stock Exchange and whose payment date is no later than the payment date of the Bonds.
"Government Bonds Value"	The aggregate value of the Government Bonds of the different classes deposited in the trust account and that will be calculated with respect to each class of Government Bonds by the result obtained following the multiplication of: (1) the closing price of NIS 1 par value of Government Bonds of the relevant class in the Stock Exchange on the trading day that preceded the Review Date stated in the Deed of Trust hereunder; and (2) the par value of the Government Bonds of the relevant class.
"Value of Insightec's Shares"	The result obtained from a division of: (1) the sum that was invested in Insightec in the last investment round prior to the Review Date that will be stated in the Deed of Trust; by (2) the number of Insightec shares that were allotted against the investment amount specified in sub-section (1) above and: (a) without making a distinction between the different classes of shares that were allotted in the investment round (to the extent that shares of different classes were allotted) and without taking into account the fact that the class of shares that were allotted in the investment round as aforesaid can be shares with different rights (superior or inferior) than the classes of shares existing in the Insightec capital; and (b) without taking into account securities convertible into Insightec shares that were allotted in the investment round (if and to the extent that such securities were allotted).

It is clarified that for the purpose of making the said calculation:

A. An investment round in Insightec in which an amount lower than USD 30M was invested in Insightec will not be taken into account (excluding a future cash flow following realization of convertible securities).
B. In the event the Insightec shares are listed for trade in any stock exchange, the calculation method of the share value of Insightec will be determined according to the average closing price of the Insightec shares in the 30 trading days in the Stock Exchange that preceded the Review Date specified in the Deed of Trust hereunder.
C. To the extent that the share price is denominated in a currency other than new Israeli shekels the said price will be translated into new Israeli shekels according to the exchange rate of the foreign currency vis-à-vis the shekel (as set by the Bank of Israel) on the day that preceded the Review Date as noted in the Deed of Trust hereunder.
D. An investment round in Insightec that is performed by way of rights issue will not be taken into account.

"Value of the Insightec Shares held by the Company" The result obtained following multiplication of: (1) the Value of Insightec's Shares; by (2) the number of Insightec shares held by the Company.

It is clarified that: (a) the share capital of Insightec includes different classes of shares with different rights; (b) the Company holds certain classes of Insightec shares; (c) determination of the Value of Insightec's Shares held by the Company will be performed according to the Value of Insightec's Shares (within its meaning in this Deed of Trust) and the total number of Insightec shares held by the Company and while ignoring from the different classes of shares held by the Company.

"Value of Gamida's Shares"

The result obtained following the division of: (1) the amount that was invested in Gamida in the last investments round that was performed in Gamida prior to the Review Date stated in the Deed of Trust; by (2) the number of Gamida's shares that were allotted against the investment amount specified in sub-section (1) above and that is performed: (a) without making a distinction between the different classes of shares that were allotted in the investments round (to the extent that shares of different classes were allotted) and without taking into account the fact that the class of shares allotted in the investments round as aforesaid might be shares with different rights (superior or inferior) than the classes of the shares existing in the share capital of Gamida; and (b) without taking into account securities convertible into Gamida's shares that were allotted in the investments round (if and to the extent that such shares were allotted).

It is clarified that for the purpose of making the calculation specified above:

A. No investments round in Gamida in which an amount lower than USD 30M was invested in Gamida will be taken into account (excluding a future cash flow following realization of convertible securities).

B. In the event the Gamida shares are listed for trade in any stock exchange, the calculation method of the share value of Gamida will be determined according to the average closing price of the Insightec shares in the 30 trading days in the Stock Exchange that preceded the Review Date specified in this Deed of Trust hereunder.
C. To the extent that the share price is denominated in a currency other than new Israeli shekels the said price will be translated into new Israeli shekels according to the exchange rate of the foreign currency vis-à-vis the shekel (as set by the Bank of Israel) on the day that preceded the Review Date as noted in the Deed of Trust hereunder.
D. An investment round in Gamida that is performed by way of rights issue will not be taken into account.

"Value of Gamida's Shares held by the Company" A result obtained from the multiplication of: (1) the Value of Gamida's Shares; by (2) the number of Gamida's shares held by the Company.

It is clarified that: (a) the share capital of Gamida includes different classes of shares with different rights; (b) the Company holds certain classes of Gamida's shares; (c) the Value of Gamida's Shares held by the Company will be determined according to the Value of Gamida's Shares (within its meaning in this Deed of Trust) and the total number of Gamida's shares held by the Company and without taking into account the different classes of shares held by the Company.

"Value of the Charged Shares"	A result obtained from the multiplication of: (1) the Value of Insightec's Shares"; by – (2) the number of Insightec's Shares that are charged; with the addition of – The result obtained from the multiplication of: (1) the Value of Gamida's Shares; by – (2) the number of Gamida's Shares that are charged.
"Trust Account"	A bank account that will be opened by the Trustee and in the name of the Trustee in one of the five largest banks in Israel in trust for the Bondholders and whose signatory rights shall be held solely by the Trustee. The funds in the Trust Account shall be invested by the Trustee in the tracks specified in Section 16 of the Deed of Trust. If and to the extent that the shares of Gamida and/or the shares of Insightec are listed for trade in the Stock Exchange and the Charged Shares become electronic shares (in lieu of share certificates) and/or the Company deposits in the Trust Account any assets (such as Substitute Assets that are Government Bonds), the Company shall be added as a beneficiary in the Trust Account in such manner that the shares and/or the assets as aforesaid shall be held by the Trustee for the Company as owner and for the Bondholders as charge holders. The Company declares that it does not have any claim and/or demand and/or suit in connection with the provision of the charge by the Company in accordance with and subject to the provisions set forth in the Charge Agreement.

"Ordinary Resolution"	A resolution that was passed in the meeting of Bondholders that was convened in accordance with the provisions set forth in Section 35l13 and 35l14(a) of the Law (whether in the original or the adjourned meeting) by a majority of a minimum of fifty percent (50%) of all votes participating in the vote, except for abstaining votes.
"Extraordinary Resolution"	A resolution that was passed in a Bondholders' meeting in which the holders of at least fifty percent (50%) of the balance of the par value of the Bonds in circulation attended, whether by themselves and whether by proxy, on the record date of the meeting, or in an adjourned meeting thereof, and in which the holders of at least twenty percent (20%) of the said balance attended, whether by themselves and whether by proxy, and that was passed (whether in the original meeting or the adjourned meeting) by a majority of at least two thirds (2/3) of the entire votes participating in the vote, except for abstaining votes.
"Dollar"	The U.S. dollar.
"Dollar Exchange Rate"	The exchange rate of the dollar versus the shekel published by the Bank of Israel and in the event the Bank of Israel ceases to publish the exchange rate as aforesaid, any official exchange rate of the dollar versus the shekel that comes in lieu of the exchange rate as aforesaid and that applies at the time regarding Government Bonds linked to the dollar rate and, in the absence of an exchange rate as aforesaid, as determined by the Company following consultation with financial experts that will be appointed by the Company together with the Trustee and with its approval.

2. **Issue of the Bonds and application of the Deed of Trust**

2.1. Principal and interest

2.1.1. **Principal**

The Company will issue registered Bonds, NIS 1 par value each, and that will be payable (principal) in one payment on March 1, 2022.

2.1.1.1. Without derogating from the provisions set forth in Section 2.6 hereunder regarding the expansion of the series, if and to the extent that as part of the first offering to the public the Company issues bonds in a scope greater than NIS 180M par value (an amount in new Israeli shekels equal to the total par value of the bonds above NIS 180M par value shall be referred hereinafter: "**the Excess Amount**"), the Excess Amount shall be kept in the Trust Account and shall not be released to the Company and the Company will use the Excess Amount for the purpose of performing early redemption of the Bonds in accordance with the provisions set forth in Sections 7.2.1 to 7.2.6 hereunder when the early redemption amount shall be equal to the Excess Amount in addition to interest accrued on the Excess Amount and not yet paid (i.e., as of the date in which the Excess Amount was first received in the account of the dealer manager and until the date prior to the performance of early redemption) calculated on a basis of 365 days a year according to the number of days in that period. It is emphasized that the early redemption as aforesaid will not be performed prior to expiration of a period of 30 days as of the date of the tender to the public.

2.1.1.2. For the purpose of performing the actions set out in Section 2.1.1.1 above, the Company shall publish in an immediate report its intention to perform the early redemption by the Excess Amount together with a detailed calculation with respect to the amount for transfer from the Trust Account for the purpose of making the said payment (and all up to the Excess Amount) and, to the extent that an additional amount is required for the purpose of making payment, furnishing proof to the Trustee regarding the transfer of the additional amount that is required for the Nominee Company. The Trustee shall cooperate with the Company for the purpose of this matter and shall rely on the reports of the Company and will not perform out of its own initiative or will not be required to conduct a review on its behalf.

2.1.2. **Interest**

The uncleared balance of the principal of the Bonds shall carry annual interest payable in two payments each year, on the 1st day of September and March in each of the years 2018 to 2022, when the first payment of interest will be made on September 1, 2018 and the last payment of interest will be made on March 1, 2022, for a period of six months that ended on the payment date, and according to the following interest rate:

2.1.2.1. The interest rate in the period until February 28, 2020 (including)

The annual interest rate in the period until February 28, 2020 (including) will be 5% (in such manner that the payment of interest for a period of six months that ended on the payment date will be 2.5%), except for the first payment of interest that will be made on September 1, 2018 for the period starting on the day the full consideration for the Bonds issue is received by the dealer manager of the Bonds and will expire on the first payment date of the interest, calculated on a basis of 365 days a year according to the number of days during this period and expires on the first payment date of the interest – September 1, 2018. Any additional interest period of the Bonds shall commence on the first day after expiration of the interest period shortly before it and shall expire upon expiration of the interest period (i.e.: on the payment date shortly after its commencement date).

2.1.2.2. Interest rate in the period from March 1, 2020 and until February 28, 2022

The annual interest rate for the period from March 1, 2020 (including) and until February 28, 2022 (including) shall be 10% (in such manner that the payment of interest for a period of six months that ended on the payment date shall be 5%). Each additional interest period of the Bonds will commence on the first day after expiration of the interest period shortly before that period and will expire upon expiration of the interest period (i.e.: on the payment date shortly after its commencement).

For details about interest in arrears see Section 3.3 of the conditions stated in the back of the page.

2.2. No linkage

The Bonds shall not be linked to any linkage basis.

2.3. Conversion into the shares of the Company

The Bonds are convertible into the shares of the Company as stated in Section 6 of the conditions in the back of the page.

2.4. For further details see also Sections 2 and 3 of the conditions in the back of the page. Regarding the entitlement of the Company to early redemption of the Bonds see Section 7.2 of this Deed.

2.5. If, after the first date of issue of the Bonds, the series of Bonds is expanded by the Company, the Holders of the Bonds that will be issued as part of the expansion of the series shall not be entitled to receive payment on account of the principal and/or interest in respect of the Bonds whose due date occurs prior to the date of their issue as part of the expansion of the series of the Bonds as aforesaid.

2.6. Expansion of series

2.6.1. The Company shall be entitled, from time to time, and without obtaining the approval of the Trustee and/or the Bondholders, to expand the series of the Bonds and to issue additional Bonds of the same series (whether in a private offering, whether as part of a prospectus, whether under a Shelf Offering Report and whether in any other manner (and each of the aforesaid shall be referred hereinafter in this Section: "**the Offering Document**") including to a related holder (within its meaning in Section 4 hereunder) for any price and in any manner that the Company deems fit, including for a discount rate or premium (including lack of discount or lack of premium) different than the other issues performed from the said series, and provided that the Company fulfills the provisions set forth in Section 2.6.2 hereunder and when the par value of the Bonds after the expansion shall not be greater than NIS 223M par value (hereinafter: "**Maximal Series Scope**") and that the Company will deliver advance notice to the Trustee in connection therewith (no later than the date in which the tender for classified investors is held or the date in which the Offering Document is published, whichever is earlier) and that will include the approval on behalf of the senior financial officer in the Company or the legal counsel of the Company stating that at the time of expanding the Bonds series: (a) the Company meets all its material liabilities towards the Bondholders by virtue of the Deed of Trust; (b) there are no grounds for immediate repayment; (c) the expansion of the series, in and of itself, will not result in grounds for immediate repayment immediately after expanding the series as aforesaid.

It is hereby clarified that in the event the Company issues Bonds up to the Maximal Series Scope, and during the lifetime of the Bonds the par value of the Bonds in circulation decreases, for any reason, including as a result of principal payments, performance of buyback of Bonds or as a result of early redemption of the Bonds in accordance with the provisions set forth in this Deed, the Company shall not be precluded from issuing new Bonds provided that the total par value of the Bonds in circulation from time to time, including the additional Bonds that will be issued, shall not be greater than the Maximal Series Scope.

2.6.2. A condition for the expansion of the series in accordance with the provisions set forth in this Section 2.6 is that the VTL[1], after expansion of the series (that will be calculated as of the trading day prior to publication of the Offering Document or one trading day prior to the tender to classified investors, whichever is earlier (hereinafter in this Section 2.6.2: "**Effective Date**") and taking into account the projected adjusted value of the Bonds immediately after expansion of the series) shall not fall below 200%.

[1] It is clarified that the calculation of the VTL is made based on the Value of Insightec Shares and the Value of Gamida Shares deriving from the last investment round prior to the review date, as stated in the definitions of the terms "Value of Insightec Shares" and "Value of Gamida Shares" in Section 1.7 of the Deed of Trust.

To the extent that the VTL that will be calculated in the manner specified in the paragraph above is lower than 200%, the Company shall be entitled to expand the series on the condition that the Company will charge in favor of the Trustee additional shares of Insightec and Gamida (hereinafter in this Section: "**Addition of Securities**") in such manner that the VTL after the expansion of the series (that will be calculated in the manner described in the paragraph above and after taking into account the addition of the securities) shall not fall below 200%. The calculation of the amount of the additional shares of Insightec and Gamida that will be charged will be performed in accordance with the formulae presented in Section 6.1.1 hereunder and calculated according to the par value of the Bonds and after expansion of the series and according to the Value of Insightec's Shares and the Value of Gamida's Shares on the Effective Date. It is clarified that if and to the extent that the VTL that is calculated as of the Effective Date and taking into account the projected adjusted value of the Bonds immediately after expansion of the series is greater than 200%, the expansion of the series will be performed without the addition of securities.

2.6.3. Subject to the provisions set forth in the Deed of Trust, the Trustee shall serve as a trustee for the Bonds and additional Bonds that are in circulation from time to time (the Bonds and the additional Bonds collectively – "**Expanded Series**"), also in the event of Expanded Series and the consent of the Trustee to serve in office as stated with respect to the Expanded Series will not be required. The Bonds that are in circulation and additional Bonds of the same series and that are issued (if any) in accordance with this section above, shall constitute (as of the date of their issue), one series for all intents and purposes, and the Deed of Trust shall apply also with respect to any additional Bonds as aforesaid that are issued by the Company.

2.6.4. The Company shall deliver to the Trustee a confirmation from the senior financial officer in the Company, together with a detailed calculation, in a form to the satisfaction of the Trustee, and that will include specification regarding the VTL after the expansion, the additional number of Insightec and Gamida shares that the Company is required to charge in accordance with the provisions set forth in Section 2.6.2 above (to the extent that the charge of additional shares is required as aforesaid) and specification regarding the amount of the interest cushion that the Company is required to make good as a result of the expansion (to the extent required) in accordance with the provisions set forth in Section 5.3.1.5 hereunder, in two trading days as of the date of publishing the private offering report or a report about the results of the offering to the public, as the case may be (hereinafter: "**Officer's Approval**").

2.6.5. The proceeds of the issue that the dealer manager will receive in respect of the expansion of the series (hereinafter: "**Consideration for the Expansion**") shall be transferred to the Company subject to the following provisions:

2.6.5.1. **To the extent that the expansion of the series is performed without additional securities -** the Company shall be entitled to receive to its possession the Consideration for the Expansion directly from the dealer manager (except for the sum that is necessary for the purpose of making good the interest cushion in accordance with the provisions set forth in Section 5.3.1.5 hereunder (to the extent required), and that will be transferred from the dealer manager to the Trust Account) subject to furnishing the Officer's Approval. The Trustee shall deliver to the dealer manager, in one business day as of the date in which the Trustee receives the Officer's Approval, a confirmation to transfer the Consideration for the Expansion in accordance with the provisions set forth above.

2.6.5.2. **To the extent that the expansion of the series is performed with additional securities as stated in Section 2.6.2 above** – the Consideration for the Expansion shall be transferred directly to the Trust Account and the Company shall be entitled to receive the Consideration for the Expansion as aforesaid (except for the amount required for the purpose of making good the interest cushion in accordance with the provisions set forth in Section 5.3.1.5 hereunder (to the extent required) and that will be kept in the Trust Account) in two business days and after all of the following conditions have been met: (a) the additional shares of Gamida and Insightec as stated in Section 2.6.2 above shall be charged until and no later than 45 business days after the date in which the Consideration for the Expansion was received by the dealer manager (hereinafter in this Section: "**Period for Registration of the Charge**"); (b) furnishing all the documents detailed in Section 6.7 hereunder in connection with the charge of the additional shares of Gamida and Insightec as stated, *mutatis mutandis*, deriving from the fact that this is an amendment of an existing charge. If and insofar as the Company fails to complete the registration of the additional shares of Gamida and Insightec until expiration of the Period for Registration of the Charge, the Company shall perform early redemption in a total amount equal to the full Consideration for the Expansion and the provisions set forth in Sections 6.12.5.1 to 6.12.5.3 hereunder shall apply, *mutatis mutandis*.

2.6.6. In the event of expansion of a series as aforesaid, the tax implications shall apply, including in connection with the calculation of the discount rate, to the extent required, as specified in the Shelf Prospectus and the relevant offering report.

2.6.7. The Company shall consider receipt of the Consideration for the expansion by the dealer manager as receipt of consideration in the Company.

2.6.8. If and to the extent that it is necessary to carry out the private offering for Elbit Imaging Ltd. as stated in Sections 5.3.3.2 and 5.3.3.3 hereunder, the provisions set forth in Sections 2.6.2 to 2.6.7 above shall apply to the public offering.

2.7. Without derogating from the foregoing, the Company reserves the right to issue at any time additional series of Bonds and/or other securities of any kind without obtaining the approval of the Trustee and/or from the existing Holders at the time, whether or not the Holders purchase a right of conversion in the shares of the Company and in accordance with conditions of repayment, interest, linkage, securities and other conditions as it deems fit, whether these have priority over the conditions set out in the Bonds, equal to the said conditions or inferior to the said conditions, and without obtaining the approval of the Bondholders or the Trustee or delivery of notice to any thereof. The Company shall publish an immediate report regarding such issue as aforesaid to the extent that the Company is under such obligation by law to act in the said manner.

Notwithstanding the aforesaid, the Company undertakes that to the extent that additional series of Bonds are issued and are not backed by securities (and as long as the additional series of the Bonds are not backed up by securities), the Deed of Trust of the said additional series shall not include a provision stating that the new Bonds shall have priority in the liquidation over the Bonds (Series C)[2].

The provisions set forth in this Section above shall not derogate from any rights of the Trustee and the Bondholders in accordance with the Deed of Trust.

2.8. To the extent that the issue of the Bonds in accordance with the Shelf Prospectus will give rise to a conflict of interests in the Trustee, in such circumstances immediately after the Trustee delivers to the Company notice about a conflict of interests as aforesaid, the Trustee and the Company will act for the purpose of this matter in accordance with the instructions set forth by the Securities Authority and the applicable law at the time.

3. **Appointment of the Trustee, term of office, roles and responsibilities**

3.1. The Company hereby appoints the Trustee as a trustee for the Bondholders by virtue of Chapter E1 of the Securities Law also for the Bondholders who are entitled to payments by virtue of the Bonds that were not paid after their due date occurred (if and to the extent that there are any). The first Trustee shall commence its term of office as of the date specified in Section 3.3 hereunder and its term of office shall expire in accordance with the provisions set forth in the law or in this Deed.

3.2. The trust to the Bondholders and the roles of the Trustee in accordance with the provisions set forth in this Deed of Trust shall come into operation on the first date of allotment of the Bonds by the Company, to the extent that the Bonds are allotted.

[2] In the event of issue of an additional series of Bonds that are not backed by securities (and as long as the additional series of the Bonds are not backed by securities), the Company shall deliver to the Trustee a confirmation signed by the senior financial officer confirming that the Deed of Trust of the Bonds of the new series there is no provision stipulating that the new Bonds will have priority in liquidation over the Bonds (Series C). The confirmation will be forwarded to the Trustee no later than the date in which the tender for the classified investors is held or an Offer Document of the additional series is published, whichever is earlier.

3.3. The provisions set forth in the Securities Law shall apply to the appointment of the Trustee, its replacement, term of office or expiration thereof, resignation and dismissal, unless otherwise stated in the Deed of Trust (with respect to legal provisions that can be stipulated on as aforesaid).

3.4. Notwithstanding the said, the decision of Holders regarding the termination of the term of office of the Trustee and the replacement of the Trustee with another Trustee shall be passed in a meeting in which Holders holding a minimum of fifty percent (50%) of the balance of par value of the securities or an adjourned meeting in which Holders holding a minimum of ten percent (10%) of the balance attended as aforesaid and in a majority of seventy five percent (75%) of all votes participating in the vote, except for abstaining votes.

3.5. The Trustee shall deliver to the new Trustee (to the extent that a new Trustee was appointed in lieu of the Trustee) all documents and sums accumulated in the Trustee in connection with the trust contemplated in this Deed of Trust for the Bonds and shall sign any document in connection therewith. Each new Trustee shall have the same powers, obligations and authorities and it may act for all intents and purposes as if it was appointed as the first Trustee.

3.6. The roles of the Trustee shall be in accordance with the provisions set forth in any law and the provisions set forth in this Deed.

3.7. The Trustee shall represent the Bondholders in anything related to the liabilities of the Company towards these Bondholders and for that purpose the Trustee shall be entitled to act for the purpose of enforcing the rights granted to the Holders in accordance with the provisions set forth in any law or this Deed.

3.8. The actions of the Trustee shall be in effect despite a flaw discovered in its appointment or competence.

3.9. The liability of the Trustee shall be in accordance with the provisions set forth in any law.

3.10. The Trustee may rely, in the performance of the Trust, on any written document, including a letter of instructions, a notice, application, approval or certificate that appears to be signed or issued by any person or entity and when the Trustee believes in good faith that was signed or issued by that person or entity.

4. **Buyback of Bonds (and/or by a subsidiary and/or by controlling shareholders)**

The Company reserves its right, subject to the provisions set forth in any law, to purchase at any time Bonds that were issued out of the Bonds, for a price and under conditions as the Company deems fit (and from sellers that the Company will select at its sole discretion and without an obligation to approach all Holders) and in the event of a buyback as aforesaid the Bonds that are purchased shall expire automatically, shall be delisted from trade in the Stock Exchange and the Company may not reissue the said Bonds. In the event the Bonds are purchased during the trading in the Stock Exchange, the Company shall deliver a request to the Stock Exchange Clearing House to withdraw the Bonds certificates. The Company shall submit an immediate report regarding the purchase of the Bonds that the Company performed as aforesaid, to the extent required by law.

A subsidiary of the Company, an associate of the Company (within the meaning of this term in the Securities Law), a related company of the Company (within the meaning of this term in the Securities Law), a controlling shareholder in the Company (whether directly or indirectly), his family member, a corporation controlled by any thereof or a corporation controlled by the Company (each of the said: "**Related Holder**") are entitled to purchase and/or sell from time to time in the Stock Exchange and/or outside the Stock Exchange (including in the event of an offering by the Company) Bonds at their discretion (and subject to the provisions set forth in any law). The Bonds that are held by a Related Holder in the Company as aforesaid shall be deemed as his asset and shall not be delisted from trading in the Stock Exchange and may be transferred as the other Bonds.

5. **Undertakings of the Company**

5.1. The Company hereby undertakes to pay on the dates set for that purpose all principal and interest amounts, including any addition of interest, that are paid in accordance with the terms set forth in the Bonds and fulfill all the other conditions and undertakings imposed on the Company in accordance with the terms set forth in the Bonds, in accordance with the Shelf Offering Report and this Deed.

5.2. Limitations on distribution

The Company undertakes not to perform a distribution, within its meaning in the Companies Law (except for by way of a buyback of the Bonds that is performed in accordance with the provisions set forth in this Deed of Trust) until the full payment of all principal and interest payments of the Bonds (including interest in arrears, to the extent applicable, and any additional amount, including early repayment charge).

Notwithstanding the aforesaid, the Company shall be entitled to perform a distribution even before the full repayment of the Bonds if and to the extent that on the announcement date of the performance of the distribution as aforesaid cash or cash equivalents or a bank guarantee or Government Bonds are deposited in the Trust Account and/or with the Trustee (hereinafter in this Section: "**Cash or Cash Equivalents**") for an amount that is equal to or greater than the uncleared balance of the Bonds, in its amount at the time, with the addition of the interest amounts that are calculated until the full payment date of the Bonds – March 1, 2022. The Cash or Cash Equivalents that will be deposited in the Trust Account and/or with the Trustee as stated above shall be deemed as Substitute Assets and the provisions set forth in Section 6.9.1 above shall apply thereto. It is clarified that the Company shall be entitled to deposit Cash or Cash Equivalents in the Trust Account and/or with the Trustee especially for the purpose of complying with the provisions set forth in this paragraph and beyond the deposits (if and to the extent made) in accordance with the provisions set forth in Sections 6.8 and/or 6.9 hereunder.

Prior to the performance of a distribution as aforesaid the Company shall deliver to the Trustee a written confirmation signed by the senior financial officer in the Company and in a form to the satisfaction of the Trustee, regarding the compliance of the Company with the undertaking specified in this Section above, including the relevant calculations, and no later than 3 business days after the date of the announcement regarding the intention to perform a distribution as aforesaid.

It is clarified that as of the date of signing this Deed the Company is under no obligation with respect to the distribution of the dividend or buyback of its shares, save as provided above.

5.3. Use of the consideration obtained following the issue

The consideration obtained from the issue of the Bonds (with deduction of the issue expenses, including fees to the dealer manager, fees to the distributors, early commitment fees to classified investors, legal and accounting expenses, payments to the Stock Exchange and payments to the Securities Authority (hereinafter collectively: "**Issue Expenses**")) shall be used by the Company according to the following order:

5.3.1. **Interest cushion**

5.3.1.1. First the Company shall keep in the Trust Account, out of the consideration obtained from the issue, an amount equal to the amount of the four upcoming interest payments payable to the Bondholders (i.e., interest payments that will be paid on September 1, 2018, March 1, 2019, September 1, 2019 and March 1, 2020) taking into account the scope of the public offering (excluding the Excess Amount within its meaning in Section 2.1.1.1 above for which no sums should be deposited to the interest cushion) in addition to the private offering of the Bonds to Elbit Imaging Ltd., as stated in Section 5.3.3.2 and 5.3.3.3 hereunder (hereinafter: "**Interest Cushion**").

The Company does not undertake to deposit additional funds in respect of the Interest Cushion unless the Company expands the series.

5.3.1.2. The financial policy in the Interest Cushion and performance thereof will be determined by the Trustee in accordance with the provisions set forth in Section 16 of this Deed and the Trustee shall not be responsible towards the Bondholders and/or the Company for any loss caused as a result of the said investments.

5.3.1.3. The interest payments set for September 1, 2018, March 1, 2019, September 1, 2019 and March 1, 2020 shall be paid by the funds of the Interest Cushion and the Company shall not be required to deposit funds in the Interest Cushion after making the said payments. The Company shall deliver to the Trustee an instruction to use the funds of the Interest Cushion for the purpose of paying the relevant interest payment together with a calculation regarding the amount for payment in each of the dates as aforesaid and the payment order from the Nominee Company and no later than 2 business days prior to the relevant payment date and the Trustee shall transfer the relevant part from the Interest Cushion in accordance with the instructions set forth by the Company directly to the Nominee Company for the purpose of paying the interest as aforesaid.

5.3.1.4. If and to the extent that the interest amount for payment of any of the interest payments as stated above is greater than the balance of the funds in the Interest Cushion, the Company shall deliver to the Nominee Company the difference out of its own sources and shall deliver to the Trustee proof evidencing the payment that was made as aforesaid prior to the transfer of the funds by the Trustee in accordance with the provisions set forth in Section 5.3.1.3 above.

5.3.1.5. It is clarified that if, prior to making any of the said interest payments, the series of the Bonds is expanded, the Company shall transfer to the Trust Account, as a condition and prior to the transfer of the Consideration for the Expansion to the Company, an amount that is equal to the necessary amount for the purpose of making good the interest amount that should be paid on September 1, 2018 and/or March 1, 2019 and/or September 1, 2019 and/or March 1, 2020, except for the payments that were already paid.

5.3.1.6. The Company shall deliver to the Trustee, shortly after the first issue of the Bonds and in any event in which the series of the Bonds is expanded as stated in Section 5.3.1.5 above (and in any event no later than seven business days after the date of issue of the Bonds or the expansion of the series, as the case may be) a calculation signed by the senior financial officer in the Company regarding the amount of the Interest Cushion at the time.

5.3.2. **Funds for the current operation of the Company**

Out of the balance of the consideration obtained following the issue (and after performing the deductions specified above) the Company shall keep an amount of four (4) million new Israeli shekels that will be used by the Company for its current operations, at the sole discretion of the Company, including administrative and general expenses of the Company for a period of two years (hereinafter: "**Current Operations Funds**"). It is clarified that the Trustee is unable to assure that the Company fulfills the provisions set forth in this Section.

5.3.3. **Payment of the outstanding debt to the parent company**

5.3.3.1. The balance of the consideration obtained from the issue after making the payments and deposits as stated in Sections 5.3.1 and 5.3.2 above (hereinafter: "**Balance of Issue Funds**") shall be paid directly to Elbit Imaging Ltd. (the controlling shareholder in the Company) (hereinafter: "**Elbit Imaging**") for the full repayment of the debt of the Company to Elbit Imaging that, as of January 1, 2018, is in the amount of approximately NIS 150M (it is clarified that the final amount of the debt to Elbit Imaging might be higher as a result of the addition of interest and linkage differentials as of January 1, 2018 and until payment is made) (hereinafter: "**Debt to Elbit Imaging**").

The Company declares that the Debt of the Company to Elbit Imaging comprises of the following: (a) shekel credit that Elbit Imaging provided in favor of the Company, by virtue of a credit agreement made between the companies on March 13, 2011, as amended since on different occasions); (b) dollar credit that Elbit Imaging provided in favor of the Company, by virtue of an agreement dated July 19, 2012, as amended from time to time; (c) Management fees debt – the management fees debt of the Company to Elbit Imaging in respect of the period as of November 24, 2010 and until January 31, 2018 (including), by virtue of a management services agreement between the companies that was approved on November 21, 2010 and on November 9, 2014 and on February 1, 2018[3].

5.3.3.2. If and to the extent that the Balance of Issue Funds is insufficient for the purpose of paying the full debt to Elbit Imaging (the said difference shall be referred hereinafter: "**Debt Balance**") Elbit Imaging undertakes towards the Company to convert the Debt Balance to the Bonds (Series C).

5.3.3.3. The conversion of the Debt Balance to the Bonds shall be performed as part of a private offering of Bonds to Elbit Imaging that will be performed at the earliest opportunity after the public offering of the Bonds and under the same conditions set forth as part of the public offering of the Bonds (i.e. the same price per unit) (hereinafter: "**the Private Offering**"). Payment of the consideration in the Private Offering shall be made by way of setoff against the full Debt Balance.

After publication of the Private Offering report as aforesaid and after obtaining the approval of the Stock Exchange to perform the allotment of the Bonds to Elbit Imaging as stated above, however before performing the actual allotment of the Bonds to Elbit Imaging, the Company shall charge additional shares of Gamida and Insightec as stated in Section 6.1.1 hereunder according to the par value of the Bonds that should be issued to Elbit Imaging. The registration of the charges as aforesaid shall be performed until and no later than the specific period as stated in Section 6.12.5 hereunder.

[3] For further details see the immediate report of the Company dated August 16, 2017 (Ref.: 2017-01-083886).

5.4. Net debt ratio to the value of shares

The Company undertakes that until the full repayment of all principal and interest payments of the Bonds (including interest in arrears, to the extent applicable), the ratio between: (a) the net debt (within its meaning hereunder), in its value as of the Review Date (within its meaning hereunder); and between (b) cash or cash equivalents or a bank guarantee or Government Bonds in the Trust Account and/or held by the Trustee, together with the Value of Insightec's Shares held by the Company together with the Value of Gamida's Shares held by the Company, according to their value on the Review Date, shall not be greater than 65%.

"Net Debt"	Shall mean the debt balance of the Company (principal, accrued and outstanding interest and linkage differentials) towards financial creditors (including institutional bodies and including the Bonds subject matter of this Deed of Trust) as of the Review Date and with deduction of cash and cash equivalents (including deposits, limited deposits (that are against the said debts specified in this paragraph above) and negotiable securities) held by the Company as of the Review Date, according to the consolidated financial statements of the Company as of the Review Date.
"Review Date"	Each of the dates March 31, June 30, September 30, and December 31 as of June 30, 2018 and until December 31, 2021. The calculation as of the Review Date will be performed until and no later than 3 business days after publication of the financial statements as of the Review Date (the financial statement will be published until and no later than the date set in the securities and the regulations promulgated thereunder for the purpose of publishing the financial statements) and the Company shall publish an immediate report (until and no later than 3 business days after the publication date of the financial statements on the Review Date) in which the Company will indicate whether it meets the net debt ratio with relation to the value of its shares as of the Review Date. As long as the Company does not publish a financial statement on March 31 and/or September 30 by virtue of the reliefs the Company is entitled to in accordance with the Securities Law and the regulations promulgated thereunder, the review as of these dates shall be conducted according to the data the Company holds on the Review Date and the immediate report regarding the results of the calculation will be published by the Company until and no later than three business days after March 31 and September 30 respectively.

Until and no later than three business days after the publication of each financial statements as of the Review Date (and as long as the Company does not publish financial statements on March 31, and September 30, then with respect to these Review Date (March 31, and September 30) the delivery date to the Trustee shall be until and no later than three business days after March 31, and after September 30, respectively) the Company shall deliver to the Trustee a confirmation signed by the senior financial officer in the Company regarding the compliance of the Company with the financial covenant as stated above at the time of signing this Agreement with a relevant calculation. In the event of deviation from the provisions set forth in this Section above, the Company shall publish an immediate report no later than expiration of a period of three (3) business days as of the date in which the Company found about the deviation as aforesaid and in which the Company will specify the deviation including the Value of Gamida's Shares, the Value of Insightec's Shares and the amount of the net debt as of the Review Date.

5.5. Use of the proceeds obtained from the sale of the Insightec and/or Gamida shares that are not charged

The Company undertakes that until the full payment of all principal and interest payments of the Bonds (including interest in arrears, to the extent applicable), if and to the extent that the Company will sell the shares of Gamida and/or the shares of Insightec that are not charged in favor of the Trustee (hereinafter: "**Free Shares**") the following provisions shall come into operation:

5.5.1. Twenty five percent (25%) of the net proceeds (i.e. the proceeds the Company obtains with deduction of the sale expenses, including tax (to the extent applicable) from the sale of the Free Shares in whole or in part (hereinafter: "**Net Proceeds from the Sale of the Free Shares**") and up to the amount of 10% of the amount of the uncleared balance of the Bonds, in its value at the time of selling the Free Shares, in addition to the interest accrued in accordance with the terms set forth of the Bonds with respect to this balance and that was not actually paid (hereinafter in this Section: "**Deposits Limit**") will be transferred to the Trust Account (hereinafter: "**Cushion following Sale of the Free Shares**") and the Company shall be entitled to use it in accordance with one of the following alternatives, at the sole discretion of the Company and the Company shall not be obligated to maintain any VTL ratio:

5.5.1.1. For the purpose of paying the principal and/or interest to the Bondholders in accordance with the payments schedule of the Bonds.

5.5.1.2. For the purpose of performing early redemption of the Bonds in accordance with the provisions set forth in Section 7.2 hereunder.

5.5.1.3. For the purpose of performing a buyback of the Bonds (Series C) as part of transactions solely in the Stock Exchange in accordance with detailed instructions that the Company will deliver to the Bonds and at the sole and full discretion of the Company (including with respect to the purchase price) and provided that the Bonds that are purchased as aforesaid will be transferred to the Company and will be canceled.

5.5.1.4. For the purpose of purchasing the Gamida and/or Insightec shares on the dates and under the conditions set at the sole discretion of the Company and shares that are purchased as aforesaid will not be charged in favor of the Bondholders.

For the avoidance of doubt it is clarified that the deposit to the Cushion following Sale of the Free Shares up to the Deposits Limit is calculated for deposits with respect to the entire sales of Free Shares, cumulatively (and without taking into account withdrawal from the cushion in accordance with the provisions set forth in Section 5.5.1.1 to 5.5.1.4 above) and not with respect to any sale in and of itself, in such manner that as of the date in which the Company deposited to the Cushion following Sale of the Free Shares a cumulative amount equal to the Deposits Limit (and without taking into account withdrawal from the cushion, in accordance with the provisions set forth in Sections 5.5.1.1 to 5.5.1.4 above) consequently all proceeds obtained from the sale of the Free Shares as of this date henceforth shall be kept by the Company as stated in Section 5.5.2 hereunder.

The Company shall notify the Trustee regarding any sale of Free Shares as aforesaid no later than three (3) business days after the sale of the Free Shares and shall deliver to the Trustee a confirmation signed by the senior financial officer in the Company with details of the amount that will be deposited in the Trust Account (for the Cushion following Sale of the Free Shares) following the sale and until a Cushion following Sale of the Free Shares in an amount equal to the deposits Limit is deposited.

In addition, the Company will include disclosure in its quarterly and/or semi-annual and/or annual financial statements, as the case may be, regarding the sale of Free Shares during the relevant period of the report and up to the financial statement in respect of the period in which the Cushion following Sale of the Free Shares in an amount equal to the Deposits Limit was deposited.

For the purpose of applying the said in this Section 5.5.1 above, the Company shall deliver an immediate report, no later than two business days prior to the due date for payment of the principal and/or interest and/or the early redemption date or two business days prior to the date in which the Company is required to transfer the funds for the purpose of performing a buyback, as the case may be, regarding its intention to make the said payment out of the funds deposited in the Cushion following Sale of the Free Shares in addition to a detailed calculation, and in a form to the satisfaction of the Trustee, with respect to the transfer amount from the Trust Account for the purpose of performing the said actions.

In the event of purchase of shares in accordance with the provisions set forth in Section 5.5.1.4 above, the Company shall deliver to the Trustee, until and no later than two business days prior to the date in which the Company is required to transfer the funds for the purpose of purchasing the shares as aforesaid, a confirmation from the senior financial officer in the Company that will specify the number of shares that the Company intends to purchase, the purchase price and the full details of the seller for the purpose of performing the transfer until and no later than three business days after the said shares were received by the Company and the Company shall publish an immediate report stating that the Company purchased the shares and that the shares of Gamida and/or Insightec were transferred to the Company (including the number of the shares that were purchased).

The Trustee shall cooperate with the Company for the purpose of this matter, shall rely on the reports of the Company and shall not perform out of its own initiative or will be required to conduct a review on its behalf including with respect to the actual purchase of the shares or their transfer to the ownership of the Company.

5.5.2. The net proceeds obtained from the sale of the Free Shares that is beyond the sum that the Company deposited following by sale of the Free Shares as stated in Section 5.5.1 above shall be kept by the Company that shall be entitled to use it at its sole discretion.

5.6. From time to time the Company shall be entitled to charge, sell, lease, assign, deliver and/or transfer in any other manner its property (except for assets that are charged in favor of the Trustee for the Bondholders in accordance with the provisions set forth in this Deed), in whole or in part, including for the purpose of assuring series of Bonds or other undertakings of the Company, in any manner, in favor of whoever the Company deems fit, without limitations and without obtaining any consent from the Trustee and/or the Bondholders and the Company is not obligated to notify the Trustee regarding the creation of any charge on its assets as aforesaid.

5.7. The Bonds (Series C) shall be have equal class among themselves (pari-passu) without any priority rights or preference of one bond over the other.

6. **Securities and the conditions for transfer of the proceeds obtained from the issue to the Company**

6.1. Charge of the shares of Gamida and Insightec

6.1.1. In order to assure the full and accurate fulfillment of the entire undertakings of the Company for payment of all principal and interest amounts of the Bonds (including interest in arrears, to the extent applicable) and any additional amount that the Company shall be obligated to pay in accordance with the provisions set forth in this Deed (hereinafter: "**Secured Amounts**") the Company shall charge, in a fixed, single and senior charge for an indefinite amount in favor of the Trustee and for the Bondholders, by way of registration with the Registrar of Companies (and any other register that is required and/or that will be required in accordance with the provisions set forth in any law and/or agreement, at the earliest opportunity and at the expense of the Company) a certain amount of Insightec and Gamida shares that are owned by the Company and all rights attached and/or emanating from the said shares, including any additional shares or other securities issued in connection with the said shares, all rights that are part of and that are attached to these shares and all returns deriving from these shares and all rights and benefits and property rights of any kind that are granted and that will be granted in respect of and/or by virtue of these shares, including the funds and assets that are due and/or that will be issued in their place or in respect whereof or by virtue of thereof, including the right to a dividend in cash and/or in kind and any other distribution in respect of these shares and the rights to securities that will be issued in respect of and/or in connection with these shares and any other consideration or benefit of any kind in connection with the said rights, bonus shares, priority rights and/or the rights to receive other securities in respect whereof[4] of any kind, and the proceeds obtained from their sale and/or in respect whereof (the shares and all rights attached and/or emanating therefrom shall be referred hereinafter: "**the Charged Shares**").

The share certificates in respect of the Charged Shares shall be deposited with the Trustee together with a blank deed of transfer. The Trustee shall be entitled to use the deed of transfer only if and to the extent that the Charged Shares are realized in accordance with the provisions set forth in the Deed of Trust and it is necessary to transfer the said shares as part of such realization as aforesaid after obtaining the approval of the court in connection therewith. For the avoidance of doubt, it is clarified that to the extent that the quantity of the Charged Shares is increased for any reason, the Company undertakes to transfer the share certificates in respect of the additional shares to the Trustee together with a blank deed of transfer in respect of the said shares.

[4] It should be emphasized that the Company and/or Gamida and/or Insightec are under no limitation or liability by virtue of the Deed of Trust and documents enclosed therewith (including the Bonds and the charge documents), for the purpose of securing the value of the charged shares, including in anything related to the following issues: (1) change in the sphere of activity of Gamida and/or Insightec and/or the sale of their assets; (2) the allotment of securities or the performance of other actions that result in dilution of the holdings of the Company as a shareholder in Gamida and/or Insightec and consequently dilution of the rate of the Charged Shares and/or other changes in the capital that affect the Charged Shares; (3) performance of transactions in Gamida and/or Insightec including with interested parties and/or officers and/or controlling shareholder; and (4) performance of a distribution by Gamida and/or Insightec, within the meaning of this term in the Companies Law. It is further clarified that Insightec and Gamida are not a party to this Deed of Trust and that they are not responsible for the content of the Deed of Trust including for any of the covenants, representations and/or declarations therein.

To the extent that the shares of Gamida and/or Insightec are converted into ordinary shares (hereinafter: "**the New Shares**") including prior to their offering in the Stock Exchange, the Charged Shares held by the Trustee shall be canceled and the New Shares that were received in lieu of the Charged Shares that were canceled shall be deposited with and charged by the Trustee (and to the extent that the shares will be converted into ordinary electronic shares the deposit shall be made directly to the Trust Account instead of the share certificate that the Trustee held and that were canceled). It is clarified that the conversion of the classes of Gamida shares and/or Insightec shares, as the case may be, into ordinary shares, is subject to the provisions set forth in the Articles of Gamida and/or Insightec, as the case may be, as periodically updated, and is not subject to the provisions set forth in the Deed of Trust in general and the provisions set forth in Section 6.9 hereunder in particular and is not subject to the approval from the Trustee and/or the Bondholders and in such circumstances as aforesaid the Company shall not be obligated to add securities in favor of the Bondholders.

As part of the first issue of the Bonds the number of the Charged Shares that will be charged will be such that will suffice for the purpose of meeting the VTL ratio of 200% when the calculation shall be made according to the following formulae:

X=R*2V/Pg

X	The number of Gamida shares that will be charged. Since the Company holds different classes of Gamida shares, the shares of Gamida that will be charged will include a relative amount of each class of Gamida shares held by the Company. For example: We will assume that the Company holds 200 class A shares of Gamida and 400 class B shares of Gamida and 400 class C shares of Gamida. And we will further assume that according to the formula specified above the Company is required to charge 300 shares of Gamida. In such a scenario as aforesaid the Charged Shares will include: 60 class A shares and 120 class B shares and 120 class C shares.
R	The ratio received from a distribution of: (a) the Value of Gamida's Shares held by the Company; and between (b) the Value of Gamida's Shares held by the Company together with the Value of Insightec's Shares held by the Company;
V	The par value of the Bonds that will be issued in accordance with the Shelf Offering Report in which the Bonds will be first issued.
Pg	The Value of Gamida's Shares

V/Pi2Y=(1-R)*

X	The number of Insightec shares that will be charged. Since the Company holds different classes of Insightec shares, the shares of Insightec that will be charged will include a relative amount of each class of Insightec shares held by the Company. For example: We will assume that the Company holds 200 class A shares of Insightec and 400 class B shares of Insightec and 400 class C shares of Insightec. And we will further assume that according to the formula specified above the Company is required to charge 300 shares of Insightec. In such a scenario as aforesaid the Charged Shares will include: 60 class A shares and 120 class B shares and 120 class C shares.
R	The ratio received from a distribution of: (a) the Value of Gamida's Shares held by the Company; and between (b) the Value of Gamida's Shares held by the Company together with the Value of Insightec's Shares held by the Company;
V	The par value of the Bonds that will be issued in accordance with the Shelf Offering Report in which the Bonds will be first issued.
Pi	The Value of Insightec's Shares.

The following values shall be taken into account for the purpose of the tables specified above and for the calculation of the quantity of the Gamida and Insightec shares that will be charged against the Bonds that will be issued in accordance with the Shelf Offering Report in which the Bonds will be first issued:

The Value of Gamida's Shares held by the Company	NIS 88,042,991. The said value was calculated according to the following: (1) the Value of Gamida's Share – NIS 33.03; (2) the number of Gamida's shares held by the Company – 2,665,501.
Pg – the value of Gamida's share	NIS 33.03 per share. The said value was calculated according to the following: (1) the amount that was invested in Gamida in the last investment round that was performed in Gamida prior to the date of signing this Deed of Trust – approximately NIS 40.3M; (2) the exchange rate of the dollar against the shekel on the day that preceded February 9, 2018; (3) the number of Gamida's shares that were allotted against the investment amount specified in sub-section (1) above (and without a distinction between the different classes of shares and without taking into account convertible securities) – 4,274,363 shares.

The Value of Insightec's Shares held by the Company	NIS 396,430,864. The said value was calculated according to the following: (1) the Value of Insightec's Shares – NIS 9.38; (2) the number of Insightec shares held by the Company – 42,275,397.
Pi – the Value of Insightec's Shares	NIS 9.38 per share. The said value was calculated according to the following: (1) the amount that was invested in Gamida in the last investment rounds that was performed in Gamida prior to the date of signing this Deed of Trust – USD 150M; (2) the exchange rate of the dollar against the shekel on the day that preceded February 9, 2018; (3) the number of Insightec shares that were allotted against the investment amount stated in sub-section (1) above (without making a distinction between the different classes of shares and without taking into account convertible securities) – 55,970,150.
R	0.18

For the avoidance of doubt, it is clarified that the Charged Shares are provided in their condition "as-is." In addition, except for the existence of a VTL ratio on the first issue date of the Bonds as stated above, when expanding the series (as stated in Section 2.6.2 above) and when releasing securities following the performance of early redemption and/or buyback of securities (as stated in Section 6.9.2 hereunder) the Company does not and will not have any commitment to continue and meet any VTL ratio (including: not with respect to the average life of the Bonds and/or in the event of replacement of securities and/or rights issue and/or in the event of sale of the Charged Shares etc.). A change in the value of Insightec and/or Gamida will have an adverse effect on the value of the security and will not entitle any relief to the Bondholders and the Company shall not be under any obligation to add securities or any other asset in favor of the Bondholders.

6.1.2. **Subordination to the provisions of the Articles of Gamida and Insightec**

6.1.2.1. The charged Insightec shares

The Company declares and clarifies with respect to the charged Insightec shares (including rights attached thereto) that the possession and realization of these shares (including realization by a receiver) is subordinated to the provisions set forth in the Articles of Association of Insightec (hereinafter: "**Insightec Articles**") including, but not limited to:

(a) In accordance with the provisions set forth in Article 11 in Insightec Articles, the charged Insightec shares are subordinated, *inter alia*, to the rights of the other shareholders of Insightec including as follows: right of first refusal, co-sale right, drag along right. In the event the drag along right is enforced, the Company shall deliver notice in connection therewith to the Trustee and the confirmation of the senior financial officer in the Company specifying the number of the Charged Shares that are sold and the sale price shall be enclosed therewith including a confirmation stating that an irrevocable instruction was delivered to the buyer to deposit the proceeds obtained from the sale of the Charged Shares that are sold directly in the Trust Account. The Trustee shall cooperate with the Company for the purpose of enforcing the co-sale right and the provisions set forth in Section 6.9 hereunder shall not apply to such a sale as aforesaid of the charged Insightec shares, in whole or in part.

(b) In accordance with the provisions set forth in Article 6.7 of Insightec Articles, the charged Insightec shares are subjected, *inter alia*, to the option of their conversion (in a compulsory manner) into ordinary shares of Insightec. The Company shall notify the Trustee regarding the occurrence of a conversion event and shall act to the extent required for the purpose of correcting the charge in such manner that it will apply to the conversion shares.

The full version of Insightec Articles (in English) together with a convenience translation into Hebrew of certain provisions in Insightec Articles was published in an immediate report of the Company on January 29, 2018 (Ref. 2018-01-008694). It is clarified that the binding version shall be the full version of the Articles in English.

6.1.2.2. The charged Gamida shares

The Company declares and clarifies with respect to the charged Gamida shares (including rights attached thereto), that their possession and realization (including realization by a receiver) are subject to the Articles of Association of Gamida (hereinafter: "**Gamida Articles**") including, but not limited to:

(a) Pursuant to the provisions of Article 18 in Gamida Articles, the charged Gamida shares are subjected, *inter alia*, to the rights of the other shareholders of Gamida including: right of first refusal, co-sale right, bring-along right. In the event the bring-along right is enforced, the Company shall deliver notice to the Trustee about the same and the notice shall include the confirmation of the senior financial officer in the Company regarding the quantity of the Charged Shares that are sold and the sale price and a confirmation stating that an irrevocable instruction was delivered to the purchaser to deposit the proceeds obtained from the Charged Shares that were sold directly in the Trust Account. The Trustee shall cooperate with the Company for the purpose of enforcing the bring-along right and the provisions set forth in Section 6.9 shall not apply to such a sale as aforesaid of the charged Gamida shares, in whole or in part.

(b) In accordance with the provisions set forth in Sections 5.2 and 5.3.5 of Gamida Articles, the charged Gamida shares are subjected, *inter alia*, to the option of their conversion (in a compulsory manner) to the ordinary shares of Gamida. The Company will notify the Trustee regarding the occurrence of a conversion event and will take action to the extent required for the purpose of amending the charge in such manner that it will apply to the conversion shares.

The full Articles of Gamida (in English) together with a convenience translation into Hebrew of certain provisions in the Gamida Articles was published in the immediate report of the Company on January 29, 2018 (Ref.: 2018-01-008694). It is clarified that the binding version shall be the full Articles in English.

6.1.2.3. It is emphasized that the Insightec Articles, the convenience translation of the summary of Insightec Articles, Gamida Articles and the convenience translation of the summary of Gamida Articles that were published by the Company as stated above are in accordance with the version of the Gamida Articles and the Insightec Articles as of the date of signing this Deed of Trust however the Insightec Articles and the Gamida Articles might change from time to time after obtaining the proper approvals of the organs of Insightec and/or Gamida, as the case may be (including a change of the existing limitations on the transfer of the shares and the addition and/or elimination of limitations for the transfer of the shares and including the issue of shares (inferior, equal or superior to the Charged Shares), a change of rights and obligations of the Charged Shares and changes in capital) and without obtaining any approval of the Trustee and/or the Bondholders and this shall not give rise to any right towards Insightec and/or Gamida and/or the Company, including a right to call for immediate repayment of the Bonds or a right to any compensation.

The Company undertakes that if and to the extent that there is a change in the provisions set forth in the Gamida Articles and/or the Insightec Articles that has a material effect on the conditions attached to the Charged Shares, the Company shall publish an immediate report in connection therewith and shall specify by said changes.

6.1.2.4. The provisions set forth in the Insightec Articles and the Gamida Articles (including with respect to right of first refusal, co-sale right and bring-along right) shall apply at all times, including when enforcing the charge on the Charged Shares, in whole or in part, including during realization of the shares by a receiver or in any other manner and the Bondholders and/or the Trustee and/or anyone acting on their behalf (including a receiver) may not argue against the said rights and/or obligations.

6.2. Use of the sums of a dividend in respect of the Charged Shares

To the extent that a dividend is distributed in respect of the Charged Shares, the sums obtained from the dividend will be transferred directly to the Trust Account (with deduction of statutory tax) and as long as the decision of the Trustee and/or the Bondholders' meeting (and it is still pending) to call for immediate repayment of Bonds and/or realization of the securities of the Company, the Company shall be entitled to instruct to the Trustee to use the sums obtained from the dividend and that were received in the Trust Account in accordance with one of the following alternatives at the sole discretion of the Company and the Company shall not be obligated to maintain any VTL ratio:

6.2.1. For the purpose of paying principal and/or interest payments to the Bondholders in accordance with the payments schedule of the Bonds.

6.2.2. For the purpose of performing early redemption of the Bonds in accordance with the provisions set forth in Section 7.2 hereunder.

6.2.3. For the purpose of performing a buyback of the Bonds (Series C) as part of transactions performed in the Stock Exchange only, in accordance with detailed instructions that the Company will deliver to the Trustee and at the full and sole discretion of the Company provided that the Bonds that are purchased as aforesaid will be delivered to the Company and will be canceled.

For the purpose of performing the actions specified in this since 6.2 above the Company shall notify in an immediate report, no later than 2 business days prior to the payment date of the principal and/or interest and/or the early redemption date, regarding its intention to pay the said payment out of the funds in the Trust Account as aforesaid, together with a detailed calculation, in a form to the satisfaction of the Trustee, with respect to the amount for transfer from the Trust Account for the purpose of performing the said actions (and all up to the maximum amount of the funds deposited in the Trust Account after deduction of the expenses and fees related to the management of the Trust Account and with deduction of the Interest Cushion amount). The Trustee shall cooperate with the Company for the purpose of this matter and shall rely on the reports of the Company and shall not perform following its initiative or will be required to conduct an inspection on its behalf.

6.3. Additional rights allotted in connection with the Charged Shares (to the extent allotted)

6.3.1. Subject to the provisions set forth in Section 6.3.2 hereunder, to the extent that rights of any kind and/or additional securities in Insightec and/or Gamida are allotted to the Company by virtue of the Charged Shares, for no consideration, the additional rights and/or securities, as the case may be, shall be charged in favor of the Trustee for the Bondholders in accordance with the provisions set forth above and as part of the said charge, immediately following allotment thereof, and shall be deemed as part of the definition of the "Charged Shares" and shall constitute an integral part thereof for all intents and purposes. The Company shall publish an immediate report upon the allotment of rights as aforesaid and/or additional securities as aforesaid. At the earliest opportunity thereafter, the Company and the Trustee shall act for the purpose of amending the charge in connection with the Charged Shares and/or for the purpose of registering a new charge, in such manner that the said charge will also reflect the charge on the said rights and/or the additional securities that are allotted as aforesaid, and shall deliver to the Trustee all the documents as stated in Section 6.7 hereunder also in connection with the correction/registration of this charge. The Company shall perform at the earliest opportunity and at its expense the amendment and/or the registration, as the case may be.

It is clarified that the Company is entitled to participate in future offerings that will be performed, if and to the extent performed, in Gamida and/or Insightec and that if and to the extent that the Company decides to enforce its right and participate in future offerings in Gamida and/or Insightec, the securities that will be allotted to the Company as part of future offerings as aforesaid shall not constitute part of the Charged Shares and shall not be charged in favor of the Bondholders and/or the Trustee.

6.3.2. To the extent that rights are allotted in connection with the Charged Shares the following provisions shall apply:

6.3.2.1. The Company shall notify the Trustee at the earliest opportunity (and if the Gamida and/or the Insightec shares are traded in the Stock Exchange, then until and no later than two business days prior to the trading day of the rights), regarding its intention to enforce all or part of the rights or the this is not interested to enforce the rights.

6.3.2.2. To the extent that the shares of Gamida and/or Insightec are traded in any Stock Exchange at the time, with respect to the rights that the Company decided not to enforce, the Company will instruct the Trustee to act in accordance with one of the following alternatives: (a) not to sell the said rights and allow the said rights to expire without receiving any consideration in respect whereof; (b) to sell the full rights that the Company decided not to enforce in accordance with the instructions set forth by the Company regarding the sale. The Trustee shall act in accordance with the instructions set forth by the Company as aforesaid and without incurring any responsibility in connection therewith. To the extent that the shares of Agreement and/or Insightec are not traded in the Stock Exchange on the issue date of the rights, the Company shall notify the Trustee which of the alternatives specified above it decided to pursue.

Regarding shares that are traded in the Stock Exchange at the time of issue of the rights – to the extent that the Company instructed the Trustee to sell the rights as aforesaid, the proceeds obtained from the sale of the rights that the Company instructed the Trustee to sell shall be kept in the Trust Account and shall be handled in the same manner that the dividend amounts are handled in accordance with the provisions set forth in Section 6.2 above.

Regarding shares that are not traded in the Stock Exchange at the time of issue of the rights – to the extent that the Company opted to sell the rights, the Company shall give an irrevocable instruction to the purchaser to deposit the proceeds obtained from the purchase of the rights in respect of the relevant Charged Shares directly to the Trust Account and these sums shall he handled in the same manner that the sums of a dividend are handled in accordance with the provisions set forth in Section 6.2 above.

6.3.2.3. Regarding rights that the Company decided to enforce, such rights as aforesaid will be transferred to the account of the Company as instructed by the Company to the Trustee and shall be enforced by the Company.

After the said rights are enforced and after the Company receives the exercise shares, the Company shall pursue one of the following alternatives at its sole discretion:

(a) The number of exercise shares will be calculated in the amount of the benefit component in the rights, in accordance with the following formula; and these shall be deposited in the Trust Account in three (3) business days as of the date the rights were exercised and shall be charged in a senior charge in favor of the Trustee and shall be considered as part of the Charged Shares for all intents and purposes. All other shares emanating from the exercise of the rights shall not be charged and shall be kept by the Company.

$$A = \frac{\tilde{B} \times (P_s - \overline{P}_s)}{\overline{P}_s}$$

A - The number of exercise shares in the amount of the benefit component in the rights. To the extent that the said number is not an integer, the said number shall be rounded up to the nearest integer.

$\tilde{B}$ - The number of Charged Shares in respect of which the rights were used.

P_s - The value of Gamida and/or Insightec shares, as the case may be, prior to the rights issue.

$\overline{P}_s$ - The value of Gamida and/or Insightec shares, as the case may be, after the rights issue.

(b) All assets emanating from the exercise of the rights shall remain in the account of the Company and shall not be charged. The Company shall deposit in the Trust Account payment in the amount of the benefit component in respect of the rights that were exercised, according to the following formula, and shall handle these sums in the same manner that dividend sums are handled in accordance with the provisions set forth in Section 6.2 above.

$$X=\tilde{B}\times(P_s-\bar{P}_s)$$

X	-	The payment that will be deposited in the Trust Account.
$\tilde{B}$	-	The number of Charged Shares for which the rights were exercised.
P_s	-	The value of the Gamida and/or Insightec shares, as the case may be, prior to the rights issue.
$\bar{P}_s$	-	The value of Gamida and/or Insightec shares, as the case may be, after the rights issue.

6.4. Voting rights in respect of the Charged Shares

As long as a receiver was not appointed for the purpose of enforcing the charge on the Charged Shares (in whole or in part), the voting rights in respect of the Charged Shares and the right to pass resolutions with respect to the shares (including in connection with the drag along, tag-along rights and right of first refusal) shall be granted to the Company that shall be entitled to enforce the said rights at its sole discretion (and the Bondholders shall not be entitled to intervene in the decisions of the Company in anything related to Insightec and Gamida) and provided that this shall not affect the charge on the Charged Shares.

In accordance with the provisions set forth in the Gamida and/or Insightec Articles, after a receiver was appointed for the purpose of enforcing the charge on the Charged Shares (in whole or in part) and until the Charged Shares are actually sold and transferred to a third-party, the Company shall act vis-à-vis Gamida and the Gamida shareholders and Insightec and Insightec shareholders however the Company shall act solely in accordance with the instructions set forth by the receiver.

6.5. The Trust Account

In order to assure the full and accurate fulfillment of the entire undertakings of the Company for the payment of all principal, interest and linkage differentials of the Bonds (including interest in arrears, to the extent applicable) and any additional sum (including early repayment charges) in accordance with the provisions set forth in this Deed (including the undertaking to perform early redemption in accordance with the provisions set forth in Section 6.11.5 hereunder) the Company shall create and register: (a) a fixed, single and senior charge for an unlimited amount in favor of the Trustee for the Bondholders for the full rights of the Company of any kind to the extent that there are any in connection with the Trust Account including all secondary accounts and anything deposited therein (including the consideration obtained from the offering that will be deposited in the Trust Account and that is charged in favor of the Bondholders, until the conditions for its release to the Company are fulfilled, in accordance with the provisions set forth in Section 6.12.3 hereunder, and insofar as the conditions for releasing the proceeds of the offering to the Company have not been met, the charge on the sums as aforesaid shall be used for the purpose of securing the performance of an early redemption of the Bonds in accordance with the provisions set forth in Section 6.12.5 hereunder); and (b) a floating, single and senior charge for an unlimited amount on all sums and/or deposits and/or securities that will be deposited in the Trust Account from time to time and any proceeds obtained in connection therewith, including returns thereof.

The Company shall incur all costs in connection with the opening of the Trust Account including management and closing thereof. The financial management policy in the Trust Account, to the extent that sums are deposited in the Trust Account from time to time, and execution thereof shall be prescribed by the Trustee in accordance with the provisions set forth in Section 16 of this Deed and the Trustee shall not be held liable towards the Bondholders and/or the Company for any loss caused as a result of such investments as aforesaid.

6.6. Declarations and undertakings of the Company with respect to Charged Shares

The Company hereby declares and undertakes as follows:

6.6.1. As of the date of signing this Deed of Trust, the issued and paid-up share capital of Insightec includes 192,442,652 shares NIS 0.01 par value each (in a distribution into ordinary shares, preferred shares class B, preferred shares class B1, preferred shares Class C, preferred shares Class D, preferred shares Class E).

As of the date of signing this Deed of Trust, the Company holds 42,275,497 shares NIS 0.01 par value each of Insightec, constituting 22.0% of the issued and paid-up share capital of Insightec (18.6% in full dilution) after factoring all classes of Insightec shares and without making a distinction between the different classes of the shares.

The following table details the classes of Insightec shares that are held by the Company as of the date of signing this Deed of Trust:

Class of shares	Total amount in the Insightec capital	Quantity held by the Company	Holding rate of the Company out of the said class of shares	Holding rate of the Company out of that class of shares in full dilution
Ordinary shares	14,240,462	8,993,762	63.2%	18.5%
Preferred shares class B	14,037,888	9,039,612	64.4%	64.4%
Preferred shares class B1	32,201,524	24,242,023	75.3%	75.3%
Preferred shares class C	27,519,390	-	-	-
Preferred shares class D	48,473,238	-	-	-
Preferred shares class E	55,970,149	-	-	-
Options to employees and consultants	34,438,755	-	-	-

Regarding the provisions of Insightec Articles, regarding the rights attached to the classes of the different Insightec shares, including the charged Insightec shares, and a convenience translation into Hebrew of certain provisions in the Insightec Articles regarding the rights attached to the different classes of Insightec shares, including the charged Insightec shares, see the immediate report of the Company dated January 29, 2018 (Ref. 2018-01-008694). It is clarified that the binding version shall be the full English version of the Articles. The Insightec Articles and the convenience translation of certain provisions of the Insightec Articles are in accordance with the version of the Insightec Articles as of the date of signing this Deed of Trust however the Insightec Articles (including provisions thereof relating to the rights attached to the different Insightec shares, including the charged Insightec shares) might vary from time to time subject to obtaining the proper approvals of the Insightec organs (including the issue of shares that have priority compared to the Charged Shares) and without obtaining an approval of the Trustee and/or the Bondholders and this shall not give rise to the Bondholders any right towards the Company, including a right to call for immediate repayment or a right to any compensation.

6.6.2. As of the date of signing this Deed of Trust the issued and paid-up share capital of Gamida includes 14,913,672 shares NIS 0.01 par value each (in a distribution into ordinary shares, ordinary shares class B, preferred shares class A, preferred shares class B, preferred shares class C, preferred shares class D, preferred shares class E-1, preferred shares E-2, and preferred shares F-1).

As of the date of signing this Deed of Trust the Company holds 2,665,501 NIS 0.01 par value each of Gamida constituting 17.9% of the issued and paid-up share capital of Gamida (13.6% in full dilution) after factoring all the classes of the Gamida shares and without making a distinction between the different classes of shares.

The following are details regarding the classes of Gamida shares held by the Company as of the date of signing this Deed of Trust:

Class of shares	Total amount in Gamida capital	Quantity held by the Company	Holding rate of the Company out of the said class of shares	Holding rate of the Company out of the said class of shares in full dilution
Ordinary shares	549,990	450,000	81.8%	43.5%
Ordinary shares class B	139,908	-	-	-
Preferred shares class A	600,000	-	-	-
Preferred shares class B	1,453,846	517,637	35.6%	35.6%
Preferred shares class C	2,827,430	990,460	35.0%	25.0%
Preferred shares class D	3,473,345	270,723	7.8%	7.8%
Preferred shares class E-1	571,478	-	-	-
Preferred shares class E-2	1,023,312	436,681	42.7%	42.7%
Preferred shares class F-1	4,274,363	-	-	-
Options for preferred shares class C	1,129,008	-	-	-
Options for ordinary shares for investors, employees and consultants	946,746	-	-	-
Options for preferred shares F-2	2,564,619	-	-	-

Regarding the provisions of Insightec Articles, the rights attached to the classes of the different Gamida shares, including the charged Gamida shares, and a convenience translation into Hebrew of certain provisions in the Gamida Articles regarding the rights attached to the different classes of Gamida shares, including the charged Gamida shares, see the immediate report of the Company dated January 29, 2018 (Ref. 2018-01-008694). It is clarified that the binding version shall be the full English version of the Articles. The Insightec Articles and the convenience translation of certain provisions of the Gamida Articles are in accordance with the version of the Gamida Articles as of the date of signing this Deed of Trust however the Gamida Articles (including provisions thereof relating to the rights attached to the different Gamida shares, including the charged Insightec shares) might vary from time to time subject to obtaining the proper approvals of the Gamida organs (including the issue of shares that have priority compared to the Charged Shares) and without obtaining an approval of the Trustee and/or the Bondholders and this shall not give rise to the Bondholders any right towards the Company, including a right to call for immediate repayment or a right to any compensation.

6.6.3. As of the date of signing this Deed of Trust the Charged Shares are wholly-owned by the Company.

6.6.4. As of the date of signing this Deed of Trust and subject to the provisions set forth in Section 6.1.2 above and in this Section 6.6, there is no statutory preclusion or any preclusion in accordance with any agreement or undertaking, including the instruments of incorporation of the Company and/or Gamida and/or Insightec preventing the signature of the Company on the Deed of Trust and the fulfillment of all the undertakings of the Company in accordance with the Deed of Trust and the creation of the charges specified in this Deed and there is no limitation or a condition imposed on the creation of the charges stated in this Deed and there is no limitation or a condition imposed on their enforcement and that the Board of Directors passed a lawful resolution regarding the creation of the charges specified above and that approval of any entity for the purpose of creating and enforcing the said charges is not required, except for the amendment of the Insightec Articles (or, alternatively, obtaining the approval of certain shareholders of Insightec) in a manner that the mere charge of the Insightec shares as stated in this Deed shall not necessitate the enforcement of the right of first refusal when creating the charge (however at the time of enforcing the charge (including by a receiver or any other officer) and in such circumstances as aforesaid the provisions set forth in the Insightec Articles regarding the transfer of shares shall come into operation, including the Sections relating to the right of first refusal and co-sale right).

6.6.5. As of the date of signing this Deed of Trust and subject to the provisions set forth in Section 6.1.2 above and this Section 6.6, the Charged Shares and any right attached thereto are not charged or attached in favor of others and they are free and unencumbered from any debt and/or claim and/or demand and/or third-party rights and there is no limitation or condition that apply in accordance with any law or agreement to the transfer of ownership therein or charge thereof and/or their realization and/or transfer of ownership therein during realization except for the amendment of the Insightec Articles (or, alternatively, obtaining the approval of certain shareholders of Insightec) in such manner that the mere charge on Insightec shares as stated in this deed shall not oblige enforcement of the right of first refusal when creating the charge (however when enforcing the charge (including by a receiver or any other officer) and in such circumstances the provisions set forth in the Insightec Articles regarding the transfer of shares shall apply, including the Sections relating to right of first refusal and co-sale right).

6.6.6. As of the date of signing this Deed of Trust the Company did not receive any notice regarding any claims with respect to its rights in the Charged Shares, in whole or in part. The Company hereby undertakes to deliver written notice to the Trustee in the event of any change in the provisions set forth in this sub-section at the earliest opportunity and no later than two business days as of the date in which the Company becomes aware of such a change.

6.6.7. As of the date of signing this Deed of Trust and to the best of knowledge of the Company: (a) Insightec and/or Gamida are not in liquidation and/or receivership proceedings (temporary or permanent) and/or a stay of proceedings and no motion for liquidation and/or receivership and/or stay of proceedings was filed against them as stated and the Company is not aware of any intention to institute such proceedings as aforesaid; (b) Insightec and/or Gamida did not pass a resolution regarding liquidation.

6.6.8. As of the date of signing this Deed of Trust and subject to the provisions set forth in Section 6.1.2 above and in this Section 6.6, the Company is not aware of any flaw in its rights in the Charged Shares, and in the event a flaw in its rights in the Charged Shares is detected the Company shall act for the purpose of correcting this flaw at the earliest opportunity immediately after becoming aware of the said flaw and shall deliver written notice promptly to the Trustee regarding the said flaw, the manner the Company intends to correct this flaw, the period of time the process will take, and regarding the correction of the flaw.

6.6.9. The Company undertakes not to perform any disposition (within its meaning hereunder) in the Charged Shares, in whole or in part and not to institute any proceedings or actions in respect of the Charged Shares or any part thereof contrary to the provisions set forth in this Deed of Trust and undertakes not to perform actions that might impair the ability of the Trustee to exercise the Charged Shares in accordance with this deed unless the Bondholders' meeting grants its advance approval to perform any of the aforesaid actions.

"**Disposition**" shall mean – a charge, pledge, sale, transfer, assignment or delivery, whether or not for consideration, or granting authorization to another to perform any of the aforesaid actions in connection with the Charged Shares.

For the avoidance of doubt and without derogating from the generality of the aforesaid, it is clarified that the provisions set forth in this Section 6.6.9 above shall not apply with respect to: (a) the rights of the Company to perform actions in the Charged Shares in accordance with the provisions set forth in Sections 6.8 and 6.9 hereunder; and (b) actions that will be performed with respect to Charged Shares by virtue of the provisions set forth in the Articles and/or the resolutions of the organs of Insightec and/or Agreement, including, but not limited to: (1) conversion of the different classes of shares of Gamida and/or Insightec into ordinary shares, subject to the provisions set forth in Section 6.1.1 above; and (2) the right to join the sale of the shares of Gamida and/or Insightec (bring-along/drag along right); and (3) the issue of shares that have priority compared to the Charged Shares and/or change of the conditions attached to the Charged Shares; as stated in Section 6.1.2 of the Deed of Trust.

6.6.10. At the time of signing this Deed of Trust no floating charge is registered on all the assets of the Company by virtue of which the Company is obligated to obtain the consent of any creditor for the registration of the charges in accordance with the Deed of Trust and the Company did not create and did not undertake to create a floating charge as aforesaid.

6.6.11. Notify the Trustee immediately and no later than 2 (two) business days as of the date of the Company became aware of the said regarding any circumstances in which an attachment was imposed on execution proceedings were instituted or in the event a motion for the appointment of a receiver was filed (or the appointment of any other officer whose function is to exercise the Charged Shares) in connection with the Charged Shares, in whole or in part, and to notify the authority that attached and/or that instituted the execution proceedings or that was asked to appoint a receiver as aforesaid and/or to a third-party that initiated or requested these actions or any part thereof regarding the fact that the Charged Shares are charged in favor of the Trustee and to take at its expense and immediately all reasonable measures that are necessary for the purpose of eliminating the said attachment or the execution proceedings or the appointment of a receiver.

6.6.12. To sign any document that, at the reasonable discretion of the Trustee, is necessary for the purpose of creating and crystalizing the securities made under this Deed, including the registration of the charges on the Charged Shares and the Trust Account or in connection with such a registration as aforesaid.

6.6.13. As of the date of signing this Deed of Trust the Charged Shares were fully paid-up.

6.6.14. As of the date of signing this Deed of Trust: (a) the Company is not under liquidation and/or receivership (temporary to permanent) and/or a stay of proceedings and no motion for liquidation and/or receivership and/or stay of proceedings as aforesaid was filed against the Company and the Company is not aware of any intention to file such a motion as aforesaid; (b) the Company did not pass a resolution regarding voluntary liquidation.

6.7. Registration of the charges

The Company shall furnish to the Trustee the documents hereunder in connection with each of the charges made in accordance with this Deed (the said documents shall be furnished to the Trustee also in connection with any other charge that the Company will be obligated to register in the future in favor of the Trustee in accordance with the provisions set forth in it Deed):

6.7.1. A source of the Bond and a "Details of mortgages and charges" form whose version shall be as customary in the Trustee and with which a copy of the deed of transfer is enclosed, and to which a stamp bearing the words 'submitted for examination' shall be affixed and a date, issued by the Registrar of Companies and no later than 21 days as of the date of signing the Bond and the said form.

6.7.2. A copy of a certificate of registration of the charge with the Registrar of Companies in favor of the Trustee. To the extent that the Trustee receives a printout issued by the Registrar of Companies stating that the relevant charges were registered as aforesaid, receipt of a charge credit transfer shall not constitute a condition for transferring the proceeds obtained from the offering as stated in Section 6.12 hereunder.

6.7.3. A printout of the Company issued by the Registrar of Companies evidencing, *inter alia*, that the registration of all the charges in favor of the Trustee are true and accurate.

6.7.4. An original affidavit of a senior officer in the Company, authenticated by an advocate, stating, *inter alia*, that the charges are not in contradiction to or in contravention of other undertakings of the Company and/or any law, and the charges are enforceable, and in a version to the satisfaction of the Trustee.

6.7.5. An opinion with respect to each charge as aforesaid, regarding the effect of the charges, the manner of their registration, their level of creditorship, legality and that the charges are enforceable against the Company in Israel from the external attorneys of the Company and in a form to the satisfaction of the Trustee.

6.7.6. Original share certificates in respect of the shares of Insightec and Gamida that are charged, together with a blank share transfer deed in respect of the charged Insightec shares and the charged Gamida shares. The Trustee shall be entitled to use the deed of transfer only if and to the extent that the Charged Shares are realized in accordance with the provisions set forth in the Deed of Trust and it is necessary to transfer the said shares as part of such realization as aforesaid after obtaining the approval of the court in connection therewith.

6.7.7. Irrevocable instructions from the Company to Insightec and Gamida, approved by Insightec and Gamida, in connection with the Charged Shares, signed at source, in the form enclosed as an appendix with the Charge Agreement.

6.8. Release of securities

6.8.1. **Release of securities after full payment of the Bonds**

6.8.1.1. After making all payments applicable to the Company in accordance with this Deed including payments of principal, interest, fees and expenses of the Trustee and its representatives (hereinafter collectively: "**Full Payment of the Debts and Liabilities of the Company**") the securities by virtue of this Deed and they shall be deemed as null and void and no further actions shall be required.

6.8.1.2. Without derogating from the generality of the aforesaid, in seven business days after obtaining the written approval of the senior financial officer in the Company (in a form to the satisfaction of the Trustee) regarding the Full Payment of the Debts and Liabilities of the Company (within the meaning of this term above), the Trustee shall rely on the approval of the Company and shall not be required to conduct any additional inspections on its behalf, the Trustee shall sign the charge cancellation documents with respect to all the assets and rights (including the Charged Shares and the funds and/or the other assets that are in the Trust Account at the time) and that are left in the Trust Account, to the extent left, and in a customary form, for the purpose of striking the registration of the securities, to the extent required, and shall transfer the remaining assets in its possession (including Charged Shares and Substitute Assets) (subject to lack of statutory preclusion) to the Company. In the event of a dispute between the Company and the Trustee regarding the debts of the Company to the Trustee, the Trustee shall return to the Company any part of the charged assets that is not disputed, and the Company shall eliminate the charges at its expense within a reasonable time and shall furnish to the Trustee all documents evidencing the elimination of the said charges.

6.8.2. **Releasing securities after performance of early redemption on account of the Bonds principal and/or buyback of Bonds**

In any event of a buyback of Bonds and/or early redemption of the Bonds after which the balance of the Bonds principal decreased to 20% (or any lower rate) of the original principal of the Bonds – subject to the provisions set forth in this Section hereunder and as long as the resolution of the Trustee and/or the Bondholders' meeting regarding the calling for immediate repayment of the Bonds and/or the realization of the securities was not passed (and it is still pending), the Company shall be entitled to receive to its possession or to instruct to the Trustee to deliver to a third-party a certain amount out of the Charged Shares (hereinafter in this Section: "**Released Shares**") that shall be calculated as follows:

A calculation of the VTL[5] ratio shall be performed as of the first trading day after performance of the early redemption (hereinafter in this Section: "**the Relevant Date**") and to the extent that the VTL ratio on the Relevant Date is greater than 200%, the Trustee shall release from the charge and shall transfer to the Company a certain quantity of the charged shares, in a manner that will cause the VTL ratio as of the Relevant Date to be at a rate 200%. The release of the Charged Shares shall be performed pro-rata between the charged shares of Gamida and the charged shares of Insightec and between the classes of shares of Insightec and the classes of shares of Gamida, in the same manner that the charge on these shares was performed, as stated in Section 6.1.1 above.

The Company shall furnish to the Trustee a confirmation from the senior financial officer in the Company regarding the number of the shares that the Company wishes to release and the compliance of the Company with the VTL ratio as stated above, together with a relevant calculation, in a form to the satisfaction of the Trustee. The Trustee shall rely on the confirmation of the Company and shall not be required to initiate any additional inspection on its behalf (hereinafter in this Section: "**Officer's Approval**").

The Trustee shall release the Released Shares from the charge and shall deliver the said shares to the Company until and no later than three business days as of the date of receiving the request of the Company with which the Officer's Approval was enclosed as aforesaid (and to the extent that these are share certificates, the Trustee shall deliver to the Company the share certificates in respect of the Released Shares subject to furnishing a new share certificate together with a blank deed of transfer in respect of the shares that are still charged).

[5] It is clarified that the calculation of the VTL is made based on the "Value of Insightec's Shares" and the "Value of Gamida's Shares" deriving from the last investment round prior to the review date, as stated in the definitions of the terms "Value of Insightec's Shares" and "Value of Gamida's Shares" in Section 7 of the Deed of Trust.

6.9. Replacing shares and sale of the Charged Shares

6.9.1. **Replacing securities**

From time to time, and without obtaining the approval of the Trustee or the Bondholders, the Company may, at its absolute and sole discretion, replace the Charged Shares, in whole or in part, and the Substitute Assets (within their meaning hereunder) in whole or in part, to the extent that provided by: **(a)** cash that will be deposited in the Trust Account; and/or **(b)** an autonomous irrevocable bank guarantee that will be issued by a bank that is one of the five (5) largest banks in Israel and whose rating does not fall below the Israeli rating (AA) of Maalot (or any equivalent rating) that is in effect up to 90 days after the final payment date of the Bonds principal that will be deposited by the Trustee; and/or **(c)** a Government Bond (the assets that are charged under one of the alternatives above or a combination thereof in lieu of the Charged Shares shall be referred hereinafter: "**Substitute Assets**"); including by a combination of one or more of the Substitute Assets as decided by the Company, at its sole discretion, and provided that at the time of replacing the securities as aforesaid the resolution of the Trustee and/or the Bondholders' meeting to call for immediate repayment the Bonds and/or the realization of the Bonds was not passed yet (and it is still pending).

Against the deposit of the Substitute Assets in the Trust Account and/or with the Trustee, as the case may be, the Trustee shall release to the Company a relative part of the Charged Shares that is equal to the ratio between the amount of the Substitute Assets and the adjusted value of the Bonds as of the date of depositing the Substitute Assets in the Trust Account or with the Trustee. The release of the Charged Shares shall be performed pro-rata between the charged Gamida shares and the charged Insightec shares and the classes of Insightec shares and the classes of Gamida shares, in the same manner that their charge was performed, as stated in Section 6.1.1 above.

For example: The Company issued NIS 90 par value of Bonds and charged in favor of the Bondholders 80 shares of Insightec (60 class A shares and 20 class B shares) and 20 Gamida shares (12 class A shares and 8 class B shares).

Consequently, the adjusted value of the Bonds is NIS 100 and the Company deposits with the Trustee a bank guarantee in the amount of NIS 50.

Against the deposit of the bank guarantee the Trustee shall release to the Company 40 Insightec shares (30 shares class A and 10 shares class B) and 10 Gamida shares (6 shares class A and 4 shares class B).

After replacement of the securities as aforesaid, the entire provisions set forth in this Deed of Trust relating to the Charged Shares shall apply to the Substitute Assets, *mutatis mutandis*.

The Company shall publish an immediate report regarding the replacement of the securities as aforesaid until and no later than two business days prior to the replacement date.

The replacement of the securities as aforesaid shall be performed by the Company and at its expense, at the earliest opportunity, by way of amending the existing charge in favor of the Trustee, and the Trustee shall cooperate and shall sign any document that is necessary for the purpose of releasing the securities as aforesaid. In addition, and to the extent required, the Company shall furnish to the Trustee immediately after replacing the securities as aforesaid, alternative share certificates (together with a blank deed of transfer) in connection with the remaining Charged Shares.

The Company shall furnish to the Trustee, prior to the replacement date, a written confirmation issued by the senior financial officer in the Company, together with a calculation, in a form to the satisfaction of the Trustee, regarding the amount of the Charged Shares (with specification of all classes of shares) that the Company wishes the replace in accordance with the provisions set forth in this Section and a calculation of the value of all the Substitute Assets.

The release of the replaced shares from the charge and their transfer to the Company shall be performed until and no later than one business day after the Substitute Assets are deposited with the Trustee.

Regarding Substitute Assets that are cash that was deposited in the Trust Account – these assets shall be handled in accordance with the provisions set forth in Sections 6.2.1 or 6.2.2 or 6.2.3 above, at the sole discretion of the Company.

6.9.2. **Sale of the Charged Shares by the Company**

The Company shall be entitled to sell the Charged Shares, in whole or in part, at its sole discretion (including in different ratios between the charged Gamida shares and the charged Insightec shares) at any time (hereinafter in this Section 6.9.2: "**Sold Shares**") provided that the resolution of the Trustee and/or the Bondholders' meeting regarding the calling for immediate repayment of the Bonds and/or the realization of the securities was not passed yet (and it is still pending).

The Trustee shall cooperate with the Company and shall sign all documents for the purpose of selling the Charged Shares, in whole or in part, in the manner as instructed to the Trustee by the Company, and for any price as instructed by the Company, and the Trustee shall not be entitled to object to the instructions regarding the sale that the Trustee receives from the Company as stated above, provided that the sale meets the following conditions:

6.9.2.1. The Company shall deliver to the Trustee written notice regarding its intention to perform a transaction(s) for the purpose of selling the Sold Shares, in or outside the Stock Exchange (hereinafter in this Section 6.9.2: "**Sale Notice**"). The Sale Notice shall include the following details:

(a) The number of Charged Shares that the Company wishes to sell.

(b) Whether the sale will be performed in or outside the Stock Exchange (including a sale when Insightec and/or Gamida are companies that are not traded in the Stock Exchange).

(c) To the extent that the sale is outside the Stock Exchange – the net consideration (before tax withheld at source and sale expenses) expected for the Sold Shares in accordance with the Agreement.

(d) To the extent that the sale is in the Stock Exchange – the Company shall deliver a written instruction to the Trustee for the purpose of performing the sale (including prices, quantities and dates).

(e) To the extent that the sale is a sale in the Stock Exchange – calculations and the approval of a senior financial officer in the Company regarding the minimum sale price after withholding of tax at source (to the extent required) and sale expenses so that the Company shall comply with the conditions set forth in Section 6.9.2.2 or 6.9.2.3 hereunder, as the case may be, and that the sale transactions (in accordance with the instructions set forth by the Company) shall be performed for prices that shall not fall below the said price (hereinafter in this Section 6.9.2: "**Minimal Price**").

The Trustee shall rely on the Sale Notice and on the calculations delivered to the Trustee by the Company and the approval of the senior officer as aforesaid and shall not initiate or shall not be required to initiate any inspection on its behalf.

6.9.2.2. To the extent that the sale is a sale of part of the Charged Shares (in a manner that Charged Shares remain after the sale), the consideration for the sale of the said Charged Shares shall not fall below the sum that is required for the purpose of performing an early redemption in accordance with the provisions set forth in Section 7.2.7 hereunder of a relative part of the principal of the Bonds (calculated according to the following formula), if such early redemption as aforesaid had been performed at the time of delivering the Sale Notice (when for the purpose of the provisions set forth in Section 7.2.7.1 hereunder the date in which the Company passed a resolution regarding the performance of early redemption shall be deemed as the date of delivering the Sale Notice).

The relative part of the Bonds' principal shall be calculated in the following manner:

$$V * \frac{S}{P} = X$$

X The relative part of the Bonds' principal

S The value of the charged Gamida shares and/or the charged Insightec shares that the Company wishes to sell in their value as determined at the time of their charge in accordance with Section 6.1.1 above.

P The total value of the Charged Shares according to their value as determined on the date of their charge in accordance with Section 6.1.1 above.

V The par value of the Bonds on the date of delivering the Sale Notice.

6.9.2.3. To the extent that the sale is a sale of the entire (100%) Charged Shares (in a manner that there are no more Charged Shares after the sale), the assets remaining in the Trust Account, including the consideration expected from the sale of the shares as aforesaid (according to the Minimum Price or the price set with respect to a transaction outside the Stock Exchange, as the case may be) and cash that is deposited in the Trust Account and/or a bank guarantee and/or the value of Government Bonds that the Trustee holds at the time (with respect to the date that is one business day prior to the delivery of the Sale Notice to the Trustee) (to the extent that there are any) shall not fall below the adjusted value of the Bonds as of the date which is one business day prior to the date of delivery of the Sale Notice to the Trustee. The aforesaid shall not derogate from the undertakings of the Company pursuant to Sections 6.9.2.4 and 7.2.7 hereunder.

6.9.2.4. The full net consideration (with deduction of tax withheld at source and sale expenses) in respect of the Sold Shares shall be deposited directly in the Trust Account at the earliest possible date and the Company shall instruct the Trustee to use the consideration according to one of the following three alternatives hereunder or a combination thereof, at its sole discretion: (a) performance of early redemption of the Bonds in accordance with the provisions set forth in Section 7.2 hereunder; or (b) making payments on account of principal and interest on time in accordance with the payments schedule; or (c) for the purpose of performing buyback of the Bonds as part of transactions in the Stock Exchange only, in accordance with detailed instructions that the Company will deliver to the Trustee and at the sole and absolute discretion of the Company provided that the Bonds that are purchased as aforesaid shall be transferred to the Company and shall be canceled; and as long as the said sums are held in the Trust Account the said sums shall be invested by the Trustee in accordance with the provisions set forth in Section 16 hereunder. To the extent that the Sold Shares are sold in a transaction outside the Stock Exchange, the Company shall deliver to the purchaser of the Sold Shares an irrevocable instruction to deposit the net consideration in the Trust Account.

Until and no later than two business days after the date in which the consideration obtained from the sale of the Sold Shares was deposited in the Trust Account, the Trustee shall release from the charge and shall deliver to the Company the part of the consideration that is beyond necessary for the purpose of complying with the provisions set forth in Section 6.9.2.2 or 6.9.2.3 above, as the case may be, in accordance with the confirmation delivered by a senior financial officer in the Company, together with a calculation that will be delivered to the Trustee. Upon performance of the sale of the Charged Shares, in whole or in part, by the Company and after receiving the consideration in respect whereof in the Trust Account, the charge on the Charged Shares that were sold shall be deemed as null and void without performing any additional actions and/or obtaining any additional approval, including not on behalf of the Trustee and/or the Bondholders. In 3 business days after depositing the consideration as stated in Section 6.9.2.2 or 6.9.2.3 above, as the case may be, the Company and the Trustee shall sign all documents that are necessary for the purpose of amending the relevant charge documents, and all in a form to the satisfaction the Trustee, and the Company shall amend the charge within a reasonable time at its expense and furnish to the Trustee the documents evidencing the performance of the said amendment. In addition, and to the extent that this is necessary, the Company shall furnish to the Trustee in three (3) business days as of the date of depositing the consideration as stated in Section 6.9.2.2 above, as the case may be, alternative share certificates (together with a blank deed of transfer) in connection with the remaining Charged Shares.

In addition, and at the request of the Company, the Trustee shall sign an undertaking according to which the Trustee will agree to eliminate the charge registered in its favor with respect to the Sold Shares against and concurrent with the transfer of the consideration in respect whereof to the Trust Account.

After completing the sale of the Sold Shares, the Company shall publish in an immediate report the number of the Sold Shares that were sold and the net consideration paid in respect whereof.

Notwithstanding the aforesaid, the Company shall be entitled to sell the Sold Shares for prices that are lower than the prices specified in Section 6.9.2.2 or Section 6.9.2.3, as the case may be, provided that prior to the release of the Sold Shares from the charge as stated above the Company shall deposit in the Trust Account sums from its supplementary sources for the actual sale amount to the amount specified in Section 6.9.2.2 or Section 6.9.2.3, as the case may be.

6.10. Deleted

6.11. For the avoidance of doubt, it is clarified that Trustee is under no obligation to examine, and de facto the Trustee did not examine and will not examine the nature of the securities for the purpose of securing the payments to the Bondholders. The Trustee was not asked to conduct and the Trustee did not conduct a due diligence review, or an financial, accounting or legal review regarding the state of business of the Company or its subsidiaries. By signing this Agreement and following the consent of the Trustee to serve as a trustee for the Bondholders, the Trustee does not express its opinion, whether express or implied, regarding the ability of the Company to fulfill its liabilities towards the Bondholders and regarding the economic value of the securities that were provided by the Company. The aforesaid shall not derogate from the obligations of the Trustee in accordance with the Law and/or this Deed of Trust and in this regard it shall not derogate from the obligation of the Trustee (to the extent that such an obligation applies to the Trustee in accordance with the provisions set forth in any law) to examine the effect of changes in the Company as of the date of issue of the Bonds henceforth, to the extent that these have an adverse effect on the ability of the Company to fulfill its liabilities to Bondholders.

6.12. Transfer of the consideration obtained from the offering to the Company

6.12.1. The consideration obtained from the offering that the dealer manager will receive in respect of the issue of the Bonds shall be transferred by the dealer manager in full, including returns thereof (however, for the avoidance of doubt, with deduction of an early repayment charge to classified investors) to the Trust Account, within its meaning above.

The Company considers payment of the consideration obtained for the offering by the dealer manager as receipt of the consideration in the Company and consequently the Company shall request the listing of the Bonds for trade in the Stock Exchange upon receipt of the consideration by the dealer manager.

6.12.2. The Company shall deliver written instructions to the Trustee regarding the manner of investment of the funds deposited in the Trust Account and the Trustee shall act in accordance with these instructions provided that the funds are invested in the manner specified in Section 16 of the Deed. The Trustee shall not be responsible for examining the nature of the investments of the funds in the Trust Account and shall not be responsible for the consequences of the investment. The Company shall incur the expenses and charges regarding the opening of the Trust Account including management and closing thereof.

6.12.3. **Release of the full consideration obtained for the offering**

The Trustee shall transfer the consideration obtained for the offering that was deposited in the Trust Account (with deduction of the Interest Cushion, the offering expenses and the current operation funds) to a bank account in the name of Elbit Imaging as instructed in writing by the Company and that will be approved by Elbit Imaging in two (2) business days after all of the following conditions have been met (cumulatively):

6.12.3.1. The Company delivered to the Trustee all documents specified in Section 6.7 above in connection with the charges on the Charged Shares and the Trust Account, respectively; and

6.12.3.2. The Company delivered to the Trustee a confirmation issued by the senior financial officer in the Company regarding the amount of the shares of Insightec and Gamida that should be charged in favor of the Bondholders for the purpose of meeting the VTL ratio as stated in Section 6.1.1 above (together with a calculation) and the amount of the Interest Cushion and the amount of the offering expenses; and

6.12.3.3. The Company delivered to the Trustee a confirmation of a senior officer of the Company and the confirmation of Elbit Imaging regarding the current debt to Elbit Imaging with an indication of the sum that will be paid in cash to Elbit Imaging and the sum that will be converted into bonds as stated in Section 5.3.3.3 above (if and to the extent required), together with a transfer order that will include the details of the bank account of Elbit Imaging and a confirmation by an accountant and, to the extent that a conversion into Bonds is required as aforesaid, a confirmation provided by Elbit Imaging stating that the Bonds were issued to Trustee for the said amount; and

6.12.3.4. The Company delivered to the Trustee a certified and true copy of the Bonds certificates delivered to the Nominee Company in respect of the Bonds that were issued to Elbit Imaging as aforesaid.

6.12.3.5. The Company delivered to the Trustee a confirmation issued by an officer stating that the amendment of the Insightec Articles was approved (or, alternatively, certain shareholders of Insightec granted their consent) in such manner that the mere charge of the Insightec shares as stated in this Deed shall not oblige the enforcement of the right of first refusal at the time of creating the charge (however at the time of enforcing the charge (including by a receiver or any other officer) and in such circumstances as aforesaid the provisions set forth in the Insightec Articles regarding the transfer of shares shall come into operation, including the sections regarding the right of first refusal and the co-sale right).

6.12.3.6. The Company published an immediate report stating that all the conditions for the purpose of releasing the balance of the consideration of the offering in accordance with this Section have been met.

At the time of transferring the funds to Elbit Imaging as stated above the Trustee shall transfer to the Company the current operating expenses and the funds designated for covering the offering expenses, in accordance with written instructions that the Company will deliver. If and to the extent that after the transfer of the funds to Elbit Imaging as stated above and after the transfer of the current operation expenses and the offering expenses to the Company there are still funds in the Trust Account (except for the Interest Cushion) the said funds shall be transferred to the Company.

6.12.4. Deleted.

6.12.5. In the event the conditions for releasing the consideration obtained from the offering to the Company as stated in Section 6.12.3 above are not fulfilled until the end of the definite period (within its meaning hereunder), the Company shall perform a compulsory early redemption of the uncleared balance of the Bonds as stated hereunder.

"**The Definite Period**" – 90 days as of the date in which the full consideration of the offering was received by the dealer manager however if, during the said 90 days' period, the Company wishes to convene a Bondholders' meeting for the purpose of obtaining the approval of the Bondholders to perform any action (including for the purpose of approving amendments in the Deed of Trust or approval for the purpose of extending the Definite Period) in connection with the release of the consideration obtained from the offering and consequently the said period of 90 days shall be extended by an additional period of 45 days. The extension of the period for the purpose of creating and registering the charges in addition to the period specified above shall be allowed by an extraordinary resolution that will be passed in the Bondholders' meeting.

6.12.5.1. In one business day as of the expiration of the said period the Company shall publish an immediate report regarding the early redemption of the Bonds in one payment (that will be paid to the Bondholders at the earliest opportunity in accordance with the Stock Exchange rules) (hereinafter in this Section: "**Early Redemption Day**"). The provisions set forth in Section 7.2.4 and 7.2.8 hereunder shall apply to an early redemption in accordance with the provisions set forth in this Section 6.12.5.

6.12.5.2. The sum paid to the Bondholders in the event of early redemption as stated in this Section shall be the full liability value of the Bonds in circulation on the actual Early Redemption Day (hereinafter in this Section 6.12.5.2: "**Liability Value**") when the interest in respect of the period until the Early Redemption Day shall be calculated according to the nominal interest of the Bonds, and that the Bonds were supposed to carry in respect of the period commencing on the day in which the full consideration for the offering was deposited with the dealer manager and that expires on the day that preceded the Early Redemption Day, calculated according to a basis of 365 days a year, according to the number of days during this period. The early redemption shall be performed in accordance with the provisions set forth in Sections 7.2.1 to 7.2.5 hereunder.

6.12.5.3. If, until the business day that preceded the Early Redemption Day, the sums obtained from the consideration for the offering in the Trust Account including all returns accumulated in respect whereof (with deduction of charges and management fees) totaled an amount lower than the amount payable to the Bondholders on the Early Redemption Day (hereinafter in this Section 6.12.5.3: "**Early Redemption Amount**") the Company shall transfer to the Trust Account, on the business day preceding the Early Redemption Day, the difference between the amount in the Trust Account and the Early Redemption Amount. And the Trustee shall transfer all sums that are required for the purpose of performing the early redemption to the Nominee Company; in the event there is a balance in the Trust Account after performing the early redemption as aforesaid, the said balance shall be transferred to the Company.

7. **Early redemption**

7.1. Early redemption initiated by the Stock Exchange

In the event the Bonds are listed for trade and the Stock Exchange decides to delist the Bonds from trade since the value of the public holdings in the Bonds decreased from the amount specified in the instructions set forth by the Stock Exchange regarding the delisting from trade of the Bonds, in such circumstances the Company shall act for the purpose of performing the early redemption of the Bonds as follows:

7.1.1. In forty-five (45) as of the date of the resolution of the Board of Directors of the Stock Exchange regarding the delisting from trade as aforesaid, the Company shall announce an Early Redemption Day in which the Bondholder is entitled to redeem the bonds. The notice regarding the Early Redemption Day shall be published in an immediate report and in two widely circulated newspapers in Hebrew and will be delivered in writing to all registered Bondholders.

7.1.2. The Early Redemption Day with respect to the Bonds shall occur not earlier than twenty-one (21) days as of the date of publishing the notice and not later than forty-five (45) days as of the said date, however not during the period between the Effective Date for payment of interest and the actual date in which interest is paid.

7.1.3. On the Early Redemption Day, the Company shall redeem the Bonds that the Bondholders requested to redeem. The consideration obtained from the redemption shall not fall below the amount of the par value of the Bonds with the addition of interest accumulated until the actual payment date, as stated in the terms of the Bonds.

7.1.4. The determination of the Early Redemption Day as stated above shall not affect the redemption rights specified in the Bonds of any of the Bondholders that will not redeem the Bonds on the Early Redemption Day as stated above, however the Bonds shall be delisted from the trade in the Stock Exchange and the tax implications arising therefrom shall apply thereto, *inter alia*.

7.1.5. The early redemption of the Bonds as stated above shall not grant to the holders of the Bonds that will be redeemed as aforesaid the right to payment on account of a principal and/or interest in respect of the period after the redemption date.

7.2. Early redemption initiated by the Company

7.2.1. The Company shall be entitled, at its sole discretion, to decide that as of February 15, 2020 it shall redeem the Bonds, in whole or in part, in early redemption, and the following provisions shall apply in such circumstances, and subject to the decision of the Securities Authority and the instructions set forth by the Stock Exchange as periodically updated.

7.2.2. The early redemptions shall be performed in a frequency that shall not be greater than once a quarter.

In the event early redemption was set for a quarter in which a date for payment of interest is set or a date for payment of partial payment or a date for payment of final payment, the early redemption shall be performed on the date set for payment as aforesaid.

"Quarter" for the purpose of this matter shall mean each of the following periods: January-March, April – June, July – September, October – December.

7.2.3. The minimal scope of each early redemption shall not fall below NIS 1M. Notwithstanding the aforesaid, the Company may perform early redemption for an amount that falls below NIS 1M provided that the frequency of the redemptions shall not be greater than one redemption a year.

Any sum that is paid in early repayment by the Company shall be repaid with respect to the entire Bondholders, pro-rata according to the par value of the Bonds that are held at the time.

7.2.4. After the Company passes a resolution regarding the performance of early redemption as stated above, the Company shall publish an immediate report no less than twenty-one (21) days and not later than forty-five (45) days prior to the Early Redemption Day.

7.2.5. The Early Redemption Day shall not occur during the period between the Effective Date for payment of interest in respect of the Bonds and the actual payment date of the interest. In the immediate report as aforesaid the Company will publish the principal amount that will be repaid in early redemption and the interest accrued in respect of the principal amount as aforesaid until the Early Redemption Day, in accordance with the provisions set forth hereunder.

7.2.6. In the event of partial early redemption, on the partial Early Redemption Day, to the extent that there is any, the Company shall pay to the Bondholders the interest accrued solely for the redeemed part in early partial redemption and not on the entire uncleared balance. No early redemption shall be performed for part of the series of the Bonds in the event the last redemption amount falls below NIS 3.2M. On the date of the partial redemption as aforesaid, to the extent that there is any, the Company shall publish the following information in an immediate report: (1) the partial redemption rate in terms of the uncleared balance; (2) the partial redemption date in terms of the original series; (3) the interest rate in partial redemption on the redeemed part; (4) the interest rate that will be paid in the partial redemption, calculated with respect to the uncleared balance; (5) an update of the partial redemption rates that are outstanding, in terms of the original series; (6) the Effective Date regarding the entitlement to the early redemption of the Bonds principal that will be six (6) days prior to the date designated as the early redemption date, as the case may be.

7.2.7. The sum paid to the Bondholders in the event of early redemption (except for early redemption under Section 2.1.1 above and under Section 6.12.5 above in respect of which the provisions set forth in this Section 7.2.7 hereunder shall not apply) shall be the amount that is the higher of the following:

7.2.7.1. The market value of the par value of the Bonds called for early redemption that will be set according to the average closing price of the Bonds in the thirty (30) trading days that preceded the date of passing the resolution of the Company regarding the performance of the early redemption (hereinafter: "**Market Value of the Balance of the Bonds**"). Notwithstanding the aforesaid, if, during the period of thirty (30) trading days that preceded the date of the resolution passed by the Company regarding the performance of the early redemption the Effective Date for the purpose of paying interest occurs, in such circumstances, for the purpose of calculating the market value of the Bonds that will be paid to the Bondholders in accordance with this Section 7.2.7.1, a relative part of the sum that is paid on account of interest payments as aforesaid shall be subtracted from the Market Value of the Balance of the Bonds (within its meaning above) (when the said relative part shall be calculated according to the ratio between the Bonds principal called for early redemption and the total amount of the Bonds principal prior to the early redemption).

7.2.7.2. The amount of: (a) the cash flow balance of the Bonds called for early redemption (principal with the addition of interest), capitalized according to the returns of the Government Bonds (within its meaning hereunder) with the addition of 1.5% interest. The capitalization of the Bonds called for immediate repayment shall be calculated as of the Early Redemption Day and until the last redemption day set with respect to the Bonds; in addition to – (b) the value of the option in the conversion component of the Bonds called for immediate repayment, calculated according to the Black & Scholes model as follows:

$C = (S \times N(d1) - K \times e^{-rt} \times N(d2))$

$d1 = [(\ln(S/K) + (r + 0.5\sigma^{2}) \times t)] / (\sigma \times \sqrt{t})$

$d2 = d1 - \sigma \sqrt{t}$

S - Share rate at the Stock Exchange.

N(d1) - The area under the standard normal curve up to point d1.

N(d2) - The area under the standard normal curve up to point d2.

σ - The standard deviation will be estimated according to the volatility in the share rate itself. If the share is traded less than 4 and a half months in the six months that serves as basis for measuring the standard deviation, the standard deviation shall be measured in the manner it is estimated in the new company.

e - The basis of the natural algorithm.

K - Exercise increment.

r - The annual capitalization rate for warrants of the type of the linkage set for the exercise increment as stated by the Stock Exchange from time to time.

t - The option term in years.

For the purpose of this matter "**Government Bonds return**" shall mean the weighted average of the return per redemption (gross) in a period of 7 business days, that expires 2 business days prior to the date of notice on the early redemption, of 2 unlinked series of Government Bonds and whose average life is the closest to the average life of the Bonds on the relevant date, i.e., one series of Government Bonds with the closest and highest duration of the duration of the Bonds on the relevant date, and one series of Government Bonds with the lowest duration with relation to the duration of the Bonds on the relevant date and whose weighting will reflect the duration of the Bonds on the relevant date.

For example: if the duration of Government Bonds A is 4 years and the return for its redemption is 1%, the duration of Government Bonds B is 2 years and its return for redemption is 0.5% and the duration of the balance of the loan is 3.5 years, the return shall be calculated as follows:

3.5 = 4X+2(1-X)

X = The weight of the return of Government Bond A.

X-1 = The weight of the return of Government Bonds B.

According to the calculation, the annual return of Government Bonds A will be weighted at a rate of 75% of the return and the annual return of Government Bonds B will be weighted at a rate of 25% of the return.

The return of the Government Bonds shall be as follows:

0.875% = 0.5% * 0.25 + 1% * 0.75

7.2.7.3. The liability value of the Bonds that are called for early redemption in circulation.

To the extent that interest is paid in accordance with the provisions set forth in Sections 7.2.7.1 or 7.2.7.2 above, the excess amount beyond the liability value shall be calculated as addition of interest.

The Company shall furnish to the Trustee the confirmation of the senior financial officer in the Company regarding the calculation of the amount for payment, in a form to the satisfaction the Trustee, concurrent with the publication of the immediate report specified in Section 7.2.4 above.

7.2.8. Whoever held the Bonds that will be redeemed as aforesaid shall not be entitled to any payments in connection with the Bonds in respect of the period after the early redemption.

8. **Immediate repayment and/or exercising securities**

8.1. Subject to the provisions set forth in this Section 8, the Trustee and the Bondholders are entitled to call for immediate repayment the uncleared balance of the Bonds and/or to exercise securities, and the Trustee shall be obligated to act in the said manner in the event a resolution in accordance with the Deed of Trust was passed in the General Meeting of the Bondholders, in accordance with the provisions set forth in Section 8.2 of the Deed, and all upon the occurrence of one or more of the following events:

8.1.1. There has been a material adverse change in the businesses of the Company compared to their position at the time of issuing the Bonds, and there is an actual concern that the Company will not be able to redeem the Bonds on time.

8.1.2. In the event the Company failed to pay principal and/or interest of any kind (including the addition of interest and/or interest in arrears, to the extent applicable) of the payments the Company owes in accordance with the Deed of Trust and/or in accordance with the Bonds or in the event any other material undertaking that was made in favor of the Bondholders was not fulfilled, and all in the event the breach was not cured in 7 days as of the date set for repayment or as of the date of receiving notice, regarding the breach and during this period the Company acts for the purpose of curing the breach, as the case may be.

8.1.3. If one of the following has been called for immediate repayment: (1) another series of Bonds that was issued by the Company (whether or not listed for trade) and that was called for immediate repayment in accordance with the provisions set forth in its Deed of Trust; (2) a debt and/or cumulative debts of the Company towards a financial creditor and/or a number of financial creditors (including institutional bodies) that were called for immediate repayment in accordance with the law and whose cumulative balance at the time of their calling for immediate repayment is greater than NIS 10M (hereinafter: "**Material Debt**"); and the demand for immediate repayment of such a debt as aforesaid was not eliminated in 45 days as of the date they were called for immediate repayment as aforesaid.

8.1.4. The Company did not publish a financial statement it is obligated to publish in accordance with the provisions set forth in any law, in thirty (30) days as of the last date the Company is obligated to publish the said statement.

8.1.5. The Bonds were delisted from trade in the Stock Exchange.

8.1.6. There is an actual concern that the Company will not meet is material liabilities towards the Bondholders.

8.1.7. A merger was performed without obtaining the prior approval of the Bondholders in an ordinary resolution, unless the absorbing company declared towards the Bondholders, including by the Trustee, at least ten business days prior to the merger date, that there is no reasonable concern that due to the merger the absorbing company will not be able to meet its liabilities towards the Bondholders.

8.1.8. In the event the Company or Insightec passes a resolution on liquidation (except for liquidation as a result of merger with another company, as stated in Section 8.1.8 above) or in the event a permanent and final liquidation order is issued by the court against the Company or Insightec or in the event a permanent liquidator is appointed for Insightec.

8.1.9. In the event a temporary liquidation order is issued by the court against the Company or Insightec, or a temporary liquidator is appointed for it or any other similar judicial decision is made and such an order or a decision as aforesaid were not dismissed or terminated in 45 days as of the date of issue of the order or delivery of the decision, as the case may be.

Notwithstanding the aforesaid, the Company or Insightec shall not have any remedy period with respect to any motions or orders that were served or delivered, as the case may be, by the Company or with the approval of the Company or by Insightec or with the approval of Insightec.

8.1.10. In the event an attachment is imposed on the holdings of the Company in the shares of Insightec, in whole or in part, or in the event any execution proceeding is instituted against such assets as aforesaid, and the attachment or the proceeding is not eliminated or canceled, as the case may be, in 45 days as of the date they were imposed or instituted, as the case may be.

Notwithstanding the aforesaid, the Company shall not be entitled to any remedy period with respect to motions or orders that were filed or delivered, as the case may be, by the Company or with the approval of the Company.

8.1.11. In the event a motion for receivership or for the appointment of a receiver (temporary or permanent) was filed with respect to the holdings of the Company in the shares of Insightec, in whole or in part, or in the event an order for the appointment of a temporary receiver (on the holdings of the Company in the shares of Insightec, in whole or in part) – and these were not dismissed or canceled in 45 days as of the date of their filing or delivery, as the case may be; or – if an order for the appointment of a permanent receiver on the entire or the majority holdings of the Company in Insightec shares was issued.

Notwithstanding the said, the Company shall not be entitled to any remedy period with respect to motions or orders that were filed or delivered, as the case may be, by the Company or with the approval of the Company.

8.1.12. (a) In the event the Company or Insightec file a motion for a stay of proceedings or in the event such an order is issued as aforesaid or in the event the Company or Insightec file a motion for a settlement or a composition with creditors pursuant to Section 350 of the Companies Law (unless this concerns a merger with another company and/or a restructuring of the Company or restructuring of Insightec or a split that are not prohibited in accordance with the provisions set forth in this Deed and except for arrangements made between the Company and its shareholders or between Insightec and its shareholders that are not prohibited under this Deed and that cannot affect the ability of the Company to repay the Bonds), or in the event the Company or Insightec offers to its creditors in any other manner a settlement or an arrangement as aforesaid, in light of the inability of the Company or Insightec, respectively, to fulfill its undertakings on time; or (b) in the event a motion is filed pursuant to Section 350 of the Companies Law against the Company (and without its approval) or Insightec (and without its approval) and was not dismissed or canceled in 45 days as of the date of filing thereof.

8.1.13. In the event the Company breached its undertakings in connection with the expansion of the series as stated in Section 2.6 above.

8.1.14. In the event the Company breached any of its undertakings in connection with the sale of the Charged Shares as stated in Section 6.9.2 above.

8.1.15. In the event the Stock Exchange suspended the trade of the Bonds, except for suspension on the grounds of ambiguity as stated in the Fourth Part of the Stock Exchange Bylaws and the suspension was not lifted in 60 days.

8.1.16. In the event the Company ceases or announces its intention to cease its payments or ceases or announces its intention to cease conducting its business as conducted from time to time.

8.1.17. In the event the Company commits a fundamental breach of the terms set forth in the Bonds or the Deed of Trust and, in this regard, in the event it transpires that a material representation of the representations of the Company in the Deed of Trust is incorrect or deficient, on the condition that the breach was not cured in 7 business days as of the date of receiving written notice regarding the breach and during this period the Company takes action for the purpose of curing the breach.

8.1.18. In the event the Company performs a distribution contrary to the provisions set forth in Section 5.2 above.

8.1.19. In the event the Company ceases to be a "reporting corporation" (within the meaning of this term in the Securities Law).

8.1.20. In the event the Bonds are no longer rated pursuant to the decision of the Company, as stated in Section 35 hereunder, and after the Bonds are not rated for a period greater than 60 consecutive days, due to reasons and/or circumstances over which the Company has control. It is clarified that the cessation of rating of the Bonds due to reasons and/or circumstances over which the Company has not control shall not give rise to grounds for calling the Bonds for immediate repayment.

8.1.21. If and to the extent that the Company fails to meet the net debt ratio with respect to value of the shares as stated in Section 5.4 on two consecutive review dates.

8.1.22. If the Company breaches its undertakings in connection with the use of the consideration obtained following the sale of Insightec shares and/or Gamida shares that are not charged as stated in Section 5.5 above.

8.1.23. In the event the Company changes its sphere of activity, in such manner that the main part of the activities of the Company is not in the field of investments in companies that operate in the life sciences sector and/or in the medical equipment sector.

8.1.24. In the event Insightec ceases or announces its intention to cease its payments or ceases or announces its intention to cease from conducting its business as conducted from time to time.

For the purpose of this entire Section 8.1 "**majority of the Company's holdings in Insightec**" – more than 50% of the holdings of the Company in the shares of Insightec at the time of occurrence of the relevant event.

In such cases as aforesaid, the provisions set forth in Section 8.2 of this Deed shall apply, as the case may be.

8.2. Without derogating from the provisions set forth in any law, the following provisions shall apply upon the occurrence of any of the events specified in Section 8.1 of this Deed:

8.2.1. Upon the occurrence of any of the events specified in Section 8.1 of the Deed of Trust, the Trustee shall be obligated to convene a meeting of the Bondholders whose agenda shall include a resolution regarding the calling for immediate repayment of the entire uncleared balance of the Bonds or exercise of securities.

8.2.2. If, for a certain matter, Section 8.1 of the Deed of Trust sets out a reasonable period in which the Company is entitled to perform an action or pass a resolution as a result of which the grounds for calling for immediate repayment and/or the exercise of securities are dropped, the Trustee and/or the Bondholders are entitled to call the Bonds for immediate repayment only if the period that was set as aforesaid expired, and the grounds were not dropped; however, the Trustee may shorten the said period in the event it is of the opinion that it will materially affect the rights of the Bondholders.

8.2.3. The date of convening the Bondholders' meeting whose agenda includes a resolution regarding the calling for immediate repayment of the total amount of the uncleared balance of the bonds and/or the exercise of securities as a result of the occurrence of any of the events specified in Section 8.1 of the Deed of Trust, shall be twenty-one (21) days as of the date of its convening (however the Trustee shall be entitled to shorten the period that was set as aforesaid in the event it is of the opinion that this is necessary for the purpose of protecting the rights of the Bondholders).

8.2.4. In the event that if, until the date of convening of the meeting as aforesaid, none of the events specified in Section 8.1 of the Deed of Trust was not canceled or eliminated, and the resolution in the Bondholders' meeting as aforesaid regarding the calling for immediate repayment and/or the exercise of securities was passed in a Bondholders' meeting as stated in Section 8.2.5 hereunder, the Trustee shall be obligated, within a reasonable period of time, to call for immediate repayment the entire uncleared balance of the Bonds, provided that the Trustee delivered to the Company a written notice at least fifteen (15) days in advance regarding its intention to perform the said actions and the event in respect of which the resolution was passed was not canceled or eliminated during this period. However, the Trustee and/or the Bondholders shall not be obligated to deliver notice to the Company as aforesaid, in the event there is a reasonable concern that delivery of notice will impair the option to call the Bonds for immediate repayment and/or exercise the securities or impairs the rights of the Bondholders.

8.2.5. The publication in Magna of a notice regarding the convening of the meeting whose agenda includes the calling of the Bonds for immediate repayment and/or the exercise of securities shall constitute prior and written notice to the Company regarding the intention of the Trustee to act in the said manner.

8.2.6. Canceled.

8.2.7. The resolution of the Bondholders whether or not to call for immediate repayment and/or exercise securities shall be passed in a Bondholders' meeting in which holders holding by themselves, or by their representatives, or by ballot, a minimum of fifty percent (50%) of the outstanding par value of the Bonds, by a majority of the Bondholders holding the outstanding par value of the Bonds represented in the vote, or in such a majority as stated in an adjourned Bondholders' meeting in which Bondholders holding a minimum of twenty percent (20%) of the said balance attended, whether by themselves or by their representatives.

8.2.8. The delivery of notice to the Company regarding the calling for immediate repayment of the Bonds and/or the exercise of securities shall be performed also by way of publishing a notice regarding the resolution of a meeting or the Trustee in accordance with the provisions set forth in Section 8.2.4 above and shall constitute calling for immediate repayment of the Bonds.

8.2.9. It is hereby clarified that the obligations of the Trustee in accordance with the provisions set forth in this Section 8.2 are subject to the actual knowledge of the Trustee of the existence of the facts, the cases, the circumstances and events specified therein, whether by virtue of public publications published by the Company, whether by virtue of notices that the Company will deliver to the Trustee in accordance with the provisions set forth in this Deed and whether by virtue of information that reached its possession in any other manner in its capacity as a Trustee of the Bonds.

The aforesaid shall not derogate from the obligations and/or rights of the Trustee in accordance with the provisions set forth in any law.

8.2.10. It is clarified that the provisions set forth in this section 8.2 above shall not derogate from the authorities of the Trustee granted in accordance with the provisions set forth in any law.

8.2.11. Deleted.

8.2.12. For the avoidance of doubt it is clarified that the right to call for immediate repayment as stated above and/or the calling for immediate repayment shall not derogate or impair any other or additional relief the Bondholders or the Trustee may seek in accordance with the terms set forth in the Bonds and the provisions set forth in this Deed and/or in accordance with the provisions set forth in any law, and that subject to the provisions set forth in any law failure to call the debt for immediate repayment, upon the occurrence of any of the events specified in Section 8.1 above, shall not constitute any waiver of the rights of the Bondholders or the Trustee as aforesaid.

9. **Claims and proceedings by the Trustee**

9.1. In addition to any other provision set forth in this Deed the Trustee shall be entitled, at its discretion, and shall be obligated to act in the said manner following a resolution that was passed by an ordinary majority in a Bondholders' meeting of Bonds (Series C), and without delivery of prior notice to the Company, to institute all proceedings, including court proceedings and motions for instructions, as the Trustee deems fit and subject to the provisions set forth in any law, for the purpose of enforcing the undertakings of the Company in accordance with the Deed of Trust and for the purpose of exercising the rights of Bondholders in accordance with the Deed of Trust.

Notwithstanding the said in this Section, the right to call for immediate repayment and the exercise of the securities shall arise only in accordance with the provisions set forth in Section 8 of the Deed of Trust and not by virtue of this Section.

9.2. Subject to the provisions set forth in this Deed, the Trustee shall be entitled, however not obligated, to convene at any time a General Meeting of the Bondholders in order to debate and/or receive its instructions regarding the Deed of Trust, provided that the meeting shall be convened on the first possible date and that the delay of the proceedings shall not risk the rights of the said Bondholders.

9.3. The Trustee may, at its sole discretion, delay the performance of any of its actions in accordance with the Deed of Trust for the purpose of approaching the Bondholders' meeting and/or the court until the Trustee receives instructions from the Bondholders' meeting and/or instructions from the court regarding its actions, provided that the Trustee shall convene the meeting or approach the court as soon as practicable.

9.4. For the avoidance of doubt, it is hereby clarified that none of the provisions set forth above shall impair and/or derogate from the right granted to the Trustee to approach legal instance at its sole discretion even before calling the Bonds for immediate repayment, and/or for the purpose of delivering any order regarding the affairs subject matter of this Trust.

10. **Distribution of proceeds**

10.1. All proceeds that the Trustee will receive, except for the Trustee's fees and repayment of any debt to the Trustee, in any manner, including, but not limited to, as a result of the calling of the Bonds for immediate repayment and/or the exercise of securities and/or as a result of proceedings instituted, if instituted, against the Company, shall be held by the Trustee in trust and shall be used by the Trustee for the following purposes and according to the following priority:

First for the purpose of settling all expenses, payments, levies and liabilities expended by the Trustee were imposed on the Trustee or were caused or as a result of actions related to the performance of the trust or in any other manner in connection with the terms set forth in this Deed including its fees, and all with respect to the Bonds, and shall use the balance **first** – to pay any other amount in accordance with the 'Indemnity Undertaking' (within the meaning of this term in Section 23 of the Deed); **second** – for the purpose of paying to the Bondholders who incurred payments in an amount greater than their relative part in accordance with the provisions set forth in Section 23.6.2 of the Deed in respect of the sums that are greater than their relative amount, and afterwards for the purpose of paying the relative part of the Bondholders that incurred payments as stated in Section 23.5 of the Deed; **third** – for the purpose of paying to the Bondholders the delayed interest rates (including interest in arrears, to the extent that there is any) due to them in accordance with the terms set forth in the Bonds, pari-passu and relative to the amount of interest in arrears due to each without any preference or priority in respect of any thereof; **fourth** – for the purpose of paying to the Bondholders the amounts of interest due to them in accordance with the Bonds held by them, and whose payment date is not yet due, pari-passu and relative to the sums due to them, without any preference regarding the priority of issue of the Bonds by the Company or in any other manner. **Fifth**, to pay to the Bondholders the delays in principal due to Bondholders in accordance with the terms set forth in the Bonds, pari-passu and relative to the principal of the amount in arrears due to each without preference or a priority in respect of any thereof. **Sixth** – to pay to the Bondholders the principal amounts due to them in accordance with the Bonds held by them and whose payment date was not yet due, pari-passu and relative to the principal amounts due to them, without any preference regarding priority in time of issue of the Bonds by the Company or in any other manner; **seventh** – the Trustee shall pay the balance after making the payments as aforesaid, if any, to the Company or its substitutes. Tax at source shall be withheld from the payments to the Bondholders, to the extent that such withholding is mandatory by law.

10.2. The Trustee shall pay the aforesaid sums to the Bondholders in accordance with the provisions set forth in any law.

11. **Power to withhold the distribution of payments**

Notwithstanding the said in Section 10 above, in the event the sum obtained following the institution of proceedings as stated above and that is available for distribution at any time as stated in that Section is less than NIS 1M (hereinafter: "**the Minimal Amount**") the Trustee shall not be obligated to distribute the said sum and the Trustee shall be entitled to invest the said sum, in whole or in part, in permissible investments in accordance with the provisions set forth in Section 16 of this Deed.

When the said investments, including returns thereof, are deposited together with additional sums that are due to the Trustee for the purpose of their payment to the Bondholders, if any, and reach the Minimal Amount, if the said sums total this amount, or on the closest date for performance of payment on account of principal and/or interest in respect of the Bonds (whichever is earlier), or in the event the amount that the Trustee accumulated is less than the Minimal Amount, the Trustee shall be obligated to distribute to the Bondholders the sum accumulated by the Trustee as aforesaid. Without derogating from the said in this Section, the Bondholders are entitled, after passing an ordinary resolution by a majority of the votes of the members participating in the vote, except for abstaining votes, to instruct to the Trustee to pay them the sums the Trustee received and that are distributed as stated in Section 10 of the Deed of Trust even if their amount is less than the Minimal Amount and even if the payment date of the principal and/or the interest in accordance with the terms set forth in the Bonds is not yet due.

The provisions set forth in this Section above shall not derogate from the provisions set forth in Section 10 above regarding the priorities in distribution of the sums that the Trustee will receive and it is clarified that the payments that have priority regarding payment to the holders as stated in Section 10 above shall be distributed and/or paid, as the case may be, shortly after receipt thereof, even if the Trustee holds an amount that falls below the Minimal Amount. Notwithstanding the aforesaid, the Trustee's fees and expenses thereof shall be paid out of the said sums immediately after the said sums reach the Trustee and even if the said sums are lower than the Minimal Amount.

12. **Notice regarding distribution and deposit with the Trustee**

12.1. The Trustee shall notify the Bondholders regarding the day and the place in which any of the payments specified in Sections 10 and 11 above shall be paid, by delivery of a fourteen (14) days' prior notice that will be delivered in the manner specified in Section 25 hereunder.

12.2. After the date stated in the notice the Bondholders shall be entitled to interest in respect whereof according to the rate specified in the Bonds solely with respect to the balance of the principal amount (if any) after deduction of the amount that was paid or offered to them as payment as aforesaid.

13. **Avoidance from payment for a reason that is not depending on the Company**

13.1. Any sum that is due to a Bondholder and that was not actually paid on its payment date and for a reason that is not depending on the Company, while the Company was willing to pay the said sum and was capable of paying the said sum on its payment date ("**the Preclusion**"), shall no longer carry interest as of the said date and the said Bondholder shall be entitled only to the said sums he was entitled to on the date set for the payment of the said payment on account principal and/or interest.

13.2. In the event such payment was not made in seven (7) business days as of the date set for its payment, on the eighth (8^{th}) day after the date set for payment (and in the event the said date is not a business day, then on the first business day thereafter) the Company shall transfer the said sum to the Trustee that shall keep the said sum in trust for the Bondholder, and the transfer of the sum to the Trustee as aforesaid shall be deemed as payment of the said sum to this Bondholder. In the event the said sum is the last payment for the Bonds – the deposit of the said sum by the Trustee in trust shall constitute redemption of the said Bonds. The Trustee shall deposit in the bank any sum that it holds in trust for the Bondholders and shall perform in its name or following its order, at its discretion, the permitted investments in accordance with Section 16 of the Deed of Trust. After the Trustee receives notice from the Bondholder regarding elimination of the Preclusion, the Trustee shall deliver to the Bondholder the sums accumulated in respect of the deposit and deriving from the realization of their investment, with deduction of its fees, expenses and other expenses that were expended in accordance with the provisions set forth in this Deed (such as fees to service providers etc.) and all expenses and the Trust Account management fees and with deduction of any tax as required by law. Payment shall be made against presentation of proof that is customary with the Trustee regarding the entitlement of the Bondholder to receive the said payments.

13.3. In one year as of the final payment date of the Bonds, the Trustee shall transfer to the Company the sums that accumulated in the Trustee and that were not paid to any of the Bondholders, with deduction of its fees, expenses and other expenses that were expended in accordance with the provisions set forth in this Deed (such as fees to service providers etc.) and the Company shall keep the said sums in trust and shall invest the said sums as stated above for the Bondholder for a period of three (3) years as of the last payment date of the Bonds and shall not make any use of the said sums during this period. Regarding the sums that are transferred to the Company by the Trustee as stated above, the provisions set forth in Section 13 above shall apply thereto, *mutatis mutandis*. After transfer of the sums to the Company the Trustee shall not owe to the Bondholders any payment in respect of the sums that were held by the Trustee as aforesaid.

13.4. The Company shall deliver written approval to the Trustee regarding the transfer of the said sums to the Company and receipt of these sums in the Trust for the Bondholders as aforesaid and shall undertake to indemnify the Trustee for any suit and/or expense and/or damage of any kind caused to the Trustee for the transfer of the sums as aforesaid, provided that the Trustee conducted reasonably and not in bad faith and/or maliciously and/or in gross negligence that is not exempt under the law. Such sums as aforesaid that are not claimed from the Company by a Bondholder upon expiration of a period of three (3) years as of the last payment date of the Bonds shall be transferred to the ownership of the Company and the Company shall be entitled to sue the remaining sums for any purpose.

14. **Receipt from the Bondholders**

14.1. A receipt from a Bondholder or a proof of a Stock Exchange member regarding performance of the transfer or performance of the transfer by the Stock Exchange Clearing House in respect of the amounts of the principal and/or interest payment to the Bondholder by the Trustee and/or the Company in respect of the Bond shall release the Trustee and/or the Company (as the case may be) fully and absolutely with respect to the payment of the sums specified thereat.

14.2. A receipt issued by the Trustee regarding the deposit of the amounts of the principal and/or the interest with the Trustee in favor of the Bondholders as stated in Section 13.2 above shall be deemed as a receipt from the Bondholder for the purpose of the said in Section 14.1 of the Deed.

14.3. For the avoidance of doubt, payments that are distributed in accordance with the provisions set forth in Sections 10 to 13 above, shall be deemed as payment on account of settlement.

15. **Application of the Securities Law**

Regarding any manner that is not specified in this Deed and in any event of a contradiction between the provisions set forth in the Securities Law (that cannot be stipulated on) and the provisions set forth in this Deed, the parties shall act in accordance with the provisions set forth in the Securities Law (that cannot be stipulated on) without amending the provisions set forth in this Deed.

16. **Investment of sums**

Any sum that the Trustee is entitled to invest in accordance with this Deed shall be deposited by the Trustee in a bank that is part of the five (5) largest banks in Israel and/or any other Israeli bank whose rating does not fall below the Israeli (AA) rating of Maalot (or any equivalent rating) in its name or in its favor, provided that any investment that is made as aforesaid is made only in Government Bonds, in short term bill (MAKAM) and/or in shekel deposits. In the event the Trustee acted in the said manner, the Trustee shall owe to the entitled parties in respect of these sums only the consideration obtained from realization of the investments with deduction of its fees and expenses, charges and all expenses in connection with the said investment and management of the trust accounts, and deduction of mandatory payments applicable to the trust accounts, and the Trustee shall handle the balance of these sums in accordance with the provisions set forth in the Deed of Trust, as the case may be.

17. **Undertakings of the Company towards the Trustee**

The Company shall assume upon itself the following undertakings towards the Trustee, at any time in which the Bonds were not fully paid-up as follows:

17.1. To continue and conduct the businesses of the Company in a regular and proper manner;

17.2. To keep and maintain its assets (in their condition from time to time) in good condition and in working order;

17.3. To deliver notice to the Trustee as soon as reasonably practicable, after becoming aware (and in any event no later than two business days after it became aware) of any event in which an attachment was imposed on the entire assets of the Company or their majority (within their meaning in the last part of Section 8.1 above) and in any event in which a receiver, special administrator, and/or a temporary and/or a permanent liquidator and/or a trustee was appointed for all or the main part of its assets and/or any other similar officer that was appointed as part of a motion for stay of proceedings filed under Section 350 of the Companies Law 5759-1999 against the Company and/or any other officer, and to take at its expense all reasonable measures that are necessary for the purpose of eliminating the said attachment or canceling the receivership, liquidation or administration.

17.4. To give and to instruct its accountants to give to the Trustee and to the accountants, the attorneys or other consultants on its behalf, as soon as practicable as of the date of receiving the request of the Trustee for the purpose of this matter (and, in any event, with respect to information that the Company holds and that is already available for delivery, no later than 10 business days as of the date of receiving the request of the Trustee to that effect), any information that is reasonably required for the purpose of protecting the Bondholders with respect to any data in connection with its business or assets (and subject to the provisions set forth in any law) provided that the Trustee conducted in good faith, subject to the undertaking of confidentiality set forth in the law and in Section 18 hereunder, that shall apply to the Trustee, the accountants, attorneys or other consultants on its behalf.

17.5. To keep regular books of account according to generally accepted accounting principles, and to keep the ledgers, including all documents serving as proof thereof in its offices, as required by law and to allow to the Trustee and/or to whoever the Trustee appoints in writing for the purpose of this matter to inspect at any reasonable time and as soon as practicable (and in any event no later than 10 business days as of the date the Trustee delivered written notice to the Company with a request to inspect the said documents), in any register and/or document and/or confirmation as aforesaid provided that the Trustee conducts in good faith, subject to the undertaking of confidentiality as set forth in the Law and in Section 18 hereunder that shall apply to the Trustee and/or whoever the Trustee appoints in writing for the purpose of this matter.

17.6. To invite the Trustee and allow the Trustee to attend the General Meetings of the shareholders of the Company (without a right to participate or vote as a shareholder in the Company). To the extent that the Company becomes a bonds company, the Company shall deliver to the Trustee a copy of the signed minutes of the shareholders' meeting until and no later than 10 business days after the date in which the shareholders' meeting was adjourned.

17.7. To give to the Trustee the reports and the communications as stated in Section 30 of the Deed.

17.8. To deliver to the Trustee, upon its demand, an affidavit and/or statements and/or documents and/or details and/or information as demanded by the Trustee, at its sole discretion, for the purpose of applying and exercising the authorities, powers and permissions granted to the Trustee and/or its representatives in accordance with the Deed of Trust, provided that these are reasonable.

17.9. To notify in an immediate report, without delay and in the name of the Trustee, any information according to its version as delivered to the Company in writing by the Trustee and that concerns the Bonds and/or the Trust in respect whereof in accordance with this Deed.

17.10. To deliver promptly a written notice to the Trustee, and immediately after becoming aware of the occurrence of any of the events specified in Section 8.1 of the Deed including all sub-sections thereof, without taking into account the remedy periods and the waiting periods specified in this Section.

17.11. To perform all actions that are reasonably required and/or necessary and in accordance with the provisions set forth in this Deed for the purpose of granting force to exercise the authorities, powers and permissions granted to the Trustee and/or its representatives in accordance with the provisions set forth in this Deed of Trust.

17.12. To deliver to the Trustee a copy of any document or information that the Company delivered to the Bondholders, to the extent that the Company delivers such documents in accordance with the provisions set forth in Section 25 hereunder.

17.13. To the extent that the Company is no longer a reporting corporation (within the meaning of this term in the Securities Law) to deliver to the Trustee, once each calendric year, upon receiving its first written demand, a written confirmation signed by the auditor of the Company stating that all payments to the Bondholders were paid on time and the balance of the par value of the Bonds in circulation.

17.14. To deliver written notice to the Trustee, as soon as reasonably practicable (and in any event no later than two business day after becoming aware of the said), regarding any change in the name or address of the Company.

17.15. To deliver to the Trustee, no later than 15 days as of the first date of issue of the Bonds and as part of the expansion of the series, a certified and true copy of the issued Bonds.

18. **Confidentiality**

18.1. The Trustee hereby undertakes to keep in confidence and to compel anyone acting on its behalf to keep in confidence any information that the Trustee receives from the Company and/or from anyone acting on its behalf, including its investees, and not to make any use of the said information unless the disclosure or the use of the said information is required for the purpose of filling the position of the Trustee, in accordance with the Securities Law, in accordance with this Deed or in accordance with a court order, provided that the disclosure of information as aforesaid will be limited to the necessary and minimal scope so as to comply with the legal provisions and that the Trustee will coordinate with the Company in advance, to the extent possible and permissible, the content and the timing of the disclosure, in a manner that will afford to the Company a reasonable opportunity to approach the court as necessary and for the purpose of preventing the disclosure of the said information.

18.2. The communication of the information to the Bondholders, including by way of a public announcement, for the purpose of passing a resolution relating to their rights in accordance with the Bonds or for the purpose of delivering a report regarding the position of the Company, shall not constitute breach of the undertaking of confidentiality as aforesaid provided that to the extent that this is possible and permissible it shall be done in coordination with the Company and that the minimum required information for the purpose of passing the resolution is provided.

18.3. The said undertaking of confidentiality shall not apply to any part of the information that is in the public domain (except for information that became part of the public domain as a result of this undertaking of confidentiality) or information that the Trustee received not from the Company and/or its representatives and/or agents – as of the date of receipt thereof.

19. **Additional undertakings**

After the Bonds are called for immediate repayment (to the extent that the Bonds are called for immediate repayment) in accordance with the provisions set forth in Section 8 of the Deed, from the moment and at any time required for that purpose the Company shall perform all reasonable actions for the purpose of allowing the exercise of all the powers granted to the Trustee in accordance with this Deed, and, in particular, the Company shall perform the following actions within a reasonable time from the time of receiving the Trustee's request:

19.1. The Company shall deliver to the Trustee the outstanding consideration of the Bonds that is called for immediate repayment in accordance with the terms set forth in the Bonds. In the event the Company transferred the full amount of the principal and/or interest as stated in this Section, the Company shall be deemed to have fulfilled all its undertakings towards the Bondholders with respect to the relevant payment of the principal and/or the interest and the Bondholders and/or the Trustee shall raise no claim against the Company in connection with the said payments.

19.2. The Company shall submit all the declarations and/or sign all documents and/or perform and/or will cause the performance of all actions that are reasonably required and/or necessary in accordance with the law for the purpose of granting force to exercise the said authorities, powers and permissions of the Trustee and/or its representatives in connection with the immediate repayment as stated above.

19.3. The Company shall deliver all notices, orders and instructions that Trustee deems fit and beneficial and shall reasonably demand in connection with the immediate repayment as stated above.

20. **Other agreements**

Subject to the provisions set forth in any law, filling the position of the Trustee in accordance with this Deed or its mere status as a Trustee shall not prevent the Trustee from engaging with the Company in different contracts or performing transactions with the Company during the regular course of its business, unless these put the Trustee in a conflict of interests.

21. **Special authorities**

21.1. The Trustee shall be entitled to deposit all deeds and documents evidencing, representing and/or affirming its right in connection with any asset that is in its possession at the time, in a safe and/or in any other location as decided by the Trustee, with any banker and/or banking company and/or with an attorney.

21.2. The Trustee may, as part of conducting the affairs of the trust in accordance with this Deed and subject to the provisions set forth in any law and the Deed of Trust, request an opinion and/or advice from any advocate, accountant, appraiser, counselor, surveyor, realtor or any other expert and to act in accordance with their conclusions, whether the said opinion and/or advice was prepared at the request of the Trustee and/or at the request of the Company. The Trustee shall not be held liable for any loss or damage caused as a result of any act and/or omission that were committed by the Trustee based on the said opinion and/or advice as aforesaid unless a peremptory judgment states that the Trustee conducted maliciously or in bad faith or in gross negligence (that is not exempt under the law). The Trustee shall make available to the Company, at its request, a copy of any opinion or advice as aforesaid provided that that this shall not impair the rights of the possessors.

21.3. Subject to the provisions set forth in this Section hereunder, the Company shall incur the full costs of employing the said consultants provided that the Trustee delivers written notice to the Company, a reasonable time in advance, regarding its intention to receive an expert opinion or an advice as aforesaid and the purpose of its appointment (and this is to the extent that the Trustee is of the opinion that this will be possible under the circumstances of the case and that this shall not affect the rights of the Bondholders), provided that the said opinion or advice shall not be provided by anyone who is in a conflict of interests and/or in a competition with the businesses of the Company. The Trustee and the Company shall reach agreement, no later than 7 business days after the delivery to the Company of the data specified in this Section 21.3 above, regarding a list of a maximum of three reputable and relevant experts whom the Trustee shall contact for the purpose of receiving different fee proposals regarding their appointment as consultants as aforesaid. The Company shall select one of the proposals that will be submitted and shall be entitled to conduct negotiations with the experts regarding their proposal. It is clarified that the aforesaid shall not delay urgent actions that require performance at the discretion of the Trustee for the purpose of protecting the rights of the Bondholders, including the appointment of consultants for the purpose of performing such actions as aforesaid. The total sums that the Company will incur in respect of the aforesaid shall not be greater than a reasonable and customary amount under the circumstances of the case.

21.4. Any advocate or opinion as aforesaid might be provided, delivered or received by a letter, telegram, fax and/or any other electronic media for the purpose of transmitting information in writing and the Trustee shall not be responsible for any actions it performed based on an advice and/or an opinion and/or information that were communicated in one of the manners specified above, even though it included errors and/or were not authentic, unless these errors could have been detected in a reasonable inspection.

21.5. Subject to the provisions set forth in this Deed, the Trustee shall be entitled, however not obligated, to convene at any time a Bondholders' meeting to consider and/or receive its instructions regarding this Deed and shall be entitled to repeat and convene such a meeting.

21.6. The Trustee shall not be obligated to notify to any third-party regarding the signing of this Deed and shall not be entitled to intervene in any manner in the management of the business of the Company or its affairs, however solely in accordance with the powers granted to the Trustee under this Deed.

22. **Power of the Trustee to employ representatives**

As part of the management of the affairs of the Trust, the Trustee shall be entitled to appoint a representative(s) that will act in its place, whether an advocate and whether another, to perform or to participate in the performance of special actions that are required in connection with the Trust and, without derogating from the generality of the aforesaid, to institute proceedings, provided that the Trustee delivered notice to the Company regarding the appointment of such a representative as aforesaid (unless the delivery of advance notice as aforesaid affects the rights of the Bondholders and in such circumstances the notice shall be delivered retroactively) and such a representative as aforesaid shall assume the undertaking of confidentiality towards the Company as stated in Section 18 of the Deed. In addition, the Trustee shall be entitled to settle at the expense of the Company the reasonable fees of each representative as aforesaid in respect of the performance of the special actions that are required in connection with the Trust and the Company shall return to the Trustee, immediately upon receiving its first demand, the said expenses, and all on the condition that Trustee acted in accordance with the provisions set forth in Section 21.3 above, *mutatis mutandis*, in connection with the appointment of representatives as aforesaid. The appointment of a representative as aforesaid shall not release the Trustee from any liability that would have been imposed on the Trustee but for the said appointment and/or derogate from the liability of the Trustee in respect of its actions and the actions of its representatives. The Company shall be entitled to submit its reasoned objection regarding the appointment of a certain Trustee as aforesaid for any reasonable reason, including in circumstances in which the representative is a competitor or is in a conflict of interests, whether directly or indirectly, with the businesses of the Company. The objection of the Company as aforesaid shall be submitted in 3 business days as of the date in which the Company became aware of the preclusion preventing the appointment of the representative as aforesaid however to the extent that the objection was filed after the appointment of the representative, the mere filing of the objection shall not result in automatic termination of his appointment.

The Trustee shall consult with the Company, to the extent possible, and shall take into account the position of the Company, to the extent possible, at the time of appointing a representative as aforesaid.

The Trustee and the Company shall reach agreement, in no later than 7 business days as of the date in which the Trustee requested from the Company to act for the purpose of appointing a representative as aforesaid, regarding a list that will include a maximum of three (3) reputable representatives with relevant expertise, and whom the Trustee will contact for the purpose of receiving proposal for their fees following their appointment as representatives as aforesaid. The Company shall select one proposal out of the proposals that will be selected and shall be entitled to conduct negotiations with the representatives regarding their proposal. It is clarified that the aforesaid shall not delay urgent actions whose performance is required at the discretion of the Trustee and for the purpose of protecting the rights of the Bondholders, including the appointment of representatives for the purpose of performing such actions as aforesaid.

For the avoidance of doubt, the Company shall not incur the expenses of a representative who performed the regular actions that the Trustee is obligated to perform by virtue of this Deed when the performance of these actions is included in the fees that the Trustee receives from the Company in accordance with the provisions set forth in this Deed. Nevertheless, special actions that the Trustee is obligated to perform in connection with the protection of the rights of the Bondholders, including proceedings conducted for the purpose of or after the calling for immediate repayment of the Bonds and/or the enforcement of securities (to the extent that grounds for the enforcement of securities arose) shall not be deemed as regular actions as aforesaid (in accordance with the provisions set forth in this Section).

23. **Indemnity of the Trustee**

23.1. The Company and the Bondholders (on the relevant Effective Date, as stated in Section 23.7 of the Deed), and each in respect of its undertaking as stated in Section 23.5 of the Deed, hereby undertakes to indemnify the Trustee and any officer and employee thereof (hereinafter: "**Parties Entitled to Indemnity**"), as the case may be, and within a reasonable time as of the date of its first demand:

23.1.1. In respect of any monetary obligation, including in accordance with a judgment and/or an arbitration award (whose execution was not stayed) or a settlement that was concluded (and to the extent that the settlement refers to the Company, the Company granted its consent to the settlement) and whose grounds are related to actions that the Parties Entitled to Indemnity performed or that Parties Entitled to Indemnity are obligated to perform by virtue of the provisions set forth in this Deed and/or by law and/or in accordance with an instruction provided by any competent authority and/or law and/or at the demand of the Bondholders and/or at the demand of the Company and/or their position by virtue of this Deed; and

23.1.2. In respect of the fees paid to the Parties Entitled to Indemnity and the reasonable expenses they expended and/or are about to expend, including in the course of or in connection with the performance of the Trust, and in their opinion were necessary for the purpose of performing the said actions and/or in connection with the exercise of authorities and permissions that are granted by virtue of this Deed of Trust and in connection with different proceedings, opinions by attorneys and other experts, negotiations, contacts, expenses, claims and demands in anything related to and/or anything that was performed and/or that was not performed in any manner with respect to the said and/or their position by virtue of this Deed.

And all on the condition that:

[1] The Parties Entitled to Indemnity do not demand indemnity in advance in respect of an urgent matter, without derogating from their right to demand retroactive indemnity, if and to the extent that the said Parties Entitled to Indemnity are entitled to make such a demand;

[2] A peremptory judicial decision stated that the Parties Entitled to Indemnity conducted in bad faith or that the said act was performed not in the course of the performance of their position, not in accordance with the provisions set forth in any law and/or not in accordance with this Deed of Trust;

[3] A peremptory judicial decision did not state that the Parties Entitled to Indemnity committed gross negligence that is not exempt under the law as amended from time to time;

[4] A peremptory judicial decision did not state that the Parties Entitled to Indemnity conducted maliciously.

It is clarified that the provisions set forth in this Section shall not derogate from the provisions set forth in Sections 21.3 and 22 of this Deed in connection with the manner of employing consultants and representatives on behalf of the Trustee.

The rights of indemnity in accordance with this Section 23.1 shall be referred hereinafter: "**Indemnity Undertaking**" or "**Right to Indemnity**."

23.2. It is agreed that in any event that it is argued that the Parties Entitled to Indemnity: (1) conducted in bad faith not in the course of performance of their position and/or not in accordance with the provisions set forth in any law or the Deed of Trust; and/or (2) committed gross negligence that is not exempt under the law as amended from time to time; and/or (3) conducted maliciously – the Parties Entitled to Indemnity shall be entitled, immediately upon receiving their demand to pay the Indemnity Undertaking amount however after a peremptory judicial decision states that the Parties Entitled to Indemnity conducted in the manner as argued against them as aforesaid and the Parties Entitled to Indemnity shall return the amounts of the Indemnity Undertaking, to the extent that the said amounts were paid to them.

23.3. Without derogating from the right to compensation granted to the Trustee in accordance with the law and subject to the provisions set forth in this Deed and/or the obligations of the Company in accordance with this Deed, the Parties Entitled to Indemnity shall be entitled to indemnity from the payments the Trustee receives following the proceedings that were instituted by the Trustee, regarding the undertakings the Parties Entitled to Indemnity assumed upon themselves with respect to the reasonable expenses they expended in the course of performance of the Trust or in connection with the said actions that, in their opinion, were necessary for the purpose of performing the said actions and/or in connection with the exercise of the authorities and permissions that are granted in accordance with this Deed and in connection with different proceedings, legal opinions and the opinions of other experts, negotiations, contacts, claims and demands in anything related to and/or any action that was performed and/or was not performed in any manner in connection therewith, and the Trustee shall be entitled to withhold payments that are in its possession and pay from the said funds the sums that are necessary for the purpose of paying the indemnity as aforesaid. All the said sums shall have priority over the rights of the holders of the certificates of indebtedness and subject to the provisions set forth in any law, provided that the Trustee conducted in good faith and in accordance with the obligations imposed on it in accordance with the provisions set forth in any law and in accordance with this Deed. For the purpose of this Section, an action of the Trustee that was approved by the Company and/or the Bondholders shall be deemed as an action that was reasonably required.

23.4. Without derogating from the effect of the Indemnity Undertaking as stated in Section 23.1 of the Deed, whenever the Trustee is obligated, in accordance with the provisions set forth in the Deed of Trust and/or in accordance with the provisions set forth in any law and/or following an instruction of a competent authority and/or any law and/or upon receiving the demand of the Bondholders and/or upon receiving the demand of the Company, to perform any action, including, but not limited to, institution of proceedings or the filing of claims following the demand of the Bondholders as stated in this Deed, the Trustee shall be entitled to avoid taking any action as aforesaid until it receives to its satisfaction a monetary deposit to cover the Indemnity Undertaking (hereinafter: "**Liquidity Cushion**") in first priority from the Company, and in circumstances in which the Company does not deposit the full amount of the Liquidity Cushion on the date the Company was required to act in the said manner by the Trustee, the Trustee shall contact the Bondholders that held the Bonds on the Effective Date (as stated in Section 23.7 of the Deed of Trust) and request to deposit with the Trustee the amount of the Liquidity Cushion each according to its 'relative part' (within the meaning of this term hereunder). In the event the Bondholders fail to deposit the full amount of the Liquidity Cushion the Trustee shall not be obligated to take any action or institute the relevant proceedings. The aforesaid shall not exempt the Trustee from taking urgent action that is necessary for the purpose of preventing a material adverse effect to the rights of the Bondholders.

The Trustee shall be entitled to set the amount of the Liquidity Cushion and shall be entitled to repeat its actions for the purpose of creating another cushion as aforesaid from time to time, and for an amount that the Trustee reasonably sets under the circumstances of the case.

23.5. Right to Indemnity:

23.5.1. Shall apply to the Company if: (1) the Right to Indemnity arose by virtue of the Deed of Trust or by virtue of the actions that were performed for the purpose of protecting the rights of the Bondholders (including as a result of a demand that was made by a Bondholder that is necessary for the purpose of such a protection as aforesaid); and (2) the Right to Indemnity arose by virtue of actions that were performed and/or that were required at the demand of the Company.

23.5.2. Shall apply to the Bondholders that held the Bonds on the Effective Date (as stated in Section 23.7 of the Deed) if: (1) the Right to Indemnity arose by virtue of a demand that was presented by the Bondholders (except for a right that arose as a result of the demand of Bondholders for the purpose of protecting the rights of the Bondholders); and (2) failure by the Company to pay the amount of the Right to Indemnity applicable to the Company in accordance with the provisions set forth in Section 23.5 of the Deed (and subject to the provisions set forth in Section 23.8 of the Deed).

23.6. In any event in which: (a) the Company fails to pay the sums that are necessary for the purpose of covering the Indemnity Undertaking and/or dose not deposit the full amount of the Liquidity Cushion, as the case may be; and/or (b) the indemnity obligation applies to the Holders by virtue of the provisions set forth in Section 23.5.2 of the Deed and/or the Holders were required to deposit the amount of the Liquidity Cushion in accordance with the Sections of the Deed and consequently the following provisions shall apply:

Payments shall be collected in the following manner:

23.6.1. First – the amount will be paid out of the interests and/or principal funds that the Company is obligated to pay to the Bondholders after the day of performing the necessary action and the provisions set forth in Section 10 of the Deed shall come into operation;

23.6.2. Second – to the extent that the Trustee is of the opinion that the sums that are deposited in the Liquidity Cushion are insufficient to cover the Indemnity Undertaking the Holders that held the Bonds on the Effective Date by the Trustee (as stated in Section 23.7 of the Deed) will deposit with the Trustee the missing amount, in accordance with their relative part (within the meaning of this term hereunder). The amount that each Holder will deposit shall carry annual interest at a rate equal to the interest on the Bonds and shall be paid in the priority as stated in Section 10 of the Deed.

"**Relative Part**" shall mean: the relative part of the Bonds that the Holder held on the relevant Effective Date (as stated in Section 23.7 of the Deed) of the total amount of the Bonds in circulation at the time. It is clarified that the calculation of the relative part shall be fixed even if there is a change in the par value of the Bonds held by the Holder after the said date.

The aforesaid shall not prevent from the Holder, to the extent that this is necessary under the circumstances of the case, to deposit an amount to cover the Indemnity Undertaking beyond his relative part and in such circumstances as aforesaid the amount shall be paid in accordance with the priority set forth in Section 10 of the Deed.

23.7. The Effective Date for the purpose of determining the liability of a Holder of the Indemnity Undertaking and/or the payment of the Liquidity Cushion is as follows:

23.7.1. In any event in which the Indemnity Undertaking and/or the payment of the Liquidity Cushion are necessary as a result of an urgent resolution or action that are required for the purpose of preventing an adverse material effect in the rights of the Bondholders, without passing an early resolution by the Bondholders' meeting – the Effective Date for the purpose of determining the liability shall be the end of the trading day in which the action is performed or the resolution is passed, and if the said day is not a trading day – the previous trading day.

23.7.2. In any event in which the Indemnity Undertaking and/or the payment of the Liquidity Cushion are required pursuant to the resolution of the Bondholders' meeting – the Effective Date for the liability shall be the effective date for the participation in the meeting (in the manner that the said date was set in the notice of invitation to the meeting) and shall also apply to a Holder that was not present or did not participate in the meeting.

23.8. Payment of any amount imposed on the Company in accordance with this Section 23 by the Holders (instead of the Company) shall not release the Company from its liability to incur the said payment and from the obligation of the Trustee to act for the purpose of collecting the said amounts from the Company.

24. **Reporting by the Trustee**

24.1. As of the date of issuance of the Bonds the Trustee shall draw up each year and shall publish until the end of the second quarter in each calendric year an annual report regarding the affairs of the Trust ("**the Annual Report**"). The Annual Report shall include the information as required by the law from time to time and/or by the Securities Authority.

24.2. The Trustee shall publish (whether by itself or by the Company, at the request of the Trustee) the Annual Report in the Magna system.

24.3. The Trustee shall be obligated to submit a report regarding the actions it performed in accordance with the provisions set forth in Chapter E1 of the Law, following a reasonable demand made by the Holders of a minimum of ten percent (10%) of the balance of the par value of the Bonds, within a reasonable time as of the date of the demand, and subject to the duty of confidentiality the Trustee owes to the Company as stated in Section 35j(d) of the Law and this Deed.

24.4. The Trustee shall deliver to the Bondholders data and details regarding its expenses in connection with the Trust contemplated in this Deed of Trust following a reasonable demand made by the Holders of a minimum of five (5%) of the balance of the par value of the Bonds, subject to the duty of confidentiality that the Trustee owes to the Company as stated in Section 35j(d) of the Law and this Deed.

24.5. The Trustee shall update the Company prior to each Report in accordance with the provisions set forth in Sections 35h1(a) to (c) of the Law.

24.6. In the event the Trustee became aware of a material breach of this Deed by the Company, the Trustee shall notify the Bondholders about the said breach and the actions that the Trustee performed for the purpose of preventing the said breach or for the purpose of fulfilling the undertakings of the Company, as the case may be.

24.7. The Trustee shall be obligated to submit a report regarding the actions that the Trustee performed in accordance with the provisions set forth in the Securities Law and the regulations promulgated thereunder.

24.8. As of the date of signing this Deed, the Trustee declares that it is insured under professional liability insurance in the amount of NIS 40M per period (hereinafter: "**Coverage Amount**"). To the extent that prior to the full payment of the Bonds (Series C) the Coverage Amount is reduced and falls below an amount of NIS 32M, for any reason, in such circumstances the Trustee shall update the Company, no later than 7 business days as of the date the Trustee was informed about the said reduction by the Insurer, so as to publish an immediate report on the subject. The provisions set forth in this Section shall apply until the Securities Regulations that regulate the obligation of insurance coverage of the Trustee come into operation. After the said Regulations come into operation as aforesaid, the Trustee shall be obligated to update the Company only in the event the Trustee fails to meet the requirements set forth in the Regulations.

25. **Notices**

25.1. Any notice on behalf of the Company and/or the Trustee other Bondholders shall be delivered by way of an immediate report in the Magna system of the Securities Authority (hereinabove and hereinafter: "Magna") and only upon the occurrence of the following events the Company shall publish, in addition, a notice in two (2) widely circulated newspapers that are published in Hebrew in Israel: (a) an arrangement or a settlement under Section 350 of the Companies Law; (b) a merger, provided that the publication in the newspaper is required by law.

25.2. Any notice that was delivered by the Company by the Magna system or in the newspaper shall be deemed to have been delivered to the Bondholders and the Trustee on the publication date in the Magna system or in the newspaper, as the case may be, whichever is earlier. In the event the Company no longer reports in accordance with the Securities Law, any notice on behalf of the Company and/or the Trustee to the Bondholders shall be delivered by delivery of notice in registered mail to each of the Bondholders, according to his last registered address in the Register (and in the event joint Holders – to the Holder whose name is first listed in the Register). Any notice that was delivered as aforesaid shall be deemed to have reached the Bondholder in three (3) business days as of the date of its delivery from the post office.

25.3. Any notice or demand on behalf of the Trustee to the Company may be delivered by a letter delivered in registered mail or by courier to the address specified in the Deed of Trust or to any other address as notified by the parties in writing (including via email) or – also by its transmission in fax or email. Any notice or demand that is delivered in registered mail shall be deemed to have reached its recipient after three (3) business days as of the date of its delivery by mail. Any notice or demand delivered by courier shall be deemed to have reached its recipient upon its delivery by the courier to the recipient or following the offering by the courier to the recipient for acceptance, as the case may be. Any notice or demand that is transmitted by fax (in addition to a telephone conversation to confirm receipt of the said notice) shall be deemed to have reached its recipient one business day as of the date of its transmission. Any notice or demand that is sent via email shall be deemed to have reached its recipient at the time of receiving a reply email (not automatic) regarding its receipt.

25.4. The Company shall also send copies of the notices that the Company will deliver to the Bondholders to the Trustee (and for the purpose of this matter – publication of an immediate report by the Company in the Magna system shall also be deemed as a copy of a notice to the Trustee as aforesaid), and copies of notices that the Trustee will deliver to the Bondholders shall also be delivered by the Trustee to the Company (and for the purpose of this matter – the publication of an immediate report in the Magna system shall also be deemed as delivery of a copy of the notice to the Company as aforesaid).

25.5. The Trustee shall update the Company in advance regarding any report or notice the Trustee delivers in accordance with the provisions set forth in the Securities Law and regulations promulgated thereunder and the provisions set forth in this Section 25.

26. **Waivers and/or amendments of the Deed of Trust**

26.1. Subject to the provisions set forth in any law, the Company and the Trustee shall be entitled, whether before or after the principal of the Bonds is called for immediate repayment, to amend the Deed of Trust if one of the following holds true:

26.1.1. In the event the Trustee was convinced that the amendment does not affect the Bondholders. However, the provisions set forth in the Deed of Trust may not be amended (in accordance with the mechanism set forth in this Section 26.1.1) with respect to the following issues: amendments of the payments schedule of the Bonds, reduction of the interest specified in the terms and conditions of the Bonds, modification of the provisions relating to the securities that will be provided in favor of the Bondholders, a change of the VTL rate, a change in the conditions regarding the expansion of the series of the Bonds, a change of limitations on the distribution of a dividend, a change of grounds for calling for immediate repayment, omission of any of the reports to the Bondholders and/or to the Trustee as stated in the Deed of Trust, a change of the identity of the Trustee or its fees in the Deed of Trust for the purpose of appointing a trustee instead of the Trustee whose term of office expired.

26.1.2. The Holders of the same series agreed to the proposed amendment in a special resolution passed in the Holders' meeting.

26.2. In addition to the said in Section 26.1 of the Deed and subject to the provisions set forth in any law:

26.2.1. From time to time and at any time the Trustee shall be entitled, when the Trustee is of the opinion that this does not have an adverse effect on the rights of the Holders, to waive any breach or failure to fulfill any of the conditions of the conditions of the Deed of Trust by the Company, except for the modifications that are excluded under Section 26.1.1 above.

26.2.2. The Trustee shall be entitled, after obtaining the approval of the Bondholders, to settle with the Company in connection with any of their rights or claims, and waive any right or claim that Bondholders have towards the Company in accordance with the Deed of Trust and in accordance with the provisions set forth in Section 35g(2) of the Securities Law.

26.3. The Company shall notify in an immediate report about any change and/or waiver as stated in sub-sections 26.1 or 26.2 of the Deed, shortly after performance thereof.

26.4. In any event in which the Trustee exercises its rights in accordance with this Section above with respect to the Bonds, the Trustee shall be entitled to demand from the Holders to deliver to the Trustee or to the Company the Bonds certificates for the purpose of registering a note regarding any waiver, settlement, change or amendment as aforesaid, and, at the demand of the Trustee, the Company shall record a note as aforesaid in the Bond certificates delivered to it.

26.5. Subject to the instructions set forth by the Stock Exchange, as periodically updated, the conditions of the Bonds may be modified also as part of an arrangement or a settlement that was certified by the court in accordance with the provisions set forth in Section 350 of the Companies Law.

26.6. Without derogating from the other provisions set forth in this Deed of Trust and the Bonds, any waiver, extension, discount, silence, avoidance from action (hereinafter: "**Waiver**") on behalf of Trustee or the Company, as the case may be, regarding the performance or partial performance or incorrect performance of any of the undertakings towards the Trustee or towards the Bondholders in accordance with this Deed and the Bond or towards the Company, as the case may be, shall not be deemed as Waiver on behalf of the Trustee or the Company, as the case may be, of any right, however as limited consent to the said Waiver in accordance with its conditions. Without derogating from the other provisions set forth in this Deed of Trust and the Bond, any reduction in the scope of undertakings towards the Trustee that were set forth in this Deed or that were made in accordance with this Deed shall require the prior and written approval of the Trustee and any approval granted in any other manner, whether verbally or by conduct with respect to such a reduction as aforesaid shall be null and void. The rights of the Trustee in accordance with this Agreement are free and independent from each other and shall come in addition to any right that exists and/or that the Trustee shall have in accordance with the provisions set forth in any law and/or any other agreement.

27. **Bondholders' Register**

The Company shall keep in its registered office a Bondholders' Register that shall be available for the inspection of any person (at any reasonable time) and that will include details of all the registered Holders, as periodically updated, and additional particulars, in accordance with the provisions set forth in Section 35h3 of the Securities Law. In addition, the Bondholders' Register shall include other Holders, to the extent that there are any, following a split or transfer of ownership in the Bond, in the event the actions are performed in accordance with the provisions set forth in Section 7 of the conditions specified in the back of the page. The Company may close the Bondholders' Register from time to time for a period or for periods that shall not be greater cumulatively than thirty (30) days a year.

The Company shall not be obligated to register in the Bondholders' Register any notice regarding any express or implied or imputed trust or a pledge or a charge of any kind, or any equitable right, claim or setoff or any other right in connection with the Bonds. The Company shall recognize solely the ownership of a person in whose name the Bonds were registered, including his lawful heirs, administrators or executors of the registered Holder and any person that is entitled to the Bonds as a result of the bankruptcy of any registered Holder (and in the event of a corporation – following its liquidation) shall be entitled to be registered as bondholders, after presenting proof that the Company deems as satisfactory to prove their entitlement to be registered as their Holders.

28. **Release**

After it is proven to the satisfaction of the Trustee that all Bonds were paid-up or redeemed, or when the Company deposits in trust with the Trustee sums that are sufficient for the purpose of redemption as aforesaid, and when it is proven to the satisfaction of the Trustee that all liabilities and expenses that were made or caused by the Trustee in connection with this Deed and in accordance with its provisions were fully paid, the Trustee shall be obligated, upon receiving the first demand of the Company, to handle the sums that were deposited in respect of the Bonds whose redemption was not claimed, in accordance with the provisions set forth in this Deed.

29. **Bondholders' meetings**

The Bondholders' meetings shall be conducted in the manner set forth in the Second Addendum of this Deed.

30. **Report of the Company to the Trustee**

As long as the Bonds are not redeemed, the Company shall deliver to the Trustee the following:

30.1. In the event the Company ceases to be a "reporting corporation" within its meaning in the Securities Law, the Company shall deliver to the Trustee annual and quarterly reports and immediate reports about certain events, as stated in the provisions set forth in the Consolidated Circular of the Ministry of Finance – Capital Markets, Insurance and Savings Division – Instructions regarding the Investment of Institutional Bodies in Non-Governmental Bonds, as periodically updated. Each report as aforesaid shall be signed by the CEO of the Company and the senior financial officer in the Company.

In addition, as long as the Insightec and/or Gamida shares are charged to the Trustee, the Company shall act in accordance with instructions that cannot be made subject to conditions as stated in the Position Paper issued by the Securities Authority Staff[6] (hereinafter: "**Authority's Position**") and shall enclose with its financial statements the financial statements of Insightec and Gamida, or summary thereof, in accordance with the instructions set forth in the Authority's Position that cannot be made subject to conditions, as periodically updated.

30.2. Until April 1 of each year or seven business days prior to the date in which the Trustee publishes a report in accordance with the provisions set forth in Section 35h1 of the Securities Law, whichever is later, and as long as this Deed is in effect, the Company shall deliver to the Trustee a confirmation signed by the authorized signatories of the Company stating that during the period as of the date of signing this Deed or as of the date of the previous confirmation that the Trustee delivered, whichever is later, and until the date of granting the approval, the Company did not commit a fundamental breach of the provisions set forth in this Deed (including a breach of the conditions set forth in the Bonds) unless otherwise stated expressly therein.

30.3. Upon receiving the written demand of the Trustee, the written approval of the senior financial officer in the Company stating that all the payments to the Bondholders were timely paid and regarding the balance of the par value of the Bondholders in circulation shall be provided.

30.4. To publish in Magna reports about the purchase of Bonds by the Company or a subsidiary, as stated in Section 4 of the Deed, to the extent that such reports as aforesaid are required in accordance with the provisions set forth in the Securities Law and the regulations promulgated thereunder.

The reports of the Company in the Magna system shall be deemed as delivery to the Trustee. Notwithstanding the aforesaid, and at the request of the Trustee, the Company shall deliver to the Trustee a printed copy of the said report or the information.

[6] Legal Position 103-29: findings in connection with the appropriateness of the disclosure regarding securities and/or charges that were provided by reporting corporations to assure payment of a certificate of indebtedness dated November 1, 2013, as updated on November 1, 2016 and any publication of the Securities Authority that updates or replaces this Position.

31. **Trustee's fees**

The Trustee's fees in respect of its service as a trustee in a public offering in accordance with a shelf prospectus of bonds including securities and undertakings that Trustee is required to inspect shall be as follows:

31.1. In respect of each year of trust or any part thereof (relatively) that shall commence as of the date of issue of the Bonds in accordance with this Deed, the Trustee shall receive annual fees in the amount of NIS 25,000 (hereinafter: "**Annual Fees**"). In addition, and for the establishment of the Trust, including the preparation of the Trust instruments, the Trustee shall receive a one-time payment in the amount of NIS 5,000.

31.2. Whenever an offering of additional Bonds is performed, after the original offering of the Bonds, or in any other manner in which the scope of the series is expanded, the Annual Fees paid to the Trustee shall increase by an amount reflecting the full rate of increase in the volume of the series, permanently and until expiration of the term of the Trust, however in any event the Annual Fees paid to the Trustee shall not be greater than NIS 45,000.

31.3. In respect of handling the Deed of Trust and accompanying the offering process of the Bonds, the Trustee shall receive payment of fees in the amount of NIS 500 per hour, and in any event in an amount that shall not be greater than NIS 10,000 also in the event of a delay or cancellation or postponement of the offering for a period greater than three months, for any reason.

31.4. In addition, the Trustee shall be entitled to receive from the Company reimbursement for its reasonable expenses within their meaning hereunder:

"**Reasonable expenses**" – sums that the Trustee pays in the course of fulfillment of its position and/or by virtue of the authorities granted to the Trustee in accordance with this Deed including: expenses and costs in respect of calling and convening a Bondholders' meeting and expenses in respect of deliveries and publications in the media that are related to the convening of the meeting.

31.5. Without derogating from the generality of the aforesaid in this Section 31 above, the Trustee shall be entitled to payment of fees in the amount of NIS 500 for each hour of work the Trustee requires in respect of special actions that the Trustee will perform in its capacity as a trustee (and subject to the provisions set forth in the Deed of Trust) including:

31.5.1. Actions deriving from breach of the Deed by the Company;

31.5.2. Actions in connection with the calling for immediate repayment of the Bonds and/or actions in connection with the resolution of the Bondholders' meeting to call the Bonds for immediate report including anything associated therewith;

31.5.3. Special actions that are necessary or that should be performed for the purpose of filling its position in accordance with this Deed in connection with the rights of the Bondholders and for the purpose of protecting the said rights, including the convening of Bondholders' meetings;

31.5.4. A work that is required due to a restructuring of the Company or a work that is required as a result of the demand made by the Company or in respect of the need to perform additional actions for the purpose of filling its position as a reasonable trustee, as a result of changes in the law and/or the legal provisions and/or regulations and/or other binding provisions that apply to the Trustee and according to which the Trustee is required to conduct different actions and/or reviews;

31.5.5. Actions that the Trustee will perform in connection with securities that were provided in favor of the Bondholders including registration, replacement, sale and update thereof, in a register that is kept in accordance with the provisions set forth in any law (including abroad), and except for the registration of the charges in connection with the first issue of the Bonds.

31.6. The Trustee shall receive additional fees in the amount of NIS 500 for each meeting in which the Trustee attends, including its attendance in a shareholders' meeting that was not opened as a result of the absence of a quorum.

31.7. VAT, if applicable, shall be added to each of the said sums and shall be paid by the Company.

31.8. All the said sums shall be linked to the index known on the date of signing this Deed however in any event a sum that is lower than the sum specified in this Deed shall not be paid.

31.9. The Trustee's fees shall be paid in respect of the period until expiration of the Trust contemplated in this Deed even if a receiver was appointed for the Company (or a receiver and an administrator), or whether or not the Trust contemplated in this Deed is conducted under the supervision of the Court, provided that the term of office of the Trustee continues and does not expire.

31.10. The annual fees as aforesaid shall be paid in the beginning of each year of Trust.

31.11. All sums as stated in this Section 31 shall have priority over the payments that are due to the Bondholders.

31.12. In the event a trustee was appointed instead of a Trustee whose term of office expired in accordance with the provisions set forth in Sections 35b(a1) or 35n (d) of the Securities Law, the Bondholders shall incur the difference in which the fees of the Trustee that was appointed as aforesaid increased compared to the fees that were paid to the Trustee in whose place it was appointed, if the said difference is unreasonable, and the relevant legal provisions shall apply on the replacement date as aforesaid.

The Bondholders shall incur the said difference by way of offsetting the relative part of the difference from any payment that the Company will pay to the Bondholders in accordance with the provisions set forth in the Deed of Trust and its transfer by the Company directly to the Trustee.

32. **Liability of the Trustee**

32.1. Notwithstanding the provisions set forth in any law and anywhere in the Deed of Trust, to the extent that the Trustee acted for the purpose of filling its position in good faith and within a reasonable time and inquired the fact as a reasonable trustee would have inquired such facts under the circumstances of the case, the Trustee shall not be held liable towards the Bondholders for damage caused to the Trustee following circumstances in which the Trustee exercised its judgment in accordance with the provisions set forth in the Tender provisions set forth in Section 35h(d1) or 35i1 of the Securities Law, unless the plaintiff proves that Trustee conducted in gross negligence. It is clarified that in the event of discrepancy between the provisions set forth in this Section and any other provision set forth in the Deed of Trust, the provisions set forth in this Section shall take precedence.

32.2. In the event the Trustee conducted in good faith and without negligence in accordance with the provisions set forth in Section 35h(d2) or 35h(d3) of the Securities Law, the Trustee shall not be held liable for the commission of the said action.

33. **Authorization to Magna**

Pursuant to the Securities Regulations (Electronic Signature and Reporting) 5763-2003 the Trustee hereby authorizes the authorized person on behalf of the Company to report electronically to the Securities Authority regarding this Deed of Trust.

34. **Governing law and jurisdiction**

The Israeli law shall solely govern anything relating to and arising out of the Deed of Trust and the Bonds. The courts in the city of Tel Aviv - Yafo shall have sole and exclusive jurisdiction in anything relating to and arising out of the Deed of Trust and the Bonds.

35. **Miscellaneous**

35.1. The Bonds are not rated and the Company does not undertake that the Bonds will be rated in the future and even if and to the extent that the Bonds will be rated in the future the Company shall be entitled, during the life of the Bonds, to replace a rating company, at its sole discretion, and the Bondholders shall raise no claims and/or demands and/or suits against the Company in connection therewith, however the Company undertakes that as of the first date in which the Bonds are rated, and to the extent that this is under the control of the Company, that the Bonds shall continue to be rated by a rating company and until their full payment date.

Without derogating from the undertaking specified above, whenever the Bonds are no longer rated (for a reason over which the Company has no control) by a rating company or that the company that rates the Bonds is replaced by another rating company, the Company shall deliver notice to the Trustee and to the Bondholders in connection therewith in accordance with the provisions set forth ins Section above. In the event that the replacement of the rating company was initiated by the Company, the Company shall deliver written notice to the Trustee specifying the reason for the said, in one trading day as of the date of occurrence of the event.

It is clarified that the decrease in rating, to the extent that the Bonds are rated, shall not entitle the Bondholders to any payment or any other relief and shall not give rise to grounds for calling the Bonds for immediate repayment.

35.2. Subject to passing a resolution by an ordinary majority of the Bondholders and on the condition that the Trustee argues that the Company breached the provisions set forth in the Deed of Trust, the Trustee shall be entitled to deliver written notice to the Company to transfer to the Trust Account (for the Bondholders) part of the payment (interest and/or principal) that the Company owes to the Holders for the purpose of financing proceedings and/or expenses and/or the Trustee's fees in accordance with this Deed however the said amount shall be deemed for all intents and purposes as an amount that was paid by the Company on account of payment of principal and/or interest to the Bondholders, as the case may be.

It is clarified that such a transfer as aforesaid from the Company shall be performed by the Company only on the dates set for the purpose of paying principal and/or interest payments as stated in this Deed, and such a demand as aforesaid shall not forward and/or change the payment dates applicable to the Company in accordance with this Deed. The Company shall not object to an action in accordance with such a notice as aforesaid however for reasonable reasons and the Company shall be deemed to have fulfilled its undertakings towards the Holders with respect to the payment of the principal and/or the interest in accordance with the provisions set forth in this Deed on the date of transfer of the amounts as aforesaid that shall be on account of payments of principal and/or interest to the Bondholders.

The aforesaid shall not release the Company from its liability to pay the expenses and the fees as aforesaid where the Company owes such payments in accordance with the provisions set forth in this Deed or in accordance with the provisions set forth in any law.

35.3. The Company undertakes to register the Bonds for trade in the Stock Exchange shortly after the date of their issue.

[Remainder of page intentionally left blank]

And in witness hereof the parties are hereby undersigned:

Elbit Medical Technologies Ltd.	**Reznik Paz Nevo Trusts Ltd.**

Advocate confirmation

I, the undersigned, _____ Adv. of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. Law Offices (1 Azrieli Center, Round Tower) hereby confirm that this Deed of Trust was signed by Elbit Medical Technologies Ltd. by the Messrs. _____ and _____, and their signature shall bind Elbit Medical Technologies for all intents and purposes.

_____, Adv.

Elbit Medical Technologies Ltd.

First Addendum

Bond Certificate (Series C)

A series of _____ Bonds (Series C)

A series of _____ Bonds (Series C) convertible into the shares of the Company, registered, NIS 1 par value each, payable in one installment on March 22, 2022, and carrying annual interest as stated hereunder and in the conditions in the back of the page.

Certificate no.: [___]

Total par value of the Bonds in this Certificate NIS [___]

Annual interest rate: %[_____]

The registered Holder of the Bonds specified in this Certificate [_____]

1. This Certificate hereby attests that Elbit Medical Technologies Ltd. (hereinafter: "**the Company**") shall pay on March 1, 2022 the full (100%) amount of the par value of the Bond specified in this Certificate, to the Holder of this certificate (as stated in the conditions in the back of the page) as registered in the Bond on the effective date for the purpose of making the said payment, and subject to the conditions in the back of the page and the Deed of Trust that was signed on February 18, 2018 between the Company and Reznik Paz Nevo Trusts Ltd. and/or whoever serves from time to time as a trustee on behalf of the Bondholders in accordance with the Deed of Trust (hereinafter respectively: "**the Trustee**" and "**the Deed of Trust**").

2. This Bond shall carry interest in accordance with the provisions set forth in Section 2.1.2 of the Deed of Trust and for the rate specified above, and that shall be paid on the dates as stated in the conditions in the back of the page.

3. This Bond is not linked to any linkage basis.

4. It is clarified that the provisions set forth in the Deed of Trust shall constitute an integral part of the provisions set forth in this Bond and shall bind the Company and the Holders of the Bonds specified in the said series. In the event of discrepancy between the provisions set forth in this Certificate and the provisions set forth in the Deed of Trust, the provisions set forth in the Deed of Trust shall take precedence.

5. Payment of principal and the last interest payment shall be made against the delivery of the Bond on the payment date to the Company in its registered office as stated in the conditions in the back of the page or in any other location as announced by the Company, no later than five business days prior to the payment date.

6. All Bonds of this series shall have equal ranking among themselves (pari-passu) and no Bond shall have priority rights over the other.

7. Any transfer of the Bond is subject to the limitations on the transfer as stated in Section 7 of the conditions specified in the back of the page of the Bond Certificate.

8. The Bonds are secured with charges in accordance with the provisions set forth in Section 6 of the Deed of Trust.

9. Everything stated in this document is subject to the provisions set forth in the Deed of Trust including all Appendixes thereof.

10. The Bonds are convertible into the shares of the Company as stated in Section 6 in the conditions in the back of the page.

Signed by the Company on the _____ day in the month of _____ in the year _____

Elbit Medical Technologies Ltd.

By:

Authorized signatory: [_____] Authorized signatory: [_____]

Advocate confirmation

I, the undersigned, [_____], Adv., hereby confirm that this Bond Certificate was signed by Elbit Medical Technologies Ltd. by law and in accordance with its Articles, by the Messrs. [_____] and their signature shall bind the Company for the purpose of this Bond Certificate.

[_____], Adv.

The conditions specified in the back of the page

1. General

1.1. The terms used in this Bond and that were defined in the Deed of Trust shall have the meaning assigned to them in the Deed of Trust, unless otherwise implied from the content or context of things.

1.2. The conditions of the Bond (the conditions in the back of the page) constitute an integral part of the provisions set forth in the Deed of Trust and the provisions set forth in the Deed of Trust shall be deemed to be incorporated expressly in the conditions of these Bonds.

2. Bonds principal and no linkage

2.1. The Bonds principal is called for payment as stated in Section 2.1 of the Deed of Trust.

2.2. No linkage

The Bonds are not linked to any linkage basis.

3. Interest on the Bonds

3.1. The Bonds carry interest as stated in Section 2.1.2 of the Deed of Trust.

3.2. The last payment of the interest on the principal of the Bonds shall be paid together with the last payment on account of the principal of the Bonds of the same series, against delivery of Bonds' certificate of the same series to the Company.

3.3. Interest in arrears: any payment on account of principal and/or interest and that is paid following a delay that is greater than seven (7) business days as of the date set for its payment in accordance with the conditions of the Bonds, for reasons that are depending on the Company, shall incur interest in arrears as of the date set for its payment and until its actual payment date. For the purpose of this matter, "**interest in arrears**" shall mean interest at a rate of 3% on annual basis that will be added to the interest rate that the Bonds carry in respect of the said period, calculated pro-rata for the period as of the date set for payment and until the actual payment date, based on 365 days a year. In the event interest in arrears is published, the Company shall publish an immediate report at least two (2) business days prior to such payment as aforesaid in which the Company shall notify about the rate of the interest in arrears and the interest in arrears that will be paid and that includes the interest rate that the Bonds carry in addition to the interest in arrears and the payment date of the total interest for that period.

4. Payments schedule (principal and interest) of the Bonds

4.1. The annual interest rate and the principal paid until the full payment of the Bonds on March 1, 2022 shall be as follows:

Payment date	Principal payment rate	Principal effective date	Interest payment rate	Interest effective date
1.9.2018	-	-	The annual interest rate for a period (5%) calculated on a basis of 365 days a year, according to the number of days in the period between receipt of the consideration for the issue of the Bonds and the interest payment date. The Company shall publish in the immediate report information regarding the results of the tender subject matter of this offering the interest rate for the first interest period.	26.8
1.3.2019	-	-	2.5%	23.2
1.9.2019	-	-	2.5%	26.8
1.3.2020	-	-	2.5%	23.2
1.9.2020	-	-	5%	26.8
1.3.2021	-	-	5%	23.2
1.9.2021	-	-	5%	26.8
1.3.2022	100%	1.3	5%	1.3

5. Payments of principal and interest of the Bonds

5.1. Payments on account of the interest and/or the principal of the Bonds shall be paid to the persons whose names are listed in the Bondholders' Register on the effective dates as stated in Section 4 above, except for the last payment of the principal and the interest that will be paid to the persons whose names are listed in the Bondholders' Register on the payment date and that shall be made against delivery of the Bond Certificates of the same series to the Company on the payment date, to the registered office of the Company or in any other location as announced by the Company. The announcement of the Company as aforesaid shall be published no later than five (5) business days prior to the last payment date.

5.2. It is clarified that any person who is not listed in the Bondholders' Register on the effective date shall not be entitled to payment of the interest in respect of the interest period that commenced prior to the said date.

5.3. In any event in which the payment date on account of the payment of principal and/or interest occurs a day other than a business day, the payment date shall be delayed to the first business day thereafter, for no additional payment, and the effective date for the purpose of determining the entitlement to the redemption or the interest shall not change as a result of this event.

5.4. Payment of the principal and the interest shall not be linked to any linkage basis.

5.5. Payment to the entitled Bondholders shall be made by check or a wire transfer to the bank account of the persons whose names are listed in the Bondholders' Register and that will be listed in the particulars delivered to the Company in advance, in accordance with the provisions set forth in Section 5.6 hereunder. In the event the Company is unable to pay any amount to the entitled party for a reason over which the Company has no control, the provisions set forth in Section 13 of the Deed of Trust shall come into operation.

5.6. A registered Bondholder shall notify the Company about the details of his bank account for the purpose of crediting payments to the said account or in his address, as the case may be, by delivery of written notice by registered mail to the Company. The Company shall be obligated to act in accordance with the notice of the Bondholder regarding such a change as aforesaid after expiration of the period of fifteen (15) business days as of the day the Holder's notice reached the Company.

5.7. In the event a Bondholder entitled to payment did not deliver to the Company in advance details regarding his bank account, each payment on account of the principal and the interest shall be made by a check that will be delivered in registered mail to his last registered address in the Bondholders' Register. The delivery of a check to an entitled Bondholder in registered mail as aforesaid shall be deemed as payment of the amount specified in the date specified therein on the date of its delivery by mail for all intents and purposes, provided that it was duly presented for payment.

5.8. Mandatory payments (including withholding of tax at source) shall be deducted from any payment in respect of the Bonds, as required by law.

6. <u>Right of conversion of the Bonds into shares</u>

6.1. <u>Conditions for conversion</u>

6.1.1. The Bonds are convertible into the ordinary shares of the Company on any trading day in the Stock Exchange (hereinafter: "**Trading Day**") as of the date of their listing for trade in the Stock Exchange and until February 19, 2022 (including) (hereinafter respectively: "**Last Conversion Date**" and "**Conversion Period**") in accordance with the Stock Exchange instructions.

However, in the event the Last Conversion Date occurs on a date other than a Trading Day, the Conversion Date shall be delayed to the subsequent Trading Day.

The Bonds may be converted in such manner that each NIS 1.47 par value of the Bonds (hereinafter: "**Conversion Rate**") shall be converted into one ordinary share of the Company without par value (subject to the adjustments as stated in Section 6.3 hereunder) (hereinafter: "**Conversion Shares**"). The Company shall publish an immediate report, 14 days prior to the Last Conversion Date, that will specify the Last Conversion Date of the securities as aforesaid.

6.1.2. Notwithstanding the said in Section 6.1.1 above, on the effective date for the purpose of distributing the bonus shares the Bonds may not be converted into a rights offering, the distribution of a dividend, capital consolidation, capital split or capital reduction (each of the aforesaid shall be referred hereinafter: "**Company Event**"). In the event the Ex-Day of a Company Event occurs prior to the record date of Company Event, no conversion shall be performed in the said Ex-Day.

6.1.3. The Bonds are convertible in accordance with the conditions set forth hereunder by applications that will be submitted to the Company no later than the Last Conversion Date and Bonds whose exercise is not requested until the said date shall be revoked.

6.1.4. Each Bondholder (hereinafter in this Section: "**the Applicant**") who wishes to exercise his conversion right, shall submit directly to the Company, in its registered office, or in any other place as determined by the Company in the event of a registered Bondholder, or by the banks and the Stock Exchange members, in the event of a non-registered Bondholder, an application in connection therewith (hereinafter: "**Conversion Notice**").

The Conversion Notice of a registered Holder shall be delivered in writing in a form designated by the Company together with the Bond Certificate subject matter of the application. The Conversion Notice forms are available in the registered office of the Company and in any other location as announced by the Company. The Applicant shall be obligated to sign at any time he is required by the Company any additional document that is necessary in accordance with the provisions set forth in any law, for the purpose of granting force for the issue of the Conversion Shares. The Board of Directors of the Company shall be entitled to empower any person that it deems fit to sign in the name of the Applicant and for the Applicant any additional document that is necessary for the purpose of issuing the Conversion Shares.

6.1.5. The date in which the Conversion Notice that meets all the said conditions reaches the registered office of the Company (in the event the Notice is delivered directly to the Company by an Applicant who is a registered Bondholder) or the day in which the Stock Exchange Clearing House is considered to have received from a Stock Exchange member a notice regarding the conversion of the Bonds (in the event the Notice was delivered by the Stock Exchange members for an Applicant who is an unregistered Bondholder) shall be deemed as the conversion date (hereinafter: "**Conversion Date**"). In the event the converting Bondholder failed to fulfill all the conditions required for the purpose of converting fully the convertible Bond Certificates, the Conversion Notice shall be deemed as null and void and the convertible Bonds Certificates that were enclosed with the said Conversion Notice shall be returned to the Applicant.

6.1.6. The Applicant may not cancel or modify a Conversion Notice.

6.1.7. The Applicant shall not be entitled to a part of one Conversion Share, however shall be entitled to add to full shares all fractions due to him, if due, in respect of the entire conversion rights the Applicant requested to use. Part of the Bonds that are included in the Bonds Certificates may not be converted however these may be split in accordance with the provisions set forth in Section 27 of the Deed of Trust. The excess of the Conversion Shares that are created at the time of enforcing the conversion right, if any, shall be sold by the Company in the Stock Exchange in thirty (30) days after these surpluses add up to full shares in a reasonable quantity for their sale in the Stock Exchange, taking into account all costs associated therewith, and the net proceeds obtained after deduction of the sale expenses, charges and other levies, if any, shall be distributed among those entitled to it in proportion to their relative share and in fifteen (15) days as of the date of the sale. An entitled registered Bondholder as aforesaid shall not receive a check for an amount lower than NIS 50, and such an amount as aforesaid may be paid in the offices of the Company on regular hours of work and days, by appointment. An entitled Bondholder as aforesaid who fails to arrive to the offices of the Company for the purpose of receiving the said amount as aforesaid in twelve (12) months as of the date of the sale shall no longer be entitled to the said amount.

6.1.8. No later than 2 Trading Days after the Conversion Date the Company shall issue to the Applicant the Conversion Shares due to the Applicant in the name of the Nominee Company and following the approval to list the Conversion shares in the Stock Exchange, shall cause the listing of the Conversion Shares in the Stock Exchange as shortly as possible thereafter. The Company undertakes that the shares emanating from the conversion of the Bonds shall be listed in the name of the Nominee Company.

6.1.9. The Conversion Shares will be fully paid-up, will have equal in rights in all material respects with relation to the ordinary shares of the Company that exist at the time and will entitle their holders to participate in any dividend or any other distribution, fully, and the date determining their entitlement to their receipt shall be after the Conversion Date.

6.1.10. The Bonds that are converted shall be delisted from the Bonds Register on the date of their conversion and shall be fully null and void retroactively as of the Conversion Date, from the date of issue of the Conversion Shares in respect whereof and shall not confer any right to any interest after payment of the interest whose effective date occurs prior to the Conversion Date (and that were supposed to be paid together with the payments on account of the Bonds principal, if the Applicant had not enforced his right to convert the Bonds of the said series by shares as stated above).

6.1.11. All Conversion Shares shall be listed in the name of the Nominee Company.

6.2. Schedules for conversion

The Stock Exchange Clearing House bylaws shall apply to the enforcement of the Conversion Rights of the Bonds into the shares of the Company, as applicable on the actual Conversion Date. The Stock Exchange Clearing House bylaws that are known at the time of publishing the shelf prospectus regarding the schedule for the performance of an instruction regarding conversion of the convertible Bonds that are held by the Stock Exchange members state the following:

6.2.1. A conversion notice that is received until 12:00AM in the offices of the Stock Exchange member shall be forwarded by the Stock Exchange member to the Stock Exchange Clearing House no later than 12:00AM on the following Trading Day.

6.2.2. In the event the Stock Exchange Clearing House received a Conversion Notice from a Stock Exchange member until 12:00AM, the Stock Exchange Clearing House shall charge from the Stock Exchange member the consideration and shall credit accordingly the Nominee Company, no later than 12:00AM on the following Trading Day after it received such a notice as aforesaid.

6.2.3. In the event the Nominee Company received a credit notice as stated in Section 6.2.2 above until 12:00AM, the Nominee Company shall forward the conversion application to the offices of the Company no later than 12:00AM on the following Trading Day.

6.2.4. Any notice of the notices specified in Sections 6.2.1 to 6.2.3 above and that is received after 12:00AM in each Trading Day, shall be deemed to have been received before 12:00AM on the following Trading Day.

6.2.5. Notwithstanding the aforesaid, on the last Conversion Date prior to the final payment the members of the Stock Exchange Clearing House shall be obligated to transfer to the Stock Exchange Clearing House the final conversion applications until 12:00AM. The conversion shall be performed on the same day. A Stock Exchange Clearing House member that did not file the application until the said time shall be considered by the Stock Exchange Clearing House to have forfeited his right. In the event the last Conversion Date prior to the final payment or ex-partial repayment (as the case may be) occurs on a day other than a Trading Day, the said day shall be delayed until the next Trading Day.

6.3. Adjustments

As of the issue date of the Bond and until the last date in which the conversion rights attached to the Bonds are exercisable, the following provisions shall apply to the Bonds whose conversion right was not yet exercised:

6.3.1. **Adjustment following the distribution of bonus shares**

If, during the period in which the conversion right is in effect, the Company distributes bonus shares to the holders of ordinary shares, the rights of the holders in the Bonds shall be reserved in such manner that the number of shares emanating from the conversion to which a Bondholder is entitled upon their conversion shall increase or decrease by the number of shares of the same class that a Bondholder was entitled to as bonus shares, if he had converted the Bond until the last Trading Day before the Ex-Day.

A Bondholder as aforesaid shall not be entitled to allotment of any part of bonus shares in accordance with the provisions set forth above, however all fractions of shares that are formed at the time of the allotment and that add up to full shares in a reasonable amount for sale in the Stock Exchange shall be sold in the Stock Exchange in thirty (30) days as of the date of allotment as aforesaid, and the net proceeds (after deduction of the sale expenses, mandatory payments and levies) shall be distributed among the entitled members in fifteen (15) days as of the sale date. An entitled member shall not receive a check for an amount smaller than NIS 50 and the said amount is available at the offices of the Company on regular days and hours of work, by appointment. An entitled member who failed to arrive to the offices of the Company for the purpose of receiving this amount as stated in twelve (12) months as of the date of the sale, shall no longer be entitled to receive the said amount.

This adjustment method cannot be modified. The Company shall announce in an immediate report regarding the adjusted conversion rate prior to opening of the Trading Day on the day in which the shares are traded "ex-benefit."

6.3.2. **Adjustment following a rights offering**

To the extent that during the period in which the conversion right is in effect the shareholders of the Company receive a rights offering and are offered rights to purchase any securities, the number of shares emanating from the conversion shall be adjusted to the bonus component in the rights, as reflected in the ratio between the closing rate of the share in the Stock Exchange on the last Trading Day before the "Ex-Day" and the basic rate of the share "Ex-Rights." The Company shall announce in an immediate report about the adjusted conversion rate prior to commencement of the Trading Day, on the day in which the shares are traded "Ex-Rights."

6.3.3. **Adjustment following the distribution of a dividend**

In the event the Company distributes a dividend during the period in which the conversion right of the Bonds is in effect, the conversion rate shall be multiplied by the ratio between the basic rate "Ex-Dividend" and the closing price of the share in the Stock Exchange on the last Trading Day prior to the "Ex-Dividend" day.
This adjustment method cannot be modified.

The Company shall announce in an immediate report about the adjusted conversion rate prior to the commencement of the Trading Day in which the shares are traded "Ex-Dividend."

6.3.4. The number of shares that a Bondholder shall be entitled to following exercise of the conversion right shall be adjusted in the event of any offerings (including an offering to interested parties) except for the adjustments following the distribution of bonus shares and rights offerings following the distribution of a dividend.

6.4. Miscellaneous provisions protecting the rights of the Bondholders during the Conversion Period

6.4.1. As of the date of issue of the Bonds and as long as the Bonds whose conversion right attached therewith is exercisable are not converted or paid, the following provision shall apply:

6.4.1.1. The Company shall maintain a sufficient number of ordinary shares in its registered capital for the purpose of assuring the conversion right attached to the Bonds and, if necessary, shall cause an increase of its registered capital.

6.4.1.2. Deleted.

6.4.1.3. In the event the Company consolidates the ordinary shares in its issued capital or distributes these shares in a secondary distribution, the number of shares allotted following exercise of the conversion right after such an action is performed as aforesaid shall be decreased or increased, as the case may be. In such circumstances as aforesaid the Bondholder shall not be entitled to any part of an entire share however fractions of shares that are created shall be handled in the manner that the Board of Directors deems fit. In the event of consolidation or distribution as aforesaid, the provisions set forth in this Section 6 shall apply, *mutatis mutandis*.

6.4.1.4. In any event in which there is an adjustment following the distribution of bonus shares in accordance with the provisions set forth in Section 6.3.1 above, the Company shall publish an immediate report and shall publish a notice in two (2) widely circulated newspapers in Hebrew in Israel (to the extent that such a publication is required by law) regarding the right of the holders of bonds in circulation to exercise the conversion rights attached to the Bonds, with an indication of the conversion period, the conversion rate, the amount of the par value of the conversion shares and the bonus shares (if any) to which they are entitled following the enforcement of one conversion right at the time.

In addition to the said, no later than three weeks and not earlier than four weeks prior to expiration of the conversion period the Company shall deliver written notice as aforesaid to all the registered holders of the Bonds regarding the last date of conversion of the Bonds as aforesaid, and shall state that after the said date the rights shall be null and void, and shall publish a notice about the same in two widely circulated newspapers published in Hebrew in Israel. The said notice shall specify the conversion rate, the number of conversion shares and the bonus shares that the Bondholder shall be entitled to at the time of conversion during this period of time.

6.4.1.5. In the event of a resolution regarding voluntary liquidation, the Company shall publish an immediate report about the said and shall publish a notice in two widely circulated newspapers published in Hebrew in Israel. Each Bondholder shall be deemed to have exercised his right prior to passing the resolution (without making prior payment of the conversion rate) unless he delivers written notice to the Company in thirty (30) days as of the publication day as aforesaid regarding his waiver of the said right. In the event the Bondholder did not deliver such a notice as aforesaid within the period of time as aforesaid, the Bondholder shall be entitled to the amount he would have received following liquidation of the Company as a shareholder following the exercise of the Bonds in his possession shortly before the date of passing the resolution regarding liquidation, with deduction of the conversion rate in respect of the said Bonds from the sums due to him following his share in the liquidation as aforesaid, in the event there is a distributable balance.

6.4.1.6. The Company shall make available for the inspection of the Bondholders in its registered office a copy of the periodic report and the interim financial statements of the Company immediately after their publication, during regular hours of work. Upon receiving the written request of a Bondholder that will be delivered during the period in which the conversion right is in effect, the Company shall deliver to the said Bondholder a copy of the said reports.

6.4.1.7. In accordance with the Stock Exchange bylaws, the conditions attached to the Bonds cannot be modified in anything related to the conversion rate, the conversion dates and the linkage method, however the Company shall be entitled to change the conversion period and/or the conversion rate provided that this action is performed in the framework of an arrangement or a settlement under Section 350 of the Companies Law 5759-1999. In addition, and in accordance with the Stock Exchange bylaws and guidelines, the Company may change the conversion rate as part of a splitting procedure of the Company or a merger of the Company, provided that the change includes only the necessary adjustments following such a procedure as aforesaid.

6.4.1.8. In accordance with the Stock Exchange bylaws and guidelines, the "**splitting procedure**" for the purpose of this matter shall mean – a procedure in which the Company transfers to its shareholders shares that the Company holds in another company, or a procedure in which the Company transfers assets and liabilities to a new company that was formed for the purpose of the split and the shareholders in the new company are also the shareholders in the company transferring the assets and liabilities and all – on the condition that the splitting procedure is performed equitably with respect to all the shareholders in the Company.

6.4.1.9. In accordance with the Stock Exchange bylaws and guidelines, the "**merger procedure**" for the purpose of this matter shall mean – a procedure in which the entire shares of the Company are transferred to the ownership of a new company or to the ownership of another registered company or a procedure in which the Company transfers all its assets and liabilities to a new company or to another registered company as aforesaid, and all on the condition that the securities of the Company whose shares or assets are transferred as aforesaid shall be delisted from the trade in the Stock Exchange and that the procedure is performed in equitable conditions towards all the shareholders of the Company.

6.4.2. Dates

Different dates, such as conversion dates, effective dates for the purpose of making payments and schedules for filing conversion applications (hereinafter collectively: "**the Dates**"), were set, *inter alia*, in accordance with the Stock Exchange bylaws, the guidelines in accordance with the said bylaws and the bylaws of the Stock Exchange Clearing House (hereinafter: "**Stock Exchange Instructions**") that are in effect at the time of publishing this Deed of Trust. The Stock Exchange Instructions might vary from time to time and might include, *inter alia*, different limitations regarding the Dates set in the offering report and/or the Deed of Trust. In the event the Stock Exchange Instructions were amended with respect to said Dates, the change shall also apply to the Bonds, unless otherwise stated by the Stock Exchange or the Stock Exchange Clearing House.

7. Avoidance from payment for a reason that is not depending on the Company

For details regarding avoidance from payment for a reason that is not depending on the Company and deposit by the Trustee, see Section 13 of the Deed of Trust.

8. Splitting and transferring Bond Certificates

8.1. The Bonds' Certificates are transferable for the full amount of the principal and even a part thereof, provided that the amount is in full new Israeli shekels. Any transfer of Bonds (except for a transfer that is performed by trading in the Stock Exchange) shall be performed with an instrument of transfer in the customary form, duly signed by the registered Holder and his legal representatives and by the recipient of the transfer or his legal representatives as provided to the Company in its registered office together with the Bond Certificates transferred in connection therewith and any other proof as demanded by the Company for the purpose of proving the entitlement of the transferor to transfer the said securities. The Holder requesting the transfer shall incur all expenses associated with the transfer of the Bonds, including mandatory payments, if any. In the event any tax or any other mandatory payment applies to the instrument of transfer of the Bonds, the Company shall receive proof to its satisfaction regarding their payment.

The Articles of Association of the Company that apply to the transfer of fully paid-up shares and assignment thereof shall apply, *mutatis mutandis* and as the case may be, to the manner of transfer of the Bonds and assignment thereof. In the event of transfer of only part of the principal amount specified in the Bond Certificate, it is necessary to split first the Bond Certificate into a number of Certificates in accordance with the provisions set forth in Section 7.2 of the conditions specified in the back of the page, as required, in such manner that the total amount of all principal amounts specified thereat shall be equal to the nominal principal amount of the said Bond.

After all the said conditions have been met, the transfer shall be registered in the Register, and the Company shall be entitled to demand to register a note regarding the transfer of the Bond as aforesaid and that shall be delivered to the transferee or that a new Bond certificate shall be issued to the transferee as aforesaid and all the conditions set forth in the transferred Bonds' Certificates shall apply to the transferee, in such manner that anywhere in which the word "Holder" is used it shall be deemed as if the word "transferee" is used, and the transferee shall be deemed as a "Holder" for the purpose of the Deed of Trust.

8.2. One certificate shall be issued in respect of the Bonds registered in the name of one Holder or, following his request, a number of certificates up to the reasonable amount as decided by the Company (the certificates specified in this Section shall be referred hereinafter: "**the Certificates**").

Each Bond Certificate may be split into a number of Bond Certificates when the total value of their nominal amount is equal to the nominal amount of the Certificate whose split is requested, provided that such Certificates as aforesaid are issued only in a reasonable amount. The split shall be performed against delivery of the said Certificate to the Company in its registered office for the purpose of performing the split, together with an application for a split duly signed by the Applicant. The Holder requesting the split shall incur all expenses associated with the split, including taxes and levies in respect whereof, if any.

9. Early redemption

For details regarding the early redemption of the Bonds following the initiative of the Stock Exchange and/or the Company – see Section 7 of the Deed of Trust.

10. Waivers, settlements and/or changes in the terms of the Bonds

For details regarding the authority of the Company and/or the Trustee to perform waivers, settlements and/or changes in the terms set forth of the Deed of Trust see Section 26 of the Deed of Trust.

11. Bondholders' meetings

The Bondholders' meetings shall be convened and conducted in accordance with the provisions set forth in the Second Addendum of the Deed of Trust.

12. Replacement of Bond Certificates

In the event a Bond Certificate is mutilated, lost or defaced, the Company shall issue a new Certificate in its place and under the same conditions. The Holder requesting the new Certificate shall incur all taxes and other levies and all other expenses associated with the issuance of the new Certificate (including expenses in connection with the proof of ownership of the Holder of the Bond and in connection with indemnity and/or insurance coverage that the Company requests, if the Company makes such a request in connection therewith). In the event of wear, the worn Certificate shall be returned to the Company concurrent with and against the issue of the new Certificate.

13. Immediate repayment

The provisions set forth in Section 8 of the Deed of Trust regarding the immediate repayment of the Bonds shall apply.

14. Notices

The provisions set forth in Section 25 of the Deed of Trust regarding notices shall apply.

* * * *

Exhibit 4.18

Trust Deed I
Drafted and signed on 20/02/2014

Between

Elbit Imaging LTD

P.C. 520043035

5 Kineret st., Bnei Brak

(hereinafter: **"the Company**")

on one side;

and

Mishmeret Trust Company LTD

O.C. 51-377133-7

(hereinafter: "**the Trustee")**

on the other;

Whereas as part of the arrangement plan entered by the Company, Mr. Mordechai Zisser and/or a corporation under his control, owners of the bonds (Series A through G and 1) issued by the company (hereinafter: **"the previous bonds"**), and Bank Leumi LTD, to which this trust deed is attached as Appendix 1 (hereinafter: **"the arrangement plan"**), it has been agreed that, subject to the performance of various prerequisites listed in the arrangement plan, the previous bonds will be exchanged for, among other items, (Series I) bonds (hereinafter: **"the bonds"**), for which the terms are established in this trust deed and the appendices thereto;

And whereas as of the date of the signing of this trust deed, the entirety of the prerequisites for carrying out the arrangement as outlined in the arrangement plan have been complied with;

And whereas the Trustee is a stock-limited company incorporated lawfully in Israel, for the purpose of engaging in trusts;

And whereas the Trustee declares that there is no impediment in the law (as defined below), or any other law, to him entering a contract with the Company according to this trust deed, and that the complies with all the requirements and competence conditions established in the law (as defined below) for acting as a trustee according to this trust deed;

And whereas the Trustee has no substantial interest in the Company, and the Company has no personal interest in the trustee;

And whereas the Company declares that there is no impediment in the law for entering a contract with the Trustee subject to the conditions of this trust deed;

And whereas the Company has contacted the Trustee, requesting him to act as a Trustee for the bondholders for the bonds that will be issued as part of the arrangement plan, and the Trustee has agreed thereto, all subject to the conditions of this trust deed;

And whereas the Trustee had agreed to sign this trust deed, and act as the Trustee for the bondholders,

the following has been declared, stipulated, and agreed upon by the parties:

1. Introduction, interpretation, and definitions:

1.1. The introduction to this trust deed and the appendices attached thereto constitute an inseparable part thereof.

1.2. The division of this trust deed into sections, as well as the assignment of headings to the sections have been made for simplicity and reference purposes only, and are not to be used for interpretation.

1.3. Anywhere in this deed where the plural has been used it can be read to signify the singular, and vice versa, and anything in the masculine can signify the feminine and vice versa, and any mention of an individual may also signify a corporation, unless it has been stated otherwise in this trust deed, whether explicitly and/or implicitly and/or where the content or context of the wording requires otherwise.

1.4. In any case of contradiction between the trust deed and the accompanying documents, the provisions of the trust deed will take precedence. In any case of contradiction between the provisions described in the arrangement plan regarding to this trust deed and/or the bonds, the provisions of this trust deed will take precedent.

1.5. In this trust deed, the following expressions will have the meaning expressed next to them, unless a different intention is inferred by the content or context of the wording:

"The Company"	Elbit Imaging LTD;
"This deed" or "the trust deed"	This trust deed, including the addenda and appendices attached to it and forming an inseparable part thereof;
"The Trustee"	The first Trustee (as described below) and/or whosoever may, from time to time, serve as the Trustee for the bondholders according to this trust deed;
"The first Trustee"	The trustee listed at the top of this deed;
"The Law"	The Securities Law 5728 – 1968 and the regulations pursuant to its authority, as they may from time to time be promulgated;
"The guaranteed debt"	The Company's existing debt to Bank Hapoalim LTD (hereinafter: **"Bank Hapoalim"**), as of the date of the arrangements, for which Bank Hapoalim has received collaterals prior to the publication of the arrangement plan;
"The register"	The register of bondholders as described in Section 31 to this deed;
"Stock exchange"	The Tel Aviv Stock Exchange LTD;
"Principal"	The total nominal value of the bonds in circulation
"The arrangement" or "the arrangement plan"	The arrangement plan entered by the Company, Mr. Mordechai Zisser and/or a corporation under his control, owners of the bonds (Series A through G and 1) issued by the company, and Bank Leumi LTD, as approved by the District Court in Tel Aviv-Yaffo on 01/01/2014.
"Simple decision"	A decision received at a general bondholder assembly with the presence of two or more bondholders, either in person or through representative, holding at least twenty-five percent (25%) of the balance of the nominal value of the bonds in circulation, or a postponed assembly of this assembly, with the presence of any number whatsoever of bondholders from the series, received with a regular majority of all the votes participating in the voting, excluding those of the abstainers;
"Special decision"	A decision received at a general bondholder assembly with the presence of two or more bondholders, either in person or through representative, holding at least fifty percent (50%) of the balance of the nominal value of the bonds in circulation, or a postponed assembly of this assembly with the presence, either in person or through representative, of bondholders holding at least twenty percent (20%) of the balance of the nominal value of the bonds in circulation, received (either at the original or postponed assembly with a majority of at least two thirds (2/3) all the votes participating in the voting, excluding those of the abstainers;
"The known index"	The last index (as defined in the terms listed on the other side of the sheet) known at the relevant date;
"The registration company"	Israel Discount Bank Registration Company LTD;

"The bonds" or "the bond series"	The bond series, known as Series I of the Company's bonds, with an overall nominal value of 218,000,000 NIS, registered by name, and with the conditions listed in the bond certificate;
"Date of the arrangement's execution"	A day that shall be both a business day and a trading day, as well as a trading day on the NASDAQ stock exchange, in which all actions listed in the arrangement plan will be performed, and the arrangement will enter force, to take place within 30 (thirty) days of the applicable date (as defined in the arrangement plan). The Company shall publish an immediate report of the arrangement's execution;
"Start date"	01/01/2013
"The bondholders" or "the holders"	As defined in the law;
"Trading day"	Any day on which trading takes place at the Tel Aviv Stock Exchange LTD;
"Business day"	Any day on which most of the banks in Israel are open for transactions;
"The stock exchange clearing house"	The clearinghouse of the Tel Aviv Stock Exchange LTD;
"Bond certificate"	The bond certificate with the wording appearing in the first addendum to this trust deed;
"Rating company"	A rating company approved by the appointee for capital markets at the Ministry of Finance;
"The trust account"	A bank account that will be opened by the Trustee, held by him in trust for the holders of the (Series I) bonds, in an Israeli banks of his choosing, for which all the Company's rights to the account, if any, and to the sums deposited therein from time to time, will be encumbered in favor of the Trustee by single, first-degree, permanent encumbrance (on all the Company's rights to the account), as well as an ongoing, first-degree, single encumbrance (on the entirety of the funds and/or deposits and/or securities that may, from time to time, be deposited in the trust's account, and any proceeds received for them, including the fruits thereof), and without any limits in sum in the Company's registry as handled by the Company Register. The signature rights to the account for any intents and purposes will be held by the Trustee only, with no signature rights retained by the Company. All the costs of opening, managing, and closing the account will be borne by the Company. The policy for managing the funds in this account will be according to the provisions of the trust deed, and the Trustee will bear no liability towards the bondholders and/or the Company for any losses caused by the investments made according to the above.

2. General

2.1. This trust deed is subject to the provisions of the law, the instructions of lawful authorities, and the stock exchange rules, as they may be from time to time, as it is not possible to predict these.

2.2. The bonds may not be submitted for registration in the US Securities and Exchange Commission, or any the securities authority of any state in the USA. The bonds may not be offered or sold in the USA, or to US persons (as defined in Regulation S according to the Securities Act 1933), unless they are registered with the SEC according to the Securities Act 1933, or are exempt from the registrations requirements thereunder.

Applicability provisions

2.3. Subject to the below, this trust deed will enter force automatically at the date of the arrangement's execution, without a need for an additional action or signature of any kind. The bonds will be subject to the provisions of this trust deed alone.

2.4. Further, as a condition for this trust deed entering force, by the date of the arrangement's execution the Company will present the Trustee with a certificate signed by it, as well as publish an immediate report stating that all prerequisites listed in the arrangement plan have been executed, as well as any additional confirmation required by any applicable law and the provisions of the arrangement for its entry into force and complete implementation.

2.5. Furthermore, at the date this trust deed enters force, the Company shall assign, in the name of the registration company, a bond certificate for the entire sum of the bonds' principal, as well as carrying out all the additional actions required for registrying the bonds to be traded at the stock exchange.

3. Appointment of the Trustee; powers of the Trustee;

3.1. Appointment of the Trustee;

The bondholders' trust and the duties of the Trustee under this trust deed will enter force when the bonds are assigned by the Company;

3.2. Powers of the Trustee

3.2.1. The Trustee will represent the bondholders in any matter arising from the issuer's obligations towards them, and he will be able to act, for that purpose, for realizing the bondholders' rights under the law and/or the trust deed.

3.2.2. The Trustee will use the powers, authorizations, and authority given to him under this trust deed, according to his own discretion, or according to the assembly's decision, and all pursuant to the provisions of any applicable law.

3.2.3. The Trustee will be authorized to depose all deed and documents testifying to, representing and/or establishing his rights in relation to the trust subject to this trust deed, including in relation to any asset that he may hold at any time, in a safe and/or in another location he may choose and/or with any bank and/or any auxiliary banking corporation and/or attorney and/or accountant.

3.2.4. The Trustee is authorized to undertake any proceeding for the purpose of protecting the rights of bondholders, as listed in this trust deed.

3.2.5. The Trustee may appoint representatives, as described in this trust deed.

3.2.6. The Trustee's signature on this trust deed does not constitute an expression of his opinion regarding the quality of the securities offered or the profitability of the investment in them.

4. Principal terms of the bonds

The detailed terms of the bonds are as listed in the first addendum to this trust deed. Below are the principal terms of the bonds:

4.1. The bond principal shall constitute a total of 218,000,000 (two hundred and eighteen million) NIS of nominal value (hereinafter: **"the bond principal"**).

4.2. The bonds (both principal and interest) shall be linked to the consumer price index, this as detailed in the terms of the other side of the sheet.

4.3. The bond principal will carry an annual interest at a rate of 6%, which will be accumulated in the principal in every year, and paid at the final date of payment as described below (hereinafter: **"PIK interest"**). The bond principal and interest will be linked to the consumer price index. To remove all doubt, the aforementioned annual interest will apply also to the sum of interest accumulated every year in the bond principal (hereinafter: **"derivative principal"**).

4.4. The bond principal will be paid out in a single payment, at the end of six (6) years from the start date, on 30/11/2019 (hereinafter: **"the final payment date"**).

5. Expansion of the series

5.1. Subject to an advance approval by the bondholder assembly (by special decision), the Company may issue (by private or public offering), at any time and under its sole discretion, including to a connected holder as defined in Section 7.2 below, subject to the provisions of any applicable law, additional bonds from the bond series, under terms similar to those of the bonds issued in this series, at any price and in any manner it finds appropriate. This deed will also apply to any additional bonds issued by the Company as above, and the additional bonds will be treated, from the date of their issue, as other bonds issued in this series, *mutatis mutandi.*

5.2. The Trustee will act as a trustee also for the bonds issued as described above, as may from time to time be in circulation, and his consent will not be required to serve as a Trustee for the expanded series as described above. To remove all doubt, the holders of the additional bonds as described in this section above will not be entitled to interest for interest periods for which the applicable dates for payment apply prior to the issue of the bonds.

The bonds must be issued at a nominal value, by withholding or premium.

Should the rate of withholding set for the bonds due to the expansion of the series be different from the rate of withholding for the bonds in circulation at the time, the Company will contact the Tax Authority prior to expanding the series in order to receive confirmation that, for the purpose of original tax withholding from the withholding fees for the aforementioned bonds, a uniform rate of withholding will be set to the aforementioned bonds, using a formula weighing this series withholding rate. In case that the aforementioned confirmation has been received, the company will calculated the weighted withholding rate for all bonds in the series prior to the date of its expansion, and publish this unified rate by immediate publication prior to the aforementioned series expansion, and taxes will be withheld at the payment date of the bonds from the series based on the aforementioned weighted withholding rate pursuant to the provisions of the law. Should the aforementioned confirmation not be received, the Company must publish this fact by immediate publication prior to the aforementioned series expansion, as well as the fact that the uniform withholding rate will be according to the highest withholding rate created for the series. Members of the stock exchange will withhold taxes at the payment of bonds from the series, according to the withholding rate reported as described above. As such, there may be situations where the Company will offset taxes for offsetting fees at a rate higher than that established for those holding bonds from the series prior to its expansion. In such a case, those who have held bonds prior to the expansion of the series and up to the payment of the bonds will be entitled to submit a tax report to the Tax Authority and receive a return for the taxes withheld, to what extent they may be entitled to a tax refund under the law.

6. **Issuing additional securities**

6.1. From time to time (by private or public offering), at any time and under its sole discretion, without a requirement for the consent of the bondholders or the Trustee, or a notification of any of them thereof, including to a connected holder as defined in Section 7.2 below, bonds of a different type or series, or other securities of any type or sort whatsoever (including those with a payment date preceding the final payment date of the bonds), with or without rights accompanying the purchase of the Company's shares, at interest, linkage, collaterals, repayment and other conditions at the Company's sole discretion, whether superior to, equivalent, or inferior to the bond conditions (all this subject to the provisions of this deed, including the provisions of Section 9.3 below).

6.2. Should the Company realize its right to issue additional bonds according to Section 6.1 above, then, in cases where the Company has provided any collateral for these additional bonds, the net proceeds, as defined below, received for the issue of these additional bonds, will be used first to early repayment (in full or in part) for the Series H bonds of the company, and after these have been entirely repaid for, for early payment (in full or in part, as the size of the net proceeds may allow) of the bonds (**"receipts requiring early repayment")**, which will be carried out within 5 trading days from the date the net proceeds have been received, or at the earliest date as permitted by the stock exchange rules. The Company will publish an immediate report regarding the issue of the additional bonds, or serve notice of this to the Trustee. The net proceed funds will be transferred, under the Company's instruction, from the offering coordinator's account directly to the account in the Trustee's name held in trust for the bondholders (with all rights the Company may have in the account, whatever they may be, encumbered in favor of the Trustee).

"The net proceeds" – the net proceeds for the offering, withholding expenses and payments tied directly to issuing the additional bonds.

6.3. The repayment will be subject to the provisions of Section 37 below.

6.4. In any case in which the Company may wish to make use of the net proceeds, as defined above, for purposes other than an early repayment as defined above, it will be able to do so subject to receiving the advance approval of the bondholder assembly, made by means of a special decision.

7. **Purchase of bonds by the Company and/or a connected party**

7.1. The Company retains the right to purchase, at any time, or from time to time, bonds from the bond series at any price it sees fit, this without detracting from its obligation to repay the bonds held by others. Bonds purchased by the Company will be canceled upon purchase and deleted from trade on the stock exchange, and the Company will not be entitled to re-issue them. In case of the purchase of the bonds by the Company as described above, the Company will notify the Trustee of this soon after the purchase, as well as issuing an immediate report of this. In case that the bonds are purchased by the company, as described above, during trade on the stock exchange, the Company shall contact the stock exchange clearing house with an application for bond withdraw for the bonds purchased.

7.2. Any subsidiary company of the Company, a corporation under its control and/or the owner of control I the Company (directly or indirectly) and/or his representative and/or a corporation controlled by the owner of the control in the company (directly and/or indirectly) and or their relations (except the Company, for which the contents of Section 7.1 above will apply) (hereinafter: **"connected holder"**), will be entitled to purchase, at any time and from time to time, including by offering by the Company, and/or sell at any time and from time to time, bonds from the bond series. Bonds held by a connected holder as described above will be considered their asset, and will not be deleted from trade in the stock exchange, other than subject to the stock exchange rules, and will be transferable like the rest of the company's bonds (subject to the provisions of the bond and the trust deed). Should the Company become aware of the act of the aforementioned purchase, it will inform the Trustee thereof. Furthermore, for the purpose of conducting the bondholder assembly, including the issue of the legal quorum and the voter quorum for general bondholder assemblies, the contents of the second addendum to this deed will apply.

7.3. None of the contents of this Section 7, in and of itself, will obligate the Company and its bondholders to purchase bonds or sell the bonds in their possession.

8. **The Company's obligations**

8.1. The Company is obligated to pay the entirety of the principal, the interest and the linkage differentials payable according to the bond conditions, and comply with the rest of the conditions and obligations imposed on it by the conditions of the bonds and this deed. In any case in which the date of the payment for the principal and/or interest will fall on a day that is not a business day, the date of the payment will be delayed to the first business day afterwards, with no additional payment required.

8.2. The company declares that, as of the date of the signing of this deed, and except for the contents of Section 38 below, and for any applicable law and the dividend distribution policy (if and to what extent one has been established), the no restrictions have been established for the Company in regards to distribution of dividends and/or any other distribution and/or buybacks of the Company's shares.

9. **Collaterals, guarantees and obligations of owned companies**

9.1. The bonds will be guaranteed with collaterals and encumbrances as described in Section 9.3 below.

9.2. To remove all doubt, it is hereby clarified that the Trustee is under no obligation to evaluate, and, in fact, did not, and will not, evaluate the need to provide collaterals to ensure the payments to bondholders. The Trustee has not been asked to conduct, and in fact did not and will not conduct an economic, accounting, or legal due diligence evaluation of the state of the Company's business. By entering this trust deed and consenting to act as the Trustee for the bondholders, the Trustee is not passing an opinion, whether implicitly or implicitly, regarding the Company's ability to meet its obligations towards the bondholder. None of the above shall be construed to destruct from the Trustee's duty under any applicable law and/or the trust deed, including his duty (to what extent such a duty applies under any applicable law) to evaluate the influences of changes in the Company from the date of the bond issue and onwards to harm its ability to meet its obligations to the bondholders.

9.3. To ensure the full and accurate repayment of all principal and interest payments connected to the bonds, as well as additional sums in connection with the contents of the trust deed and the bonds that the Company must make to the holders of (Series I) bonds according to the conditions therein, and the accurate and complete execution of the rest of the conditions of (Series I) and the trust deed, the Company hereby obligates itself that, at the date of the arrangement's execution, it will create and cause to be formed in favor of the Trustee on behalf of the bondholders, the following encumbrances:

9.3.1. An ongoing, second-degree, unlimited-sum encumbrance of all rights and assets (of any type and kind) owned by the Company in the present or future from time to time, and at any date whatsoever (including rights and assets to which the Company may be entitled) (hereinafter: **"the ongoing encumbrance"**);

This encumbrance will include a prohibition on the creation and registration of additional encumbrances of any type whatsoever and any degree whatsoever on the rights and assets (of any type and kind) owned by the Company in the present or future from time to time, and at any date whatsoever (including rights and assets to which the Company may be entitled), including the Company's non-repayable share capital, except the creation of encumbrances as listed explicitly below in this deed.

9.3.2. A permanent, second-degree encumbrance on all Elbit Ultrasound shares owned by the Company, 84,215 common shares of a nominal value of 45.38 euro each, and those it may own from time to time (hereinafter: **"the encumbered Elbit Ultrasound shares"**), and all of the Company's rights, present and future, to Elbit Ultrasound, and all associated rights as defined below. The term **"associated rights"** in this section means: all rights arising in the present and/or future from the encumbered Elbit Ultrasound shares, and/or the other shares as defined below, including, but without detracting from the general sense of the above: (a) all dividends that may be distributed in cash or other forms, including the right to receive them; (b) all securities (including shares, options, benefit shares, participation in issue of rights and/or preference or other rights, including a right to receive other securities of any kind, and the proceeds for them, including for their realization and/or sale) that may be owed or issued from time to time due to the encumbered Elbit Ultrasound shares and/or in exchange of these shares (all of these jointly hereinafter referred to as: **"the other shares"**), all or part thereof; (c) all rights, money, and/or assets that will be owed or issued due to the encumbered Elbit Ultrasound shares and/or the other shares; (d) all rights to Elbit Ultrasound and/or in relation thereto and/or towards other shareholders therein that the law and/or Elbit Ultrasound bylaws and/or any other agreement, if such exist, assign or may, from time to time, assign to the company for and/or due to the encumbered Elbit Ultrasound shares and/or the other shares.

9.3.3. A permanent, second-degree encumbrance on all the Company's rights to receive funds from Elbit Ultrasound, including the rights to receive repayment of owner loans that the Company may have or will have from time to time.

9.3.4. A permanent, second-degree encumbrance on all Elscint shares owned by the Company, 39,045,00 common shares of a nominal value of 45.38 euro each, and those it may own from time to time (hereinafter: **"the encumbered Elscint shares"**), and all of the Company's rights, present and future, to Elscint, and all associated rights as defined below. The term **"associated rights"** in this section means: all rights arising in the present and/or future from the encumbered Elscint shares, and/or the other shares as defined below, including, but without detracting from the general sense of the above: (a) all dividends that may be distributed in cash or other forms, including the right to receive them; (b) all securities (including shares, options, benefit shares, participation in issue of rights and/or preference or other rights, including a right to receive other securities of any kind, and the proceeds for them, including for their realization and/or sale) that may be owed or issued from time to time due to the encumbered Elscint shares and/or in exchange of these shares (all of these jointly hereinafter referred to as: **"the other shares"**), all or part thereof; (c) all rights, money, and/or assets that will be owed or issued due to the encumbered Elscint shares and/or the other shares; (d) all rights to Elscint and/or in relation thereto and/or towards other shareholders therein that the law and/or Elscint bylaws and/or any other agreement, if such exist, assign or may, from time to time, assign to the company for and/or due to the encumbered Elscint shares and/or the other shares.

9.3.5. A permanent, second-degree encumbrance on all the Company's rights to receive funds from Elscint, including the rights to receive repayment of owner loans that the Company may have or will have from time to time.

The ongoing encumbrance and all permament encumbrances listed above will be hereinafter jointly referred to as: **"the encumbrances".**

9.3.6. The Company will present the Trustee will all the documents listed below in relation to creating and registering each of the encumbrances in Israel, at the dates listed below:

9.3.6.1. An encumbrance and bond agreement, in a wording acceptable to the Trustee, signed in the original by the parties – at the date of the arrangement's execution;

9.3.6.2. The encumbrance registration documents (Form 10; the bond, the first page of the trust deed) carrying the Company Register's "Submitted for evaluation" stamp – 7 business days from the date of the arrangement's execution;

9.3.6.3. Original encumbrance registration certificates – 2 business days from the date of their receipt by the company;

9.3.6.4. A current Company Register printout, confirming the lawful registration of the encumbrance in the Company Register – 2 business days from the day of the receipt of the encumbrance certificates as described above.

9.3.6.5. An opinion by the Company's attorney confirming, among other matters, that the encumbrance has been lawfully registered, and that it is valid and enforceable against the Company, in a wording acceptable to the Trustee – at the date of the presentation of the encumbrance certificates as described above.

9.3.6.6. A certificate from an officer in the Company regarding the absence of conflicting obligations by the Company in relation to the creation and registration of the encumbrance, in a wording acceptable to the Trustee – at the date of the arrangement's execution;

9.3.6.7. A decision of the Company's Board of Directors regarding the creation of the encumbrance in favor of the Trustee, marked on its margins with the attorney's certification that thet decision has been made lawfully and in accordance to the Company's incorporation documents – at the date of the arrangement's execution;

9.3.7. The Company will also present the Trustee with all the documents describe below, in wording acceptable to the Trustee, in relation to the encumbrances outside Israel, at the dates listed below:

9.3.7.1. An opinion of attorneys knowledgeable of relevant local laws regarding share encumbrance, signed in the original regarding the manner for creating the encumbrances as valid, enforceable and implementable encumbrances under the relevant laws; the opinions will list also the manner for the realization of the encumbrances, and this with special attention to the fact that Israel is not a party to the Hague Convention on the Recognition and Enforcement of Foreign Judgments – at the date of the arrangement's execution; the Trustee will rely on the instructions of the attorneys familiar with foreign law as described above, without needing verify them;

9.3.7.2. A certificate by of attorneys knowledgeable of relevant local laws, signed in the original, confirming that the encumbrances have been in fact created as valid, enforceable and implementable encumbrances (including that the board of directors decisions of the encumbering companies, as defined below, have been made lawfully and in accordance with those companies' bylaws) – by fax, within 2 days of the date of the encumbrances' registration, and in the original – within 7 days of the same; the Trustee will verify on the above certificates without needing to verify them;

9.3.7.3. Every document required for the creation of the encumbrances and registration thereof in any relevant register, in wording acceptable to the trustee – at a date set by the trustee.

9.3.7.4. Documents proving the registration of the encumbrances in any relevant register – soon after the registration.

9.3.7.5. The approval and decision of the board of directors of Elbit Ultrasound and Elscint (above and hereinafter: **"decisions of the encumbering companies"**) in relation to the creation and registration of the encumbrances in favor of the trustee (including regarding a lack of contradictory obligations known to those companies, all this in a wording acceptable to the Trustee).

9.3.8. Elbit Ultrasound will issue towards the Trustee and in favor of the bondholders, a guarantee, unlimited in sum and term, of the full performance of the Company's obligations to the Trustee and the bondholders. Furthermore, Ultrasound will obligate itself to the Trustee to avoid giving encumbrances or collaterals of any kind and type, to any third-party in relation to its holdings (present and future) in the shares of Plaza Centers that are not encumbered towards Bank Hapoalim (and any right arising from them, including the right to receive securities, dividends, or any additional rights and dividends arising from holding shares in Plaza Centers.

Prior to this trust deed entering force, Elbit Ultrasound will transfer to the Trustee a separate and independent obligation, in the wording acceptable to the Trustee, including any obligations referring to it according to this deed, as well as a writ of guarantee in a wording acceptable to the Trustee and signed by it.

9.3.9. Elscint will issue towards the Trustee and in favor of the bondholders, a guarantee, unlimited in sum and term, of the full performance of the Company's obligations to the Trustee and the bondholders. Furthermore, Ultrasound will obligate itself to the Trustee to avoid giving encumbrances or collaterals of any kind and type, to any third-party in relation to Elscint's assets, present and future.

Prior to this trust deed entering force, Elscint will transfer to the Trustee a separate and independent obligation, in the wording acceptable to the Trustee, including any obligations referring to it according to this deed, as well as a writ of guarantee in a wording acceptable to the Trustee and signed by it.

9.3.10. The assets to which the encumbrances apply will be hereinafter jointly referred to as **"the encumbered assets"**. The Company hereby declares that, at the date of signing this deed, its rights to the encumbered assets are not subject to any encumbrance, mortgage, or foreclosure in others' favor, excluding first-degree encumbrances on the encumbered assets given to the holders of (Series H) bonds of the Company, as listed in the arrangement (hereinafter: **"Series H bonds"**).

9.3.11. It is hereby agreed that the encumbrances will in no way impact the Series H encumbrances and will be inferior to them in any way and form. Any proceeds received as part of the realization of the encumbered assets will be first paid to the holders of Series H bonds until the full repayment of all of the Company's obligations for the Series H bonds (including those towards the trustee for Series H bonds), and only after thet full repayment of the Company's aforementioned obligations will the Trustee for Series I bonds and the bondholders be entitled to receive any remaining balance, should any remain. With the entry of this deed into force, the Trustee will sign a writ of inferiority, with the wording appearing at the margins of this deed, towards the trustee for the Series H bonds.

9.3.12. Subject to the content of Section 9.1.13 below, with the full repayment of the Series H bonds, all the aforementioned encumbrances in favor of the Trustee of the Series I bonds will become first-degree bonds. The Company is obligated to take any action as required to convert the encumbrances into first-degree encumbrances as described, including presenting any required documents, including those listed above, as required.

9.3.13. Without detracting from the above and from the contents of the writ of inferiority, the Company will notify the Trustee as soon as it becomes aware of the commencement of proceedings in relation to the realization of Series H encumbrances, should any occur.

9.3.14. As long as any of the encumbrances has not been realized, and subject to the content of Section 9.1.13 below, the encumbrances and the obligations of Elbit Ultrascount and Elscint as listed in Sections 9.3.8 and 9.3.9 above will not limit the sale and/or realization of assets (including the encumbered assets) by the Company and/or Elbit Ultrasound and/or Elscint and the use of the proceeds for the Company's needs and/or those of Elbit Ultrasound and/or Elscint, as relevant, nor the Company's receipt of dividends or loan repayments from Elbit Ultrasound and/or Elscint, and use of the funds for its needs, nor limit the Company selling its holdings in Elbit Ultrasound and/or Elscint and receiving the proceeds from such a sale, and making use of the proceeds for its needs.

9.3.15. Should there be grounds for the realization of any of the encumbrances, or should a substantial event as defined below occur, then, starting from that date, the following provisions shall apply (hereinafter: **"the restricting provisions"**); (1) After the Company's Series H bonds are fully repaid, any receipt that the Company is entitled to receive from Elbit Ultrasound or Elscint will be transferred to the trust account, and used for early repayment of the debt to the bondholders; (2) The Company shall not be entitled to sell its assets (including, but not limited to, shares in Elbit Ultrasound or Elscint) valued over 50 million NIS. Despite the above, should the ground for realizing one of the encumbrances and/or the substantial event cease to apply (in a manner in which none of the events defined below as a substantial events continue to apply) and within six sequential months no substantial event, nor any grounds for realization of any of the encumbrances apply, then the restricting provisions shall cease to apply at the end of the aforementioned six months. Moreover, should a substantial event apply only as defined in the third alternative in the definition of this term below (a breach against a bank or a financing entity as described below) and should this substantial event cease to apply, and no grounds exist for realization of the encumbrances, then, even before sixth sequential months pass after the cessation of the substantial event, the Company will be entitled to sell an asset for a sum greater than 50 million NIS, as long as the proceeds are transferred to a trust account in the Trustee's name, and used for early repayment to the bondholders, and this after the Company's Series H bonds have been repaid in full.

A **"substantial event"** means one or more of the following three events: (1) The Company has made a substantial breach (including non-payment) of its obligations against the Trustee for the Series H bonds or the bondholders thereof; (2) The Company's financial reports (published for a period after the execution of the arrangement) carry a going concern notice; (3) The Company is in breach of a payment obligation or financial covenant towards a bank or any other entity that has provided it with credit or a loan.

9.3.16. Despite all content of Section 9.3 above as none of the encumbrances have been realized, the current encumbrance, the permanent encumbrances listed above, and Elscint's and Elbit Ultrasound's obligations, will not prevent the issue of additional encumbrances, including those of an equal or superior degree to the encumbrances as defined above in favor of Bank Hapoalim for the guaranteed debt, nor the issue of new encumbrances (including those of equal or superior degree, as mentioned above, to the encumbrances as defined above) for the purpose of securing alternative financing for the guaranteed debt (as long as the sum of financing replacing the guaranteed debt does not exceed the sum of the guaranteed debt at the date of replacement). For the above purpose, the trustees will be required to sign, and will sign an appropriate document (including amending or replacing the encumbrance documents in their favor) in order to allow the registration of the aforementioned encumbrance in favor of Bank Hapoalim (or an alternative financing institution, as described above).

9.3.17. To remove all doubt, the issue and registration of the encumbrances, and Elscint's and Elbit Ultrasound's obligations, will not impact encumbrances created and registered prior to the date of the publication of the arrangement plan, and listed in **Appendix A** to this trust deed, and will continue to remain in force, despite the arrangement;

9.3.18. Despite all the content of Section 9.3 above, as long as the current encumbrance and any of the permanent encumbrances has not been realized, it is agreed upon that the Company, Elbit Ultrasound, and Elscint will be entitled to make any of the following actions and transactions, without requiring the approval of the bondholder assembly and/or the Trustee, and without being restricted from doing so by Elscint's and Elbit Ultrasound's obligations as described above:

9.3.18.1. Issuing an encumbrance for a specific asset, to be registered in favor whosoever finances the purchase, development, initiation and/or improvement of that selfsame asset, and created for the purpose of guaranteeing the financing needed for the purchase, development, initiation and/or improvement of that selfsame asset, (specific encumbrance), including bank financing for real estate projects;

9.3.18.2. The depositing and encumbrance of cash or cash-equivalents against bank guarantees (bid bonds, performance bonds and/or warranty bonds) and/or letters of credit (letter of credit and/or standby letter of credit) as part of the Company's regular business, for a sum not to exceed the sum of guarantee, or the credit letter issued against the aforementioned deposit and encumbrance.

9.3.18.3. The purchase of assets and rights starting with the date of the arrangement's execution when the assets are subject to an existing encumbrance and/or serve as a collateral, as long as they are subject to an encumbrance and/or serve as a collateral;

9.3.19. The issuing and registration of the encumbrance, as well as the receipt of the obligations and guarantees from Elbit Ultrasound and Elscint, as described in this deed, will be made to the satisfaction of the Trustee, and through the use of documents to the satisfaction of the Trustee, including the encumbrance documents, opinions that the Trustee will require regarding the matter of the encumbrance and its term, a declaration by an officer of the party issuing the encumbrance (in regards to facts only), obligation and guarantee papers from Elbit Ultrasound and Elscint, and any other reasonable document that the Trustee requires, and all as long that the aforementioned documents (including the opinion and the required declaration) are relevant, worded in an accepted and reasonable manner, and as long as they can be produced, in a wording that they produced in. For this purpose the Trustee will receive consultation and representation (including representation separate from the Company, should the Trustee so require), including legal representation of his choice in Israel and beyond its borders, with attention to the laws applying to the issue and registration of the encumbrances and the receipt of the obligations and guarantees. It is clarified that the encumbrances will be registered according to the relevant laws pertaining to the entity issuing the encumbrance and the asset covered by it, and that the Company will be responsible for, and bear, all the expenses related to the registration of the encumbrances, and the receipt of the obligations and guarantees. This includes a clarification that the Company will bear the Trustee's fees and expenses in relation to the issue and registration of the encumbrances described in this deed, and the receipt of the guarantees and obligations from Elbit Ultrasound and Elscint as described above, including the pay of the legal counsel as described above, receipt of the opinions, etc.

9.3.20. It is hereby agreed that, in any event of a contradiction between the decision of the assembly of the Company's non-guaranteed financial creditors dated 09/02/2014, attached herein as Appendix 9.3.20 and the provisions of Section 9 above, the provisions of the aforementioned assembly of non-guaranteed financial creditors will take precedence.

10. **Obligations of the Company and companies held by it towards the Trustee**

10.1. Soon after the performance of any of the actions listed in Sections 9.3.12 through 9.3.16 above by the Company or Elbit Ultrasound or Elscint (and in any event no later than 7 days from the date of the action) the Company will present the Trustee with a certificate from the chairman of the Company's board of directors or CFO, confirming that the action meets the conditions described above, including disclosure of the full details, relevant references, and calculations in active Excel as relevant.

10.2. The Company will provide the Trustee, once per quarter – on the last day of every calendar quarter – a certificate from the chairman of the board of directors, the CEO or CFO confirming that the Company, and each of the companies Elbit Ultrasound and Elscint, have not created nor obligated to create any encumbrance that would violate their obligations under the provisions of this deed. A similar certificate will be presented by Elbit Ultrasound and Elscint themselves (each on its own behalf). The certificate will have attached to it from the Israeli Company Register, as well as any document or certificate as accepted (if accepted) under the law in Luxembourg and the Netherlands, from which one can learn of encumbrances created and/or registryed during the period since the last certificate issued. The above certificate will be given by the Company also as part of clarifications for the Company's annual financial reports.

10.3. The Company, Elbit Ultrasound, and Elcint, on December 31 of every year will provide the Trustee with a certificate by an attorney/attorneys specializing in the relevant laws applicable to these companies, according to which all encumbrances created pursuant to this deed are valid and enforceable against all, as well as listing encumbrances created in the past year by any of these companies, if any have been created.

10.4. The Company is hereby obligated to abstain from resisting, as part of any proceeding under foreign law that the Trustee may have to resort to in order to realize any of the encumbrances under the trust deed, after and to what extent an proceeding for enforcement and/or realization of any of the encumbrances will be conducted in Israel, to what extent a ruling of an Israeli court is received for enforcement and/or realization of any of the encumbrances outside Israel. Without detracting from the above, rules for the choice of jurisdiction will be established as part of the encumbrance documents, stating that the right for realization of any of the encumbrances will be established by proceedings in Israel as described above, and enforced and realized abroad as well.

10.5. Subject to the content of Section 9.3.16 above, a collateral given to guarantee the bonds, if given, will not be subject to replacement or change, including a change in the conditions of the aforementioned collateral, other than pursuant to the provisions of Section 35g of the Law.

10.6. Any collateral issued will serve, independently, to guarantee all of the Company's obligations towards the bondholders, and will not be dependent on any other guarantee, including for the purpose of its enforcement.

10.7. The Trustee will evaluate, from time to time and at least once per year, the validity of the collaterals, to what extent they are given. Should the Trustee believe that this is required for the purposes of the aforementioned evaluation, he may evaluate the assets encumbered in favor of the bondholder.

10.8. The Company is obligated, alongside with Elbit Ultrasound and Elscint, to take any action as required for the abovementioned evaluation, including notifying the Trustee of any substantial changes regarding the collaterals immediately as they occur (Elbit Ultrasound and Elscint will make the same obligations towards the Trustee in the writ of obligation they will sign for him as described above.

11. **Degree of preference**

The bonds will have an equal degree of preference to each other, without any preference or superiority of one to another.

12. **Right to demand immediate repayment and/or realization of the guarantees**

12.1. Should one or more of the events listed in this section below occur, the provisions of Section 2.2 will apply, as applicable:

12.1.1. Should the Company fail to repay any sum owed by it in relation to the bonds on time, or should it fail to carry out another substantial obligation given in favor of the bond holders.

12.1.2. Should the Company breach one of its obligations in Section 9.3 of this trust deed and not amend the breach within 14 days of the date it had been required to do so, or should the collaterals, obligations and guarantees not be provided by Elbit Ultrasound and Elscint as required subject to Section 9.3.

12.1.3. Should the Company breach its obligations pursuant to the provisions of Section 5 of this trust deed, and/or the provisions of Section 6 of this trust deed, respectively.

12.1.4. Should a permanent liquidation order be issued for the Company by the court.

12.1.5. Should a temporary liquidation order be issued for the Company by the court, or a valid decision to liquidate te Company be made, and the aforementioned order or decision not be canceled within 45 days of the issue of the order or the opinion.

12.1.6. Should a permanent receiver be appointed for the Company, and the appointment not be canceled within 45 days.

12.1.7. Should the Company fail to make a principal or interest payment on time to a bank or other financing entity that has provided the Company with credit or a loan, for which the non-settled balance at the date of repayment exceeds 50 million NIS, or for which the bank or other financing entity will have grounds to serve the debt for immediate repayment.

12.1.8. Should the Company stop, or give notice of intent to stop, paying its debt or engaging in its business, as it may be from time to time.

12.1.9. Should an order for suspension of proceedings be granted to the Company, or should the Company have submitted an application for an arrangement with its creditors pursuant to Section 35 of the Company Law, 5759 – 1999 (hereinafter: **"the Company Law"**) (except for the purpose of a merger with another company, and subject to the contents of Section 12.1.10 below and/or a change in the Company's structure and/or another arrangement that does not stem from the Company encountering financial difficulties).

12.1.10. Should the Company be abolished or deleted for any reason whatsoever, except as part of a merger with another company, as long as the receiving company takes up the entirety of the Company's obligation towards the bondholders, and as long as the receiving company's board of directors has declared, as part of the merger, that there is no reasonable concern that, as a result of the merger, the receiving company will be unable to carry out its obligations towards the bondholders on time and in full.

12.1.11. In case of a fundamental breach of the terms of the bonds and the trust deed, including if it had been discovered that the Company's claims in the trust deed are inaccurate, and the Trustee has given the Company a notice to amend the breach, and the Company has not done so within 30 days of the date the notice has been given.

12.1.12. Should a substantial worsening occur in the Company's business as compared to its condition at the date of the arrangement's execution, and there exists a genuine concern that the Company will fail to repay the bonds on time.

12.1.13. The bonds have been deleted from trade at the stock exchange.

12.1.14. The Company has not published a financial report as it is obligated to do under the law, within 30 days of the last date on which it is obligated to publish such a report.

12.2.

12.2.1. Should any of the events listed in Sections 12.1.1 through 12.1.10 and 12.1.13 through 12.1.14 occur, the Trustee will be obligated to gather a bondholder assembly at a date twenty-one (21) days after the date of its summoning (or an earliter date, pursuant to the provisions of Section 12.2.7 below), with the decision regarding presentation the entire unsettled balance of the bonds for immediate repayment and/or the realization of the collaterals due to the occurrence of any of the events listed in Sections 12.1.1 through 12.1.10 and 12.1.13 through 12.1.14 of this deed placed on the assembly's agenda.

12.2.2. Should any of the events listed in Sections 12.1.11 and/or 12.1.12 and/or 12.1.15 occur, the Trustee will be entitled, and should he receive the demand of one or more bondholders possessing at least five percent (5%) of the balance of nominal value of the bonds, he will be obligated, to gather a bondholder assembly at a date twenty-one (21) days after the date of its summoning (or an earliter date, pursuant to the provisions of Section 12.2.7 below), with the decision regarding presentation the entire unsettled balance of the bonds for immediate repayment and/or the realization of the collaterals due to the occurrence of any of the events listed in Sections 12.1.11 and/or 12.1.12 and/or 12.1.15 of this deed placed on the assembly's agenda.

12.2.3. A bondholder decision to present bonds for immediate repayment and/or realize collaterals as described above, will be made at a bondholder assembly at which the holders of at least fifty percent of the balance of the nominal value of the bonds were present, by a majority of the holders of the balance of nominal value of the bonds represented in the vote, or by the aforementioned majority at a postponed assembly where holders of at least twenty percent (50%) of the balance of the nominal value of the bonds were present.

12.2.4. Should any of the events listed in Section 12.1 have not been canceled or removed by the date of the assembly, and should the bondholder assembly reached the aforementioned decision, the Trustee will be obligated to present the entirety of the unpaid balance of bonds and/or realize the collaterals, as applicable, within a reasonable period of time.

12.2.5. The trustee or the bondholders will not present the bonds for immediate repayment, nor realize collaterals, as described in Section 12 above, except after serving the Company notice of their intent to do so; however, the Trustee or the bondholders are not obligated to give the Company a notice of their intend to do so, if there is a reasonable concern that giving such a notice would harm the possibility of presenting the bonds for immediate payment or realizing the collaterals. A copy of the aforementioned assembly gathering notice that will sent by the Trustee to the Company immediately after the publication of the notice or the publication of the assembly gathering summons in the MAGNA system will constitute an advance written notice to the Company of the Trustee's intent to act as described above.

12.2.6. Should any of the subsections to Section 12.1 above establish a period in which the Company is entitle to take an action or make a decision that would remove the grounds for the decision to present the bonds for immediate repayment and/or realize the collaterals, the Trustee or the bondholders are entitled to present the bonds for immediate repayment as stated in Section 12 herein, only after the established term has elapsed, and the grounds have not been removed; however, the Trustee may shorten the term established in the trust deed, if he believes that it may significantly impact the bondholders' rights.

12.2.7. The Trustee may, at his discretion, shorten the 21-day term listed in Section 12 of this deed, in a case where it is the Trustee's view that any delay of the assembly's meeting puts the bondholders' rights at risk.

12.3. It is hereby clarified that the Trustee's obligations under Section 12 herein are subject to his de-facto knowledge of the existence of the facts, cases, circumstances and events detailed herein from public publications of the Company, or a written notice by the Company sent to him under Section 22 of this deed. None of this shall be construed to detract from the Trustee's rights and duties under any applicable law.

12.4. Without detracting from the contents of this deed, and for order's sake, it is clarified that as long as grounds exist to present the bonds for immediate payment and/or realize the collaterals as described in Section 12 herein, any collateral will be subject to enforcement and realization, whether or not the bonds have been already presented for immediate repayment, and this subject to giving notice to the Company, except in circumstances where a notice cannot be given to the Company as described above.

13. **Suits and proceedings by the trustee**

13.1. In addition to any provision in this deed, and as an independent right and authority, the Trustee will undertake, without additional notification, any proceedings, including court proceedings, he sees fit, subject to the provisions of any applicable law, to protect the bondholders' rights.

13.2. None of the above shall impact and/or detract from the Trustee's right to commence court and/or other proceedings, even if the bonds have not been presented for immediate repayment, in order to protect bondholders' rights and/or for the purpose of issuing any order regarding the matters of the trust and subject to the provisions of any applicable law. Despite the contents of Section 13 herein, it is clarified that the right of presenting bonds for immediate repayment will arise only subject to the provisions of Section 12 above, and not Section 13 herein.

13.3. The Trustee may, at his own discretion, and without a need to notify the Company, contact the appropriate court with an application to receive instructions in any matter pertaining to the trust and/or arising from this deed.

13.4. The Trustee will be obligated to act as described in Subsection 13.1 above, if he is required to do so by a regular decision of a general bondholders' assembly.

13.5. The Trustee may gather a bondholders' assembly prior to undertaking the proceedings described above, so that the bondholders may decide, by ordinary decision, which proceedings to undertake to realize their rights pursuant to this deed. Furthermore, the Trustee may, again, gather bondholders' assemblies for the purpose of receiving instructions in all that may pertain to conducting the aforementioned proceedings. The Trustee will take action in such cases without delay and at the first possible reasonable date (subject to the provisions of the second addendum to this deed regarding gathering a bondholders' assembly). To remove all doubt, it is clarified that the Trustee may not delay proceedings of presentation for immediate repayment and/or realization of collaterals on which the bondholders' assembly has decided pursuant to Section 12 above, if the delay may harm the bondholders' rights.

13.6. Subject to the conditions of this trust deed, the Trustee may, but is not obligated to, gather a general bondholders' assembly at any time in order to discuss and/or receive its instructions in all that pertains to this deed. To remove all doubt, it is clarified that the Trustee may not delay the assembly's meeting in a case where the delay may harm the bondholders' rights.

13.7. As long as the Trustee is obligated under the terms of this deed to undertake any action, including commencing proceedings or filing suits at the demand of the bondholders as described in this Section, the Trustee will be entitled to avoid taking any such action until he receives instructions from the bondholders' assembly and/or the court that the Trustee has contacted for instruction, at his discretion, in a case where he considered such instructions to be necessary.). To remove all doubt, it is clarified that the Trustee may not delay proceedings of presentation for immediate repayment on which the bondholders' assembly has decided pursuant to Section 12 above, if the delay may harm the bondholders' rights.

13.8. In cases as described in Sections 13.5 and 1.37 above, the Trustee will act to gather the assembly without delay (subject to the provisions of the second addendum to this deed regarding gathering bondholder assemblies) and not avoid action (including actions necessary for the protection of the bondholders' rights) if the inaction may substantially endanger the bondholders' rights.

13.9. Despite the above, the Trustee may submit an application for liquidation of the Company only after a special decision has been reached for this purpose at a bondholder assembly.

14. **Creditor order of precedence; distribution of the proceeds**

All proceeds received by the trustee, excluding his work fees and the repayment of any debt to him, in any manner whatsoever, including, but not limited to, the presentation of the bonds for immediate repayment and/or as a result of proceedings he will commence, if any, against the Company, will be held in trust be him, and be used by him for the following purposes and in the following order of precedence:

First – For payment of any debt for the Trustee's fees and expenses;

Second – For payment of any other sum under the 'obligation to compensate' (according to the definition of this term in Section 28 below);

Third – For payment to bondholders who have borne the payments according to Section 28.7 below;

Fourth – For payment, to bondholders, of the interest rate on delays (as established) they are owed according to the bond terms, equally and relative to the sum of the interest and/or principal delayed that each of them is owed, without preference or precedence for any of them;

Fifth – For payment, to bondholders, of the delayed interest they are owed according to the bond terms, equally and relative to the sum that each of them is owed, without preference or precedence for any of them;

Sixth – For payment, to bondholders, of the delayed principal they are owed according to the bond terms, equally and relative to the sum that each of them is owed, without preference or precedence for any of them;

Seventh – For payment, to bondholders, of the sums of interest they are owed according to the bond terms, equally and relative to the sum that each of them is owed, without preference or precedence for any of them;

Eighth – For payment, to bondholders, of the principal they are owed according to the bonds they hold and for which the payment date had not yet arrived, equally and relative to the sum that each of them is owed, without preference regarding the temporal precedence of the issue of the bonds by the Company, or on any other grounds;

Ninth – The remainder, should there be any, will be paid by the Trustee to the Company or its successors, as applicable.

Taxes will be withheld from the payments to the bondholder, to what extent they must be withheld according to any applicable aw.

15. **Authority to demand payment to bondholders via the Trustee**

The bondholder assembly may establish, by regular decision, that the Company will transfer to the Trustee a sum (or part of a sum) intended by it for a specific payment for the principal and/or a specific payment of interest for the bonds for the purpose of funding required for matters established in the assembly's aforementioned decision (hereinafter: **"the funding sum"**), as long as the aforementioned decision has been made before the date establishing the bondholders' entitlement to receive the aforementioned principal or interest.

Should the aforementioned assembly decision have been made, the following provisions will apply, unless the Company transfers to the Trustee a sum equal to the funding sum before the aforementioned date, and this, other than as part of the specific payment as described above:

15.1. The Company will transfer the funding sum to the Trustee at the date set in this deed for the payment of the principal or interest, as described above.

15.2. The sum of the specific payment as described above (whether interest or principal) will be reduced, and the funding sum will be withheld from it, and in the case of interest payment, the rate of the specific payment will also be reduced accordingly.

15.3. The funding sum (with the addition of interest as applicable to the bond according to this trust deed, from the applicable date for the specific payment as described above, and up to its de-facto payment) will be paid at the next closest date established in this trust deed for payment for the principal and/or interest (or another date as established in the assembly decision as described above) and will be added to the next payment as an inseparable part thereof.

15.4. The company will publish an immediate report before the applicable date of the changes in the terms of this trust deed in regards to payments for the principal and/or interest arising from the contents of this section.

15.5. Despite the above, should it be ruled in a final judicial decision after the transfer of the funding sum as described above in this section, that the Company was not obligated to pay the required funding for the matters established in the aforementioned assembly decision, the Company will be entitled to relief in the form of non-application of the provisions of Section 14.3 above, or any other relief that the judicial decision may establish.

15.6. None of the above shall be construed to release the Company from its obligation to bear the additional expenses and wage payment, whatever they may be, in any circumstance in which it is so obligated under this deed or under any applicable law.

16. **Authority to delay the distribution of funds**

16.1. Despite the content of Section 14 above, should the sum received as a result of engaging in the abovementioned proceedings and available for distribution at any time, as described in that section, be less than 1 million NIS, the Trustee will not be obligated to distribute, and may invest the aforementioned sum, in whole or in part, in permissible investments pursuant to this deed, and replace these investments from time to time with other permissible investments at his discretion.

16.2. If and when the abovementioned investments, together with their profits and additional sums that are transferred to the Trustee for payment to the bondholders, if any, reach a sum sufficient to reach the abovementioned total, the Trustee shall be obligated to use the abovementioned sums according to the order of precedence in Section 14 above, and distribute the abovementioned sum at the nearest date of payment of the principal or interest. Despite the above, the Trustee's pay and expenses will be paid from the abovementioned sums immediately upon the arrival of the date for that payment, even if the sums transferred to the Trustee are lower than 1 million NIS.

16.3. Despite the above, the bondholders may, by regular bondholder assembly decision, obligate the Trustee to pay them the sums accumulated in his possession, even if they have not reached a total of 1 million NIS, and all subject to the order of precedence in Section 14 above.

17. **Notice of distribution and deposit with the Trustee**

17.1. The Trustee shall notify of the bondholders of the day and place where any of the payments mentioned in Sections 14 and 16 above shall be made, this by advance 14-day notice made in the manner established in Section 29 below.

17.2. After the date set in the notice the bondholders will be entitled to interest for their bonds according to the rate established in the bonds, for the balance of the principal (if any) remaining after withholding the sum that they have been paid or offered for payment, as described above.

17.3. The money distributed as described in Section 17.1 will be considered part of the repayment.

18. **Non-payment for a reason that does not depend on the Company**

18.1. Any sum that is owed to the bondholder and has not been actually paid at the date set for its payment, for a reason that does not depend on the company, even where the Company itself was ready to pay it (hereinafter: **"the impediment")** will cease bearing interest and linkage differentials starting from the abovementioned date, and the aforementioned bondholder will be entitled only to those sums to which he was entitled at the date set for the repayment of that payment for the principal, interest, or linkage differentials.

18.2. Should the aforementioned sum not be paid within 14 days of the date set for its payment, on the 15th day after the set date for repayment the Company shall transfer (and should this day not be a business day, it shall do so on the next business day afterwards) the sum to the Trustee, who will hold the sum in trust for the bondholder, and such possession will be considered as a payment of the same sum to the bondholder, subject to the below. Should the abovementioned sum be the last payment, holding the sum in trust will be considered as a repayment of the bond, subject to the below. The Trustee shall deposit any sum held by him in trust for the bondholder, and invest it in his name or under his instruction, at his discretion, in Israeli government bonds or current credit deposits in one of Israel's five largest. After he received notice from the bondholder of the removal of the impediment, the Trustee will transfer to the bondholder all the money accumulated for the deposit and arising from the realization of its investment, withholding all expenses and trust account management fees, and any lawful tax. The payment will be made against the proof, acceptable to the Trustee, of the bondholder's right to receive it.

18.3. At the end of a year from the bond repayment deadline, the Trustee shall transfer the funds accumulated in his possession to the Company, including the fruits thereof, withholding his expenses, and the Company shall hold them in trust and invest them, as described above, on behalf of the bondholder for a period of a year from the date of the transfer, and will make no use of them for the entirety of the year. In all that pertains to fund transferred to the Company by the Trustee, as described above, the contents of this section shall apply to it, *mutatis mutandi*. After the transfer of the funds of the funds to the Company, the Trustee will not owe the bondholders any payment whatsoever for the funds held by him as described above. The Company will confirm in writing to the Trustee the transfer of the aforementioned funds and the receipt thereof on behalf of the aforementioned bondholders.

18.4. Should the aforementioned funds not be demanded from the Company by those entitled to them for a term of two years of the bonds' final payment deadline, they will be transferred to the Company, and it will be entitled to make use of them for any purpose whatseoever.

19. **Receipts from the bondholders and the Trustee**

19.1. A signed receipt from the Trustee regarding the deposit of the sums of principal, interest, and linkage differentials with him on behalf of the bondholders will release the Company absolutely from all that pertains to the fact of the payment of the sums listed in the receipt.

19.2. A signed signature by the bondholder or a reference from a member of the stock exchange of the fact of the transfer, or a reference for the transfer from the stock exchange clearing house for the sums of principal, interest, and linkage differentials paid to him by the Trustee for the debt shall release the Trustee and the Company absolutely from all that pertains to the fact of the payment of the sums listed in the receipt.

19.3. Funds distributed as described in Section 17 above will be considered part of the bond repayment.

20. **Presentation of a bond to the Trustee and registration in relation to a partial payment**

20.1. The Trustee will be authorized to demand that the bondholders present him, at the time of payment of any interest, and linkage differentials, or a partial repayment of the sums of principal, interest, and linkage differentials subject to the provisions of Sections 14, 16, and 17 above, the certificates for the bonds for which the payments are being made, and the bondholder will be bound to present the aforementioned bond, as long as this shall not bind the bondholders to make any payment and/or exchange and/or impose on the bondholders any liability and/or obligation.

20.2. The Trustee will be authorized to write on the bonds a note in regards to the sums paid as described above, and the date of the payment.

20.3. In any special case according to his discretion, the Trustee will be authorized to forgo the presentation of the bond after being given, by the bondholder, a writ of compensation and/or sufficient guarantee to satisfy him in regards to damages that may occur due to a lack of record for the aforementioned note, all as he sees fit.

20.4. Despite the above, the Trustee will be authorized to maintain records of the aforementioned partial payments in another manner, at his discretion.

21. **Investment of the funds**

Any funds that the Trustee is authorized to invest according to this bond will be invested by him in a bank or banks with an AA– or higher ratings, in his name or at his instruction, in Israeli state securities or additional securities that the laws of the State of Israel permit to be used for investment of trust moneys, this as he sees fit, and all pursuant to the conditions of this trust deed, as long as any investment in securities will be in securities rated by a rating company at a level of at least AA– or equivalent.

22. **Additional obligations of the Company towards the Trustee**

The Company is obligated to the Trustee to the following obligations, as long as the bonds (including the interest and linkage differentials for them are not fully paid out), to the following:

22.1. To continuously manage its business in a regular and appropriate manner;

22.2. To manage regular accounting records according to accepted accounting principles, retain the accounting books and the documents used as references for them, and allow any authorized representative of the Trustee to peruse any of the aforementioned books and/or documents at any reasonable time arranged in advanced with the Company, as long as, in the Trustee's reasonable opinion, the abovementioned perusal is required to the Trustee to implement and utilize the authority and powers given to him by the trust deed, as long as the Trustee is acting in good faith, and subject to the confidentiality obligation as described in Section 22.9 below. For this purpose, an authorized representative of the Trustee means whosoever the Trustee may appoint for the purpose of the aforementioned perusal, by written notice from the Trustee served to the Company before the aforementioned perusal, and including also an certificate from the Trustee confirming that the representative is obligated to the Company to maintain the confidentiality of the information he receives while acting on the Trustee's behalf.

22.3. To notify the Trustee in writing, as soon as possible and no later than within 4 business day, of the occurrence of any event of the events listed in Section 12.1 (with its subsections), as well as the occurrence of a "substantial event" (subject to the definition in Section 9.3.13 9.3.15 above).

22.4. To provide the Trustee with a copy of any document or information that the Company has transferred to the bondholders, should such a document be transferred. The Company will give the Trustee, or an authorized representative thereof who shall be an attorney and/or accountant by profession (and notice of his appointment had been given by the Trustee to the Company upon his appointment) additional information regarding the Company (including clarifications, documents and calculations in regards to the Company, its business or assets, and will, further, instruct its accountant and legal consultants to do so, upon written demand by the Trustee, as long as, in the Trustee's reasonable opinion, the abovementioned perusal is required to the Trustee to implement and utilize the authority and powers given to him by the trust deed, including information that may be vital and necessary for protection of the bondholders' rights, as long as the Trustee is acting in good faith, and subject to the confidentiality obligation in Section 22.9 below.

22.5. To summon the Trustee to its general assemblies (whether regular general assemblies or special general assemblies of the company's shareholders) without granting the Trustee a voting right therein. The publication of a summons to a general assembly of the Company's shareholders in the MAGNA system will be considered as summoning as Trustee for the purposes of this Section.

22.6. To give the Trustee the reports listed in Section 33 below.

22.7. To take all the necessary and/or required actions in a reasonable manner subject to the provisions of any applicable law for the purpose of giving force to the authority, and powers given to the Trustee and/or his representatives subject to the provisions in the trust deed.

22.8. Every December 31st of every year, as long as this trust deed remains in force, the Company will provide the Trustee with a written certificate signed by a Company officer, confirming that, to the best of its knowledge, in the period from the date that bonds have been issued, or in the period after the last certificate given the Trustee under this subsection (the later of the two) and up to the ate of the certificate, the Company has not engaged in substantial breaches of the trust deed (including regarding the provisions of specific sections of the trust deed, regarding which the Trustee will request the Company address in this certificate) and that no grounds exist for presentation of the bonds for immediate repayment and/or realization of the collateral for the bonds, except where this has been stated in the aforementioned certificate. Attached to this certificate by the Company shall be an updated printout of the Company's records in the Company Register, and any relevant updated printout for any encumbering company under this deed.

22.9. By signing this trust deed, the Trustee hereby obligates himself that he, and any of his employees, will keep any information given under Section 22 herein confidential, and not reveal it to any other party or make any use of it, except where it may be required to fulfill his duties under the Securities Law, the trust deed, or a court order. It is clarified that, subject to any law, transferring information to the bondholders for the purpose of making a decision concerning their rights under the bond, or the purpose of a report on the Company's status, does not constitute a breach of this confidentiality obligation, as long as the information transferred is reasonably necessary for the protection of their rights under this bond.

For the purpose of Section 22 herein, it is clarified that a publication of a report in the MAGNA system constitutes giving information to the Trustee.

23. **Additional obligations**

23.1. After, and to what extent, the bonds are presented for immediate repayment, or collaterals are realized subject to the provisions of Section 12 above, the Company, from time to time and at any time it may be required to do so by the Trustee, will take all reasonable action to enable the operation of all authority granted to the trustee, and especially it shall undertake the following actions within reason:

23.2. Make the declarations and/or sign all documents and/or make and/or cause to be made all the necessary or required actions subject to the law, for the purpose of giving force to the authority and powers of the Trustee and/or his representatives pursuant to this trust deed.

23.3. Issue all notices, orders and instructions that the Trustee will see as useful and require them for the purpose of implementing the provisions of this deed.

24. **Reporting by the Trustee**

24.1. Every year, by the end of the second calendar quarter of every calendar year, the Trustee shall draft an annual report of the trust's business (hereinafter: **"the annual reports"**), and submit it to the Authority and the stock exchange.

24.2. The annual report shall include the details established by the law from time to time.

24.3. Submission of the annual report to the Authority and the stock exchange is equivalent to presenting the annual report to the Company and the bondholder.

24.4. The Trustee must submit a report regarding actions he has undertaken pursuant to the provisions of Chapter E1 of the law on a reasonable demand of the holders of at least ten percent (10%) of the balance of the nominal value of the bonds from that series, within a reasonable time period from the date of the demand, all this subject to the confidentiality obligation the Trustee is bound by towards the Company subject to Section 35j(d) of the Law.

24.5. The Trustee shall update the Company before making a report pursuant to Section 35h1(a) through (c) of the Law.

25. **Trustee compensation**

The Company will pay the Trustee a compensation for his services, subject to the terms of **Appendix B – Compensation** attached to this deed.

26. **Special authority**

26.1. The Trustee may, as part of carrying out the trust's business according to this deed, commission the opinion or written consultation of any attorney, accountant, appraiser, surveyor, mediator or other specialist, whether such opinion or consultation has been prepared to the request of the Trustee and/or the Company, and act according to its conclusions, and the Trustee will not be liable for any losses or damages incurred as a result of any action or inaction undertaken by him based on the aforementioned consultation or opinion, unless it has been established that the Trustee has acted with recklessness and/or bad faith and/or malice. The trustee will provide a copy of the aforementioned consultation or opinion for the perusal of the bondholders and the Company on demand. The Company will bear the entirety of the reasonable expenses for employment of the consultants appointed as mentioned above, as long as the Trustee gives the Company advance notice of his intent to solicit such expert opinion or consultation.

26.2. Any such consultation or opinion can be given, sent, or received by letter, telegram, fax, or any other electronics means of communication, and the Trustee will not be liable for actions taken based on a consultation, opinion or piece of information transferred by any of the means mentioned above, even though they should contain errors or be inauthentic, unless it was possible to find the errors or the lack of authenticity by means of a reasonable check, as long as he has not acted with recklessness and/or bad faith and/or malice. It is clarified that the documents will be transferrable on, on one side, and the Trustee will be entitled to base his decision upon them, on the other, only in a situation where they are received clearly and no difficulty arises in reading them. In any other situation, the Trustee will be responsible for demanding their receipt in a manner enabling their appropriate reading and comprehension, as stated above.

26.3. The Trustee will not be obligated to inform any part of the signing of this deed, and will not be authorized to intervene in any way in the management of the Company's business or affairs. None of the contents of this section may be construed to limit the Trustee in actions that he must undertake pursuant to the conditions of this trust deed.

26.4. The Trustee will utilize the trust, powers, authorizations and authority given to him under this trust at his sole discretion, and will not be liable for any damages that occur as a result of an error in his aforementioned judgement, as long as he has not acted with recklessness and/or bad faith and/or malice.

27. <u>The Trustee's authority to employ representatives</u>

The Trustee will be authorized to appoint a representative/representatives to act on his behalf, whether an attorney or another kind, to undertake or participate in special actions that must be undertaken in relation to the trust, as well as pay a reasonable wage to any such representative, including, but without detracting from the general sense of the above, undertaking legal proceedings or representation in merger or splitting proceedings for the Company. It is clarified that the appointment of the aforementioned representative will not detract from the Trustee's responsibility for his actions, and those of his representatives. Moreover, the Trustee will be authorized to pay the reasonable wages of any such representative at the Company's expense (including in advance), as long as the Trustee gives the Company advance notice of his intent to appoint such a representative/representatives. For this purpose, the publication of the results of a decision of a bondholder assembly regarding issuing an instruction to appoint such a representative will constitute notice to the Company.

28. <u>Compensation</u>

28.1. The Company and/or bondholders (at the relevant applicable date as stated in Section 28.5 below, each regarding their obligation as stated in Section 28.3 below) respectively are hereby authorized to compensate the Trustee and any of his representatives pursuant to this deed, including any officers, employees, shareholders, representatives or experts appointed by the Trustee according to the provisions of this trust deed and/or any lawful decision made by a bondholders' assembly pursuant to the provisions of this trust deed (hereinafter: **"those entitled to compensation"):**

For fiscal charges according to a court ruling (for which a stay of execution has not been given), or a settlement that had been concluded (and inasmuch as the settlement applies to the Company, the Company's consent to the settlement has been given) the grounds thereof arise from actions undertaken by those entitled to compensation or those that they must undertake pursuant to the provisions of this deed and/or the law and/or the instruction of a lawful authority and/or the demands of the bondholders and/or the demands of the Company; as well as

For the wages of those entitled to compensation and reasonable expenses that they have made and/or are about to made due to the execution of the trust, which in their reasonable opinion were required for this purpose and/or as a result of using the powers and authority given by this deed.

All this at the conditions that:

28.1.1. Those entitled to compensation will not demand advance compensation on a matter not permitting delay (this, without detracting from their right to demand compensation retroactively);

28.1.2. A final court decision has not established that those entitled to compensation have acted in bad faith and/or this action was undertaken other than as part of their duties, in accordance to the provisions of the law and/or in accordance with this trust deed;

28.1.3. A final court decision has not established that those entitled to compensation have maliciously;

28.1.4. The Trustee has notified the Company in writing immediately upon discovering the fact of any suit and/or demand as described above, and allowed the Company to conduct the proceedings, unless if the proceedings are conducted by the Trustee's insurance company, unless the proceedings are managed by the Trustee's insurance company, or the Company has a conflict of interest.

The obligation to compensate pursuant to Section 28.1 herein will be referred to as **"the obligation to compensate".**

It is agreed upon that in any case where it is established in a final court ruling that those entitled to compensation have (1) acted other than in good faith or as part of their duties, in accordance to the provisions of the law and/or in accordance with this trust deed; and/or (2) acted maliciously – those entitled to compensation will return the "obligation to compensate" sums, to what extent they have been paid those.

28.2. Without detracting from the "obligation to compensate" in Section 28.1 above, as long as the Trustee will be obligated, pursuant to the conditions of the trust deed and/or the law and/or an instruction from a lawful authority and/or the demands of the bondholders and/or the demand of the Company, to undertake any action, including, but not limited to, initiating proceedings or suits according to the bondholders' demands, as described in this trust deed, the Trustee will be entitled to avoid undertaking any such action, until he receives a financial deposit to cover the "obligation to compensate" (hereinafter: **"the funding cushion"**) of a first-degree from the company. In the event that the Company fails to deposit all or part of the "funding cushion", the Trustee will contact the bondholders that have held them on the applicable date (as described in Section 28.5 below) with a request for them to deposit all or part of the sum of the "funding cushion" with him, as relevant, each of them his "relevant part" (as defined below). In the event that the bondholders should fail to actually deposit the entire sum of the "funding cushion" required for them, the duty to undertake the relevant action or proceedings will not apply to the Trustee. However, the above will not be construed to to exempt the Trustee from undertaking an urgent action required to prevent substantial harm to the bondholders ' rights.

The Trustee is authorized to establish the sum of the "funding cushion", and will be authorized to repeatedly act to create an additional cushion, from time to time, at sums set by the Trustee.

After the regulations are made for the depositing of the deposit by the Company in favor of the bondholders pursuant to Section 35E1 of the Securities Law, this deposit will serve instead of the funding cushion, and the Trustee is authorized to contact the Company from time to time to renew the renew the deposit, subject to the provisions of the law.

28.3. "The obligation to compensate":

28.3.1. **Shall apply to the company** in any case of **(1)** Actions taken pursuant to the terms of the trust deed for the purpose of protecting bondholders' rights (including those taken pursuant to a bondholder's demands, on grounds described in this deed, as required for the aforementioned protection); **as well as (2)** Actions taken at the Company's demands.

28.3.2. **Shall apply to the bondholders** who have held the bonds on the applicable date (as described on Section 28.5 below) in any case of **(1)** Actions taken on demand of the bondholders (excepting actions that, as stated above, have been undertaken at the bondholders' demand, on grounds described in this deed, to protect the bondholders' rights)**; as wells as (2)** in the event of non-payment by the Company of all or part of the "obligation to compensate" payment (as relevant) applicable to it according to any Section above, or the provisions of Section 32.7 below.

28.4. In any case in which: **(a)** The Company fails to pay the sums necessary to cover the of the "obligation to compensate" and/or fails to deposit the "funding cushion", as relevant; **and/or (b).** The obligation to compensate applies to the bondholders pursuant to the provisions of Section 28.3.2 above and./or the bondholders have been called upon to deposit the "funding cushion" pursuant to Section 28.2 above, the following provisions will apply:

28.4.1.1. To what extent the funding cushion or the deposit have been deposited (pursuant to the provisions) of Section 35E1(b) of the law, the Trustee will make use of the funds therein;

28.4.1.2. Should the funding cushion or the deposit not suffice to make the aforementioned compensations, the funds will be charged as follows:

First – The sum will be funded from the interest and/or principal funds that the Company must make to the bondholders after the date of the required actions, and the provisions of Section 15 above shall apply;

Second – In the event that, in the Trustee's opinion, the sums deposited in the funding cushion shall not suffice to cover the "obligation to compensate", the bondholders who have held the bonds on the applicable date (as described in Section 28.5 below) shall deposit the missing sum with the Trustee according to their relative part (as defined below).

For these purposes, **"the relative part"** will be interpreted to mean the relative part of the bonds that the bondholder had in his possession on the relevant applicable date, as defined in Section 28.5 below, of the total nominal value in circulation as of that date. It is clarified that the calculation of the relative part will remain constant even if, after that date, a change occurs in the nominal value of the bonds held by the bondholder.

28.5. The applicable date for establishing the obligations of the bondholder for the purposes of the "obligation to compensate" and/or the payment of "the funding cushion" is as follows:

28.5.1. In any event where the "obligation to compensate" and/or the payment of the "funding cushion" are required due to a decision or urgent action necessary to avoid a substantial harm to the bondholders' rights, and this without an advance decision of a bondholders' assembly – the applicable date for determining the obligation will be the end of the trading day on which the action was taken, or the decision to undertake the action was made by the trustee, and should that day not be a trading day, the trading day prior to that.

28.5.2. In any event where "the obligation to compensate" and/or the payment of the "funding cushion" are required by the decision of the bondholder assembly – the applicable date for establishing the obligation will be the date of the participation in the assembly (as established n the summons notice), and the obligation will apply also to a bondholder who did not participate in the assembly.

28.6. Payment by the bondholders, instead of the Company, of any sum applying to the Company according to Section 28 herein, does not release the Company from its obligation to make the aforementioned payment.

28.7. Regarding the precedence of refunds to bondholders who have borne the payments according to this section from the Trustee's receipts, see Section 14 above.

29. Notices

29.1. Any notice by the Company and/or the Trustee to the bondholders will be given by publishing an immediate report in the Securities Authority's MAGNA system, and in situations described below only, including situations where a newspaper publication as described below is required under any applicable law, the notice will also be published also in the two most widely circulated Hebrew-language newspapers in Israel: (a) A settlement arrangement pursuant to Section 350 of the Companies Law; (b) A merger. Any notice published or sent as described above will be considered to have been delivered to the bondholder on the day of its aforementioned publication (in the MAGNA system or in the press, as relevant).

29.2. The Trustee is entitled to order the Company, and the Company will be obligated to immediately make, through the MAGNA system, any report in the wording sent to the Company by the Trustee.

29.3. In a case where the Company will cease to be a "reporting corporation" as defined in the law, any notice on behalf of the Company and/or the Trustee to the bondholders will be given by registered mail to the last address of the registryed bondholders as listed in the registry, and by publishing it in the two most widely circulated Hebrew-language newspapers in Israel. Every notice sent by mail as described above will be considered to have been delivered to the bondholders after three (3) business day from the day of being sent by registered mail.

29.4. Copies of notices and summons given by the Company to the bondholders will also be sent by it to the Trustee. It shall be clarified that this does not include the Company's regular reports to the public. Copies from notices and summons sent by the Trustee to the bondholders will also be sent by him to the Company.

29.5. Any notice or demand by the Trustee to the Company, or by the Company to the Trustee can be given by registered mail to the address listed in the trustee (or another address, of which one party will notify each other in writing), or by fax (with the addition of a phone verification of its receipt by the addressee), or electronic mail with confirmation of its receipt by a response (made non-automatically) through electronic mail by the receiving public, and any such notice or demand will be considered as having been received by the addressee after three business day from being sent by registered mail, a single business day after being sent by electronic mail or fax, or on the first business day after being sent by courier or the addressee being offered to receive it from the courier, as relevant.

30. Forfeiture, settlement, and/or changes in the terms of the bonds and the trust deed

30.1. Subject to the provisions of the law, the trustee will be entitled to, from time and at any time, if he has been persuaded that, in his opinion, this will not harm the bondholders, to forgo a breach or failure to fulfill any of the terms of the bonds, or this deed, by the Company.

30.2. Pursuant to the provisions of the law, and any non-conditional law, and by advance approval by a special decision of a bondholders' assembly, whether before or after the principal on the bonds is up for repayment, the Trustee is authorized to reach a settlement with the Company in regards to any right of claim of the bondholders, or some of them, and reach a settlement of any kind with the Company in regards to their rights, including forfeiting any right or claim he and/or the bondholders or some of them may have towards the Company.

30.3. Pursuant to the provisions of the law, and any non-conditional law, whether before or after the principal on the bonds is up for repayment, the Company and the Trustee may alter the trust deed and/or the bond conditions, if one of the following conditions applies:

30.3.1. The Trustee has been convinced that the change does not harm the bondholders. Despite this, this Section shall not apply to changes in the trust deed and/or the bond terms in all that pertains to reducing the rate of interest listed in the bond and the dates of payment according to the bond terms (except for technical changes in the dates or the applicable term of payment, for which the aforementioned changes can be made), nor to grounds for presenting the bonds for immediate payment, or the identity or compensation of the Trustee, for the purpose of appointment of a Trustee in lieu of one whose term of service has expired.

30.3.2. The proposed change has been approved by a special decision of a bondholder assembly.

30.4. The Company will give the bondholders a written notice of any change as described above pursuant to Section 30.1, 30.2 or 30.3 above, without delay, as soon as possible after the change has been made.

30.5. In any event that the Trustee has made use of his right pursuant to this section, he will be authorized to demand the bondholders send the bond certificates to him or the Company, for writing in them a note regarding any settlement, forfeiture, change or amendment as described above, and the Company will make such a note in the bonds it has had handed to it, on the Trustee's demand. In any event of the Trustee choosing to make use of his right pursuant to this section, he will give the bondholders written notice of this decision without delay and as soon as possible.

31. The bondholder registry

31.1. The Company will hold and maintain in its registered office a registry of the bondholders, pursuant to the provisions of the Securities Law, and keep it open for perusal by any person.

31.2. Pursuant to the provisions of Section 35H3 of the Law, the Company will not obligated to enter into the bondholder registry any notice in regards to an explicit, included, or estimated trust, or mortgaging or encumbrance of any kind, or any lawful rights, claim, offsetting or any other right in regards to the bonds The Company will recognize only the ownership of the bonds by the person in whose name they have been registered. The lawful heirs, estate managers or executors of the will of the registryed bondholder, and any person entitled to the bonds due to the bankruptcy of a registered bondholders (or the dismantling of such a bondholder if it is a corporation) will be entitled to registered as bondholders after giving proof that, in the Company's view, are sufficient to prove their right to be so registered.

32. Expiration of the Trustee's position

32.1. The provisions of the Law shall apply to the Trustee's position, its expiration, and the appointment of a new Trustee.

32.2. The Trustee is entitled to resign from his position at any date he may wish to do so, after giving the Company written notice two months in advance, listing the reasons for his resignation. Pursuant to any law, the Trustee's resignation is not valid unless it has been approved by the court, and is valid from the day set for this in the Court's aforementioned approval. In any event, a Trustee whose position has expired will continue serving in this capacity until another Trustee has been appointed.

32.3. The Securities Authority may contact the court with an application to discontinue the Trustee's condition, pursuant to Section 35N of the Securities Law, or any provision that shall replace it. The court may dismiss a Trustee who has failed to carry out his duties appropriately, or for another reason.

32.4. The Trustee will cease to serve if it is discovered he is prevented from serving in this position due to a change in the provisions of the Law and/or any applicable law in regards to his fitness to serve as a Trustee, including a case where the aforementioned impediment is created in relation to the registration of the bonds for trade on the stock exchange. For these purposes, a demand by the Securities Authority to discontinue the Trustee's position will also be considered an impediment. In such a case, a new Trustee as proposed by the Company will be appointed, subject to approval by the bondholders' assembly as described in Section 32.6 below. The Trustee forfeits any claims and/or demands against the company for the very fact of his replacement by another Trustee, should he cease to serve pursuant to this subsection, and this without detracting from the provisions of Section 32 below.

32.5. The Company will notify the bondholders of any such event as described above pertaining to the Trustee's position.

32.6. The holders of five percent (5%) of the nominal value of the remaining balance of the bond principal and/or the Company may gather a general bondholders' assembly, and the assembly may decide to remove the Trustee from his position, by a majority of 75% of the bonds participating in the vote, as long the holders of at least fifty percent (50%) of the nominal value of the bond were present at the assembly. At a delayed bondholder assembly, the presence of the holders of at least ten percent (10%) of the aforementioned balance is sufficient.

32.7. Should the Trustee's position expire or end, the Trustee will continue carrying out his duties until another Trustee has been appointed to replace him, who shall be a company registered in Israel with its principal business being the execution of trust, and meeting the qualification terms required by the Law.

32.8. It is clarified that the appointment of an alternate Trustee pursuant to the provisions of Section 32 herein will be subject to the bondholders' approval as described in Section 32.6.

32.9. Any new Trustee will have the same powers and authority as the Trustee he replaces, and he will be able to act for all intents and purposes, as if he has been appointed as a Trustee in the first place. It is clarified that the Trustee's obligations to act according to the trust deed and the bonds will not end until the trust's funds, assets and rights, whatever they may be, are transferred to the new Trustee. The Trustee is obligated to cooperate with the Company and the new Trustee for the purpose of carrying out the aforementioned transfer.

32.10. It is clarified that the end of the Trustee's service in his position does not detract from any rights, suits or claims that the Company and/or the bondholders may have against the Trustee, as long as the grounds for them precede the end of his service as the Trustee, and it does not release the Trustee from any of his obligations under any applicable law. It is further clarified that the end of the Trustee's service in his position does not detract from any rights, suits or claims that the Trustee may have against the Company and/or the bondholders, nor does it release the Company and/or the bondholders from any obligations they may have under any applicable law.

32.11. The Company will publish an immediate report in any event of resignation of the Trustee and/or appointment of a different Trustee.

33. Reporting to the Trustee

33.1. In addition to the contents of Section 22 above, and any other report required pursuant to this deed, and as long as the bonds have not been repaid, the Company will draft and submit to the Trustee the following:

33.2. The Company's audited financial reports for the fiscal year ending on December 31st of the previous year, immediately after their publication by the Company.

33.3. Any publication of the Company's financial reports immediately after their publication by the Company.

33.4. A copy of any document that the Company transfers to the bondholders.

33.5. A report of any change in the bonds' rating or the discontinuation thereof.

33.6. Publication of the reports and/or the aforementioned information in the MAGNA system by the Company will be considered as their submission to the Trustee.

34. Applicability of the Securities Law

In any event not mentioned in this deed, as well as in any event of a contradiction between the (unconditional) provisions of the Law and the regulations pursuant thereto and this deed, the parties will act pursuant to the provisions of the Law and regulations.

35. Bondholder assemblies

The general bondholder assemblies will be gathered and managed pursuant to the conditions listed in the second addendum to this deed.

36. Early repayment of the bonds at the initiative of the stock exchange

In the event in which the stock exchange decides to delete the bonds in circulation from registration for trade because the value of the bond series and/or the public's holdings of the bond series[1] has become less than the sum established in the stock exchange's guidelines for the deletion of bonds from trade, the Company will act as follows:

36.1. Within 45 days of the date of the decision by stock exchange's board of directors of the deletion of the bonds from registration for trade, as described, the Company will announce a date of early repayment at which the bondholder may receive a return for them. The Company will pay the bondholder the principal, with the addition of interest and linkage differentials subject to the bond terms, as accumulated until the day of de-facto repayment.

36.2. Notice of the date of early repayment will be published in an immediate report sent to the Authority and the Stock Exchange, and published in the two most widely circulated Hebrew-language newspapers in Israel, and delivered in writing to all registered bondholders (if any).

36.3. The date of early repayment of the bonds will apply no earlier than 17 days from the publication of the notice, and no later than 45 days from the date above, but not in the period between the applicable date for determining the interest payment and its actual payment.

[1] It shall be noted that, as of the date of the arrangement's execution, according to the stock exchange's guidelines, concern bonds (such as the Series I bonds) can be removed from trade only in the event that the value of the bond series has become less than the sum established in the stock exchange guidelines for deletion of bonds from trade.

36.4. At the date of early repayment, the Company will buy out the bonds that the bondholders wish to have repaid, according to the balance of their nominal value with the addition of interest and linkage differentials accumulated until the date of actual repayment (the interest rate will be calculated based on 365 days per year).

36.5. Establishing the date of early repayment as described above does not impact the rights of repayment established in the bonds of those bondholders who will not have them repaid on the day of early repayment as established above, and the bonds will be removed from trade in the stock exchange. Among other implications, the tax implications arising from this will apply to those bonds.

36.6. An early repayment of the bonds as described above will not grant those who have held the bonds repaid in this fashion the right for interest payments for the period after the actual repayment.

37. **The Company's right to make an early repayment**

37.1. The Company will be entitled to, at any time and at its sole discretion, to pay the balance of the bonds, in whole or in part, early and without the payment of any fine or commission, pursuant to the following conditions:

37.2. The sum paid to the bondholders in the event of their early payment pursuant to Section 37 herein will be the adjusted obligation value of the bonds in circulation that are up for early repayment, up to the de-facto date of the early repayment.

37.3. The frequency of early repayments shall not exceed one per quarter.

37.4. Should an early repayment been set for a quarter in which an interest payment, partial repayment, or final repayment have been scheduled, the early repayment will be made at the date established for the aforementioned payment.

37.5. For the purposes of this section, "quarter" shall be read to mean each of the following period: January – March, April – June, July – September, October – December.

37.6. The minimal sum of any early repayment shall not be lower than 1 million NIS. Despite the above, the Company may perform an early repayment at a sum lower than 1 million NIS, as long as the frequency of the repayments will not exceed one per year.

37.7. Any sum repaid by early repayment by the Company, will be repaid in relation to the all bondholders, *pro rata* according to the listed value of the bonds held.

37.8. Early repayment of the bonds will be subject to the relevant stock exchange guidelines, as they may apply at the time.

37.9. Once the Company's Board of Directors decides to make an early repayment as described above, the Company will publish an immediate report, with a copy to the Trustee, no less than seventeen (17) and no more than forty-five (45) days before the date of early repayment. In the aforementioned immediate report, the Company will list the rate of the early repayment to the principal, the sum of the principal to be repaid via early repayment, the remainder of the unpaid principal remaining after the early repayment, as well as the interest and linkage accumulated for the aforementioned principal sum until the date of the early repayment, the rate of the partial repayment in terms of the original series, the rate of interest in the partial repayment on the repaid part, and the rate of interest paid in the early repayment, calculated for the remaining balance. The date of payment is 12 days after the applicable date for the early repayment.

37.10. The date of early repayment will not fall on a period between the date of the applicable date for payment of interest for the bonds, and the date of the actual payment of the interest.

37.11. No early repayment will be made for part of the bond series, should the sum of the last repayment be reduced to below 3.2 million NIS.

38. **Early repayment in the event of payment of dividends**

38.1. Should the Series H bonds have been repaid in full, and as long as 4.5 year have not yet elapsed from the date of commencement, then, should the Company carry out distribution as defined in the Companies Law, including the payment of a dividend to its shareholders in any way, the Company will be obligated to make, simultaneously with the distribution or the payment of the dividend, an early repayment for the bonds, at a sum equal to the entire sum of the dividend paid by the Company, or that of the value of the distribution. To remove all doubt, should the sum of the remaining balance at the date of the distribution be lower than the sum of the dividend paid, then the Company shall pay out the entirety of the remaining balance at the date of the dividend's distribution. To remove all doubt, the provisions of Section 38 herein do not detract from the provisions of Section 18 above.

38.2. The Company shall publish an immediate report upon making the decision regarding the aforementioned distribution, including the sum that it intends to distribute, and subject to the dates established in Section 29 above, and in any event no later than 7 business days prior to the actual distribution.

38.3. The early repayment subject to the provisions of Section 38 herein, will be subject to the provisions listed in Sections 38 above.

39. **Other agreements**

Subject to the provisions of the Law and the restrictions exposed thereby on the Trustee, his carrying out of his duties as Trustee pursuant to this deed, or the mere holding of the position as Trustee, will not impede him from entering into various contracts with the Company or making transactions with it during the ordinary course of his business.

40. **Addresses**

The parties' addresses will be as listed in the introduction to this deed, or any other address for which the opposing party will be given appropriate written notice.

41. **Applicable law and jurisdiction**

The law applying to this trust deed with its appendices is Israeli law. The sole and exclusive jurisdiction in all that pertains to this trust deed will be vested in the authorized courts in Tel Aviv-Jaffa.

42. **Authorization for reporting through the MAGNA system**

By signing this deed, the Trustee hereby authorizes the Company's authorized electronic signatories, as they may be, to report in his name in the MAGNA system of his entering this deed and signing thereof, to what extent is required by any applicable law.

43. **General**

Without detracting from the other provisions of this deed and the bond, no forfeiture, extension, discount, silence, abstaining from action (hereinafter: **"forfeiture"**) on the Trustee's part regarding the failure to fulfill, or partial or incorrect fulfillment of any of the obligations towards the Trustee pursuant to this deed and the bond will not be considered as forfeiture of any right by the Trustee, but as a consent limited to the special opportunity at which it was given. Without detracting from the other provisions of this deed and the bond, any change in the obligations towards the Trustee requires his advance written consent. Any other consent, whether given verbally or by means of forfeiture or abstaining from action or in any other manner that is not in writing will not be considered as consent of any kind. The Trustee's rights under this deed are independent and not conditional on one another, and are in addition to any right that the Trustee has and/or will have according to any law and/or agreement (including this deed and the bond).

44. **Trustee liability**

44.1. Despite the content of any part of the trust deed, and subject to the provisions of the law, as long as the Trustee has acted to carry out his duties in good faith and within a reasonable time, as well as verified the facts that a reasonable Trustee would have verified under the circumstances, he will not be liable towards a bondholder for any damages caused to him as a result of the Trustee's use of his discretion pursuant to the provisions of Section 35H(d1) of the Law or Section 35I1 of the Law, unless the plaintiff will prove that the Trustee has acted with reckless negligence. It is clarified that, should any contradiction appear between the provision of Section 44.1 herein and any other provision of the Trust Deed, the provision of Section 44.1 herein shall take precedence.

44.2. Should the Trustee have acted in good faith, and without recklessness, pursuant to the provisions of Section 35H(d2) of the Law or Section 35H(d3) of the Law, he will not be liable for the aforementioned action.

In witness of the above the parties have affixed their signatures:

Elbit Imaging LTD	**Mishmeret Trust Company LTD**

I, the undersigned _____, an attorney, hereby confirm that this trust deed has been signed by Elbit Imaging LTD lawfully in accordance with its bylaws, by _____, whose signatory is binding on the Company for the purposes of this deed.

_____
_____, attorney.

Elbit Imaging LTD

First Addendum

Bond Certificate (Series I)

Issued hereby is a bond subject to repayment by one payment on 30/11/2019, carrying a set annual interest and linkage differentials as described below.

Series I bonds registered in the name of

Certificate number:_____

The overall nominal value of the bonds in this certificate is 218,000,000 NIS.
The rate of the annual interest: 6%
The registered owner of the bonds in this certificate: Israel Discount Bank Registration Company LTD

1. This certificate is to verify that Elbit Imaging LTD (hereinafter: **"the Company"**) will pay, on 30/11/2019, 100% of the nominal value of the bonds in this certificate to whosoever will be the bondholder (as defined in the conditions on the reverse side of the sheet) registered for the bond on the applicable date for that payment, all this pursuant to the conditions listed on the reverse side of the sheet and the trust deed dated 20/02/2014 between the Company and Mishmeret Trust Company LTD and/or whosoever may serve as the Trustee for the bondholders according to the trust deed (hereinafter: **"the Trustee"** and **"the trust deed"** respectively).

2. This bond carries interest at the annual interest rate listed above, to be paid at the dates and conditions as listed in the terms on the reverse side of the sheet.

3. The principal and interest on this bond will be linked to the index, as listed in the terms on the reverse side of the sheet.

4. This bond is issued as part of Series I of the bonds, whose conditions are identical to those of this bond (hereinafter: **"Series I"**), subject to the conditions as listed in the terms on the reverse side of the sheet, and guaranteed by collaterals, as listed in the trust deed.

5. It is hereby clarified that the provisions of the trust deed will form an inseparable part of the provisions of this bond and will bind the Company and the bondholders of bonds in the aforementioned series. In any case of contradiction between the contents of this certificate and those of the trust deed, the provisions of the trust deed will take precedence.

6. The payment of the principal and the last payment of the interest will be made against the delivery of the bond to the Company at its registered office, as listed in the conditions on the reverse side of the sheet, or in any of the locations the Company may announce, no later than five business days prior to the date of repayment.

7. All bonds from this series will be of equal grate to one another, without one taking any precedence to another.

8. The Company may issue, at any time and from time to time, by private or public offering, at its sole discretion and without a requirement for the consent of the bondholders or the Trustee, or giving notice to any of them, including to connected holders, bonds of a different type, or other series of bonds or other securities of any type or kind, with or without accompanying rights for purchase of Company shares, at interest, linkage, collateral, repayment, or other conditions as the Company may see fit, whether they are superior to the terms of the bonds, equal or inferior to them, and all this subject to the provisions of Section 6 of the trust deed. Moreover, the Company retains the right to expand the series from time to time at its sole discretion, pursuant to the provisions of any applicable law, and the provisions of Section 2.4 of the terms on the reverse side of the sheet.

9. Any transfer of the bonds is subject to the transfer restrictions in Section 11 of the terms on the reverse side of the sheet.

Signed by the Company on _____

Elbit Imaging LTD

By:

Authorized signatory: _____ Authorized signatory: _____

I, the undersigned _____, an attorney, hereby confirm that this bond has been signed by Elbit Imaging LTD lawfully in accordance with its bylaws, by _____, whose signatory is binding on the Company for the purposes of this bond.

_____
_____, attorney.

The terms listed on the reverse side of the sheet

1. General

In this bond, the following expressions will have the following meanings, unless another intent is implied in the context of the writing:

"The Company"	Elbit Imaging LTD;
"This deed" or "the trust deed"	The trust deed to which this bond certificate is attached, including the addenda and appendices attached to it and forming an inseparable part thereof;
"The Trustee"	The trustee listed at the top of this deed and/or whosoever may, from time to time, serve as the Trustee for the bondholders according to this trust deed;
"The Law"	The Securities Law 5728 – 1968 and the regulations pursuant to its authority, as they may from time to time be promulgated;
"The register"	The register of bondholders as described in Section 31 to this deed;
"Stock exchange"	The Tel Aviv Stock Exchange LTD;
"The Price Index" or "The Index"	The price index known as "the Consumer Price Index", including fruit and vegetables, published by the Central Bureau of Statistics and Economic Research, and including the same index, even if it is published by another official entity or institution, as well as any other official index that may come to replace it, whether or not it will be composed based on the same date or not. Should it be replaced by another index published by an entity of institution as described above, and should that entity or institution fail to set the ratio between that and the index that it replaces, the aforementioned ratio will be set by the Central Bureau of Statistics, and should that ratio not be set as described above, it will be then set by the Trustee for the bond series, who will make the decision regarding the ratio between the other index and the replaced index by consultation by economic experts chosen by him.
"The known index" at a given date.	The last index known at the relevant date;
"The base index"	The Consumer Price Index as known at the start date (the Consumer Price Index published on 15/11/2013 for October 2013).
"The payment index"	The known index at the date of any payment for the principal or interest. Should the known index at the date set for the relevant payment be lower than the base index, the payment index will be the base index.
"Business day"	Any day on which most of the banks in Israel are open for transactions;
"Principal"	The total nominal value of the bonds in circulation
"Simple decision"	A decision received at a general bondholder assembly with the presence of two or more bondholders, either in person or through representative, holding at least twenty-five percent (25%) of the balance of the nominal value of the bonds in circulation, or a postponed assembly of this assembly, with the presence of any number whatsoever of bondholders from the series, received with a regular majority of all the votes participating in the voting, excluding those of the abstainers;

"Special decision"	A decision received at a general bondholder assembly with the presence of two or more bondholders, either in person or through representative, holding at least fifty percent (50%) of the balance of the nominal value of the bonds in circulation, or a postponed assembly of this assembly with the presence, either in person or through representative, of bondholders holding at least twenty percent (20%) of the balance of the nominal value of the bonds in circulation, received (either at the original or postponed assembly with a majority of at least two thirds (2/3) all the votes participating in the voting, excluding those of the abstainers;
"The registration company"	Israel Discount Bank Registration Company LTD;
"The bonds" or "the bond series"	The bond series, known as Series I of the Company's bonds, with an overall nominal value of 218,000,000 NIS, registered by name, and with the conditions listed in the bond certificate;
"Trading day"	Any day on which trading takes place at the Tel Aviv Stock Exchange LTD;
"The stock exchange clearing house"	The clearinghouse of the Tel Aviv Stock Exchange LTD;

1.1. The terms of the bonds (the terms listed on the other side of the sheet) are an inseparable part of the trust deed's provisions, and the provisions of the trust deed will be seen as if they had been explicitly included in the terms of these bonds. In any case of contradiction between the contents of the bond and those of the trust deed, the contents of the trust deed will take precedence.

1.2. Any terms and/or other expression in this bond certificate will have the meaning given to it in the trust deed, unless it has been explicitly listed otherwise.

1.3. The bonds are offered subject to the conditions listed on the other side of the sheet and in the trust deed.

2. <u>The bonds</u>

2.1. The bond in this certificate is one of a series of 218,000,000 (two hundred and eighteen million) registered bonds, each of 1 NIS, constituting the bond principal (hereinafter: **"the bond principal"**). The bond principal will be linked to the index and carry a set (interest-linked) interest, as described in Section 5 below.

2.2. The bonds in this certificate will be registered for trade on the stock market.

2.3. The initial offering of the bonds will be according to their nominal value, i.e without withholding.

2.4. <u>Expansion of the series</u>

Regarding expansion of the series, c.f. Section 5 of the trust deed.

2.5. <u>Issue of additional securities</u>

Regarding issuing additional securities, c.f. Section 6 of the trust deed.

2.6. <u>Collaterals</u>

Regarding collaterals imposed on the bonds in this certificate, as well as guarantees and obligations of owned companies, c.f. Section 9 of the trust deed.

3. <u>Postponement of dates dates</u>

Should the listed date for any payment fall on a day that is not a trading day, the date will be postponed to the trading day immediately coming afterwards, without the payment of interest for this postponement, and the applicable day for establishing eligibility for payments will change for this reason.

4. The Principal

4.1. Subject to the other terms of the bonds, the bond principal will be repaid in a single payment within six (6) years of the start date, i.e. on 30/11/2019, unless the Company has prior to that made use of its right to repay the entirety of the bonds in full early, as described in the trust deed.

4.2. The bond principal and the interest for it will be linked to increases in the price index, as described in Section 5 below.

5. The linkage terms

5.1. The manner and method for the linkage of the principal and interest, pursuant to the bond terms, will remain unchanged throughout the entire term of the bonds.

5.2. Pursuant to the rest of the bond terms, the remaining balance of the bond principal and the interest thereof will be repaid in linkage to the base index (the Consumer Price Index for October 2013, as published on 15/11/2013), in a manner as listed in Section 5.3 below.

5.3. Should it become known, on the payment date for any payment for the principal and/or interest for the bonds, that the known index for the purpose of payment for that date has increased as compared to the base index, the Company will make that payment for the principal and/or interest when it is increased in relation to the rate of increase in the known Consumer Price Index as compared to the base index. Should the known index for the purpose of payment for that date be lower than the base index, the aforementioned payment for the principal and/or interest for that date will not be reduced due to the decline of the known index below the level of the base index, and the payment will be made according to the base index.

6. The interest

6.1. The bond principal will carry annual interest at a rate of 6%, added to the principal every year, and paid at the final payment date as defined below (hereinafter: **"PIK interest"**). The principal and interest for the bonds will be linked to the consumer price index. To remove all doubt, the aforementioned annual interest will apply also to the sum of interest accumulated every year in the bond principal (hereinafter: **"derivative interest"**).

6.2. The interest will be linked to the consumer price index, as described in Section 5 above.

6.3. The last payment of the interest for the bond principal, at a rate of 42.62%, will be paid together with the last payment for the bond principal, this against a handover of the bond certificates to the Company.

7. Payments of the bond principal and interest

7.1. The last payments for the bond principal and interest will be made to persons whose names will be registered in the registry on the day of the payment, and will be made against the handover of the bond certificates to the Company on the payments day, at the Company's registered offices or at any other locations the Company will send notice of. The Company's notice regarding the aforementioned payment will be given no later than five (5) business days before the date of the last payment.

7.2. In any event in which the date of the last payment for the principal and/or interest will fall on a day that is not a business day, the date of payment will be postponed to the next business day after that, without additional payment.

7.3. Payment of the principal and interest will be made subject to the interest terms as described in Section 5 above.

7.4. Payment to registered persons who are entitled thereto will be made by checks or bank transfer to the bank accounts of the persons whose names will be listed on the bondholder registry, as listed in the details given to the Company in advance, pursuant to the content of Section 7.5 below. Should the Company be unable to pay any sum be to those entitled to it, for a reason that does not depend on it, the provisions of Section 8 below shall apply.

7.5. The bondholder will inform the Company of the details of a bank account for payments to that bondholder according to the aforementioned bonds, and of any changes in the details of the aforementioned account or its address, as applicable, by written notice sent to the Company by registered mail. The Company will be obligated to act in accordance with the bondholder's notice regarding the aforementioned change, only if it has reached its registered office at least thirty (30 days) prior to the applicable date for any payment for the bonds. Should the notice the Company receive the notice late, it will act in accordance with the notice only for payments for which the payment date applies after the nearest payment date after the day of payment nearest the date of receiving the notice.

7.6. Should the registryed bondholder entitled to the aforementioned payments have failed to give the Company details regarding his bank account in advance, any payment for the principal and interest (as well as the linkage differentials for them) will be made by check sent by registered mail to his last address as registered in the bondholder registry. Sending the check to the entitled person by registered mail registered mail as described above will be considered as payment of the sum listed therein at the date it was sent by mail, as long as the check clears upon being properly presented for collection. No check shall be sent at a rate lower than 50 NIS, however, the sum can be received in cash in the Company's offices.

7.7. Any sum owed to a bondholder that had not been actually paid for a reason that does not depend on the Company, while the Company was willing to pay it, will not carry interest and linkage differentials from the date set for its payment, and the bondholder will be entitled only to the sums he was entitled to at the date established for that payment.

7.8. Should the payment not be paid as described above, the Company will deposit that sum with the Trustee, pursuant to the provisions of the trust deed for this purpose.

7.9. Offset from every payment for the bonds (principal, interest, and linkage) will be any mandatory payments as required by any applicable law.

8. **Guaranteeing the loans**

The bonds are guaranteed by collaterals in the trustee's name, as described in Section 9.3 of the trust deed.

9. **The bondholder registry**

Regarding the bondholder registry, c.f. Section 31 of the trust deed.

10. **Avoiding payment for a reason not depending of the company**

See Section 17 of the trust deed.

11. **Transfer of the bonds**

11.1. Subject to the content Section 11.4, the bonds are transferable for every nominal sum, as long as it is in integer NIS. Any transfer of the bonds will be carried out based on a transfer deed, drafted in a wording as acceptable in the Company for transferring shares, signed appropriately by the registered bondholder or his legal representatives, as well as the recipient of the transfer or his legal representatives, given to the Company at its registered office together with the bond certificates transferred in accordance with it, and any other reasonable proof as demanded by the Company for proving the right of the transferring party to make the transfer. The Company will be authorized to keep the transfer deed in its possession.

11.2. All expenses related to the transfer of the bonds, including taxes, handling commissions for splitting and other imposts, if any, will apply to the applicant for the splitting or the transfer, respectively. The provisions of this section will also apply to a forfeiture of the bonds, *mutatis mutandi*.

11.3. Should any mandatory payment apply to the transfer deed for the bonds, the Company will be given reasonable proof of this payment by the applicant for the transfer.

11.4. In the event of the transfer of only a part of the nominal sum of the bonds in this bond certificate, it will first be split pursuant to the provisions of Section 12 below into several bond certificates as required, in a way that the total of the principal sum lists listed therein will be equal to the nominal principal sum in the aforementioned bond certificate.

11.5. After all of these conditions are carried out, the transfer will be recorded in the registry, and all terms listed in the trust deed and in this bond certificate will apply to the beneficiary of the transfer. The Company will be entitled to demand that the aforementioned transfer is recorded in the transferred bond certificate given to the recipient of the transfer, or that he is issued, instead, a new bond certificate. All the conditions listed therein will apply to the beneficiary of the transfer, and he will be considered a bondholder for the purposes of the trust deed.

11.6. It is hereby clarified that the provisions of Section 11 herein will not apply in relation to the bonds owned by a bondholder and registered in the name of the registration company.

12. **Splitting the bond certificate**

12.1. For bonds registered in the name of a single bondholder (whose bonds are not registered in the name of the registration company), he will be issued on bond certificate, or, at his request, an number of certificates (hereinafter referred to as: **"the certificates"**), each at a minimal quantity of 1,000 (one thousand) NIS nominal value (hereinafter: **"the minimal quantity"**) or multiples of the nominal value, and an additional certificate for the remainder (if any). The certificates mentioned in this section are hereinafter referred to as: "the certificates".

12.2. Any bond certificate can be split into a number of bond certificates, with the total nominal value of the bonds included therein equal to the total nominal value of the bonds included in the bond certificate whose splitting has been applied for, as long as the nominal value of each certificate is no less than the minimal quantity or multiples thereof, together with one additional certificate for the remainder (if any). The splitting will be carried out based on a signed splitting application by the registered owner of the bonds subject to the certificate for which splitting is applied for, or his legal representative, against a handover of the certificate for which splitting is applied for to the Company at its registered office. The splitting will be performed within 30 days of the end of the month in which the certificate has been handed over, together with the application for its splitting, at the Company's registered office. The new bond certificates issued pursuant to the splitting will be of nominal value in integer new Israeli shekels each. All the expenses involved in the splitting, including any imposts whatsoever, should there be any, will apply to the applicant.

13. **Early repayment of the bonds at the initiative of the stock exchange**

Regarding this matter, cf. Section 36 of the trust deed.

14. **Early repayment of the bonds at the Company's initiative**

Regarding this matter, cf. Section 37 of the trust deed.

15. **Purchase of the bonds by the Company and/or by a connected party**

Regarding this matter, cf. Section 7 of the trust deed.

16. **General provisions**

16.1. The sum of the principal and the interest (and the linkage differentials for them) are payable and transferable without attention to any legal rights, offsetting right or countersuit present or future between the Company and a previous owner, including the original bondholder.

16.2. Whosoever becomes entitled to the bonds as a result of a bankruptcy, or dismantling proceedings of a bondholder, will have the right, upon presenting the evidence that the Company may require from him from time to time, to be entered in the bondholder registry as the bondholder, or transfer them pursuant to the terms described above in this certificate.

16.3. The bondholders will be entitled to make use of their rights according to the terms of the bonds and the trust deed through the Trustee, or by decision of a general bondholders' assembly in the ways described in the bonds and the trust deed. Despite the above, should the Trustee act other than in accordance with the provisions of the trust deed and the bonds, the bondholders may make use of their rights, including by decision of the general bondholders' assembly.

16.4. The provisions of the trust deed, including the right to present the bonds for immediate repayment, as listed in Section 12 of the trust deed, will be considered as an inseparable part of the bond.

17. Forfeiture, settlement, and/or changes in the bond terms

Regarding this matter, cf. Section 37 of the trust deed.

18. General bondholders' assemblies

The general bondholders' assemblies shall be gathered and managed pursuant to the contents of the second addendum to the trust deed.

19. **Receipts as proof**

Without detracting from any other term herein, a signed receipt by the holder of the bonds in this certificate will constitute proof of full completion of any payment listed in the receipt, made by the Company or the Trustee, as relevant, for the bonds in this certificate.

20. **Replacement of the bond certificate**

Should the bond certificate be worn out, lost, or destroyed, the Company will be entitled to issue a new bond certificate to replacement, all this subject to the same conditions of proof, compensation, and coverage of the reasonable expenses caused to the Company in regards to verification of the ownership rights to the bonds, as the Company will see fit, as long as in the case of wearing out, the worn-out certificate is returned to the Company prior to the issue of the new certificates. The imposts and other expenses related to the issue of the new certificate, if any, shall apply to the applicant for the aforementioned replacement of the certificate.

21. **Notices**

Regarding this matter, cf. Section 37 of the trust deed.

22. **Bondholders' assemblies**

The general bondholders' assemblies shall be gathered and managed pursuant to the contents of the second addendum to the trust deed.

Exhibit 4.3(c)

Amendment No. 1 to the Bill of Trust dated February 20, 2014

Drawn up and Signed on December 13, 2017

Between: **Elbit Imaging Ltd.**
Of 7, Mota Gur St., Petach Tikva
Tel: (03) 608-6000; Fax: (03) 608-6050
(Hereinafter: "**The Company**")

The party of the first part;

And: **Mishmeret – Trust Services Company Ltd.**
Of 48, Menachem Begin St., Tel Aviv
Tel: (03) 638-0104; Fax: (03) 637-4344
(Hereinafter: "**The Trustee**")

The party of the other part;

(The Trustee and Company will hereinafter be together called: "**The Parties**")

Whereas: A bill of trust was signed between the trustee and the company, on February 20, 2014, by which the trustee serves as the trustee for holders of Series I debentures issued by the company (hereinafter: "**Bill of Trust**" and "**The Debentures**", respectively).

And whereas: As part of the Bill of Trust of the Series I debentures, the company put up various types of collateral in favor of the debenture holders for purposes of guaranteeing the full and precise settlement of all principle and interest payments related to the debentures and additional amounts with respect to that stipulated in the Bill of Trust of the Series I debentures, including: (a) Fixed second ranking lien of the shares of Elscint Holdings and Investment N. V. (a fully owned private company of the company, which was incorporated in the Netherlands) (hereinafter: "**Elscint**") owned by the company as well as such that it will possess from time to time and on all the company's rights, existing and future, in Elscint as well as all the rights associated with the shares as well as on all the company's rights to obtain monies from Elscint, and all as detailed in paragraphs 9.3.4, 9.3.5 and 9.3.14 of the Bill of Trust of the Series I debentures (hereinafter: "**The Liens**"); (b) A guarantee unrestricted in amount and period of time of Elscint vis-à-vis the trustee, for the full upholding of the company's undertakings vis-à-vis the trustee and vis-à-vis the debenture holders, all as detailed in paragraph 9.3.9 of the Bill of Trust of the Series I debentures (hereinafter: "**The Guarantee**"); (c) The Elscint undertaking vis-à-vis the trustee to not grant liens of collateral in favor of a third party whatsoever with respect to the all the Elscint assets (existing and future), as detailed in paragraph 9.3.9 of the Series I debentures bill of trust (hereinafter: "**Negative Lien**"); (The liens, the guarantee and the negative lien detailed in subparagraphs a to c above will hereinafter be together called: "**Elscint Collateral**").

And whereas: The company created and registered a first ranking fixed lien in favor of the holders of Series H debentures of the company, on Elscint shares in the possession of the company, and also that will be in the possession of the company from time to time and on all the company's existing and future rights in Elscint as well as on all the rights associated with the shares as well as all the company's rights to receive monies from Elscint.

And whereas: The company, through Elscint, holds (in a finite chaining arrangement) the Bea Hotels Eastern Europe B. V. (hereinafter: "**BHEE**") which holds 98.2% of the Bucaresti Turism SA (Romania) company (hereinafter: "**BUTU**").

And whereas: BUTU holds and manages the Radisson complex in Bucharest, Romania upon which the Radisson Blue Hotel stands (hereinafter: "**The Property**").

And whereas: The company is in advanced stages of negotiations to sell its full holdings in BHEE and in BUTU (hereinafter: "**The Transaction**"), where part of the proceeds are expected to be paid to BHEE by way of putting up a seller's loan by BHEE in favor of the buyer (hereinafter: "**The Seller's Loan**").

And whereas: Immediately after the completion of the transaction for the sale of the BHEE holdings in BUTU (if and insofar as the transaction as stated will be concluded), the company intends to embark upon a process of liquidating Elscint and the entire chain of companies under Elscint, (with the exception of BHEE, the shares of which will be transferred to the company (in a manner by which they will be held directly by the company) or whereby BHEE will transfer its remaining assets to the company after concluding the transaction) and this with the objective of saving costs and reducing the scope of the amounts that will be deducted from the proceeds.

And whereas: The company declares that the proceeds to the company with respect to the transaction will be less than the company's debts to the Series H debenture holders.

And whereas: In order to facilitate the above stated liquidation processes, the company is required to cancel the liens (and remove them from any register), to cancel the guarantee and to cancel the negative lien (and remove them from any register (if and insofar as such have been registered)).

And whereas: On December 7, 2017, an assembly of the debenture holders approved this amendment to the Bill of Trust (hereinafter: "**The Amendment**") and instructed the trustee to sign this amendment to the Bill of Trust.

And whereas: The parties wish to amend the Bill of Trust.

Therefore the parties declared, conditioned and agreed as follows:

1. Preamble, Interpretations and Definitions

1.1 The preamble to this amendment constitutes an inseparable part thereof.
1.2 The linguistic terms in this amendment will have the meanings set for such in the Bill of Trust, unless explicitly stipulated otherwise in this amendment.
1.3 The splitting of this amendment into sections and the provision of headings for the sections is effected for purposes of convenience and solely as place markers and will not be used for interpretation purposes.
1.4 In any case of a contradiction between that stipulated in this amendment and that stipulated in the Bill of Trust, the provisions of this amendment will prevail.
1.5 With the exception of that stipulated in this amendment, no other and / or additional change will apply to the Bill of Trust.

2. **Amending the Bill of Trust**

Section 9.4, as follows, will be added to the Series I Debentures Bill of Trust:

9.4. If and insofar as an obligating agreement for the sale of the holdings of Bea Hotels Eastern Europe (hereinafter: "**BHEE**") in Bucaresti Turism SA (Romania), hereinafter: "**BUTU**"), will be signed, then the following directives will apply:

9.4.1 The company will publish an immediate report regarding the signing of an obligating agreement for the sale of BHEE and BUTU (hereinafter: "**The Agreement**" and "**The Transaction**", respectively), which will include details regarding (1) The estimated amount of the total recompense that will be paid for the sale of its holdings of BHEE and BUTU (hereinafter: "**The Proceeds of the Sale**"); (2) The company's evaluation with respect to the expected date for the conclusion of the transaction and obtaining the proceeds of the sale; (3) 8,000,000 (eight million) Euro of the proceeds of the sale that will be paid by means of a repayment of the seller's loan (a loan that BHEE will extend to the Dutch company that controls the property (hereinafter: "**The Borrower**"), pursuant to the loan agreement between them dated November 29, 2017 and will serve the buyer for purposes of paying part of the proceeds which is the amount of the stated loan), which, pursuant to the repayment schedule of the seller's loan, is up for repayment in one installment 3 years after the date of completion of the transaction, and bears annual interest of a rate of 5% (hereinafter: "**The Seller's Loan**"); (4) The amount required to pay off the loan to Bank Hapoalim Ltd. (hereinafter: "**The Bank**") which is secured by means of a lien on BHEE shares (hereinafter: "**The Debt to the Bank**"); The Trustee will rely upon the stated report and upon the details therein without being required to carry out an examination of the matter.

9.4.2 The company will publish an immediate report immediately upon the conclusion of the transaction and the actual receipt of the proceeds of the sale by BHEE and the report will stipulate the net amount of the proceeds received by BHEE after the deduction of the expenses of the transaction and after the deduction of the following: (1) The repayment of the loan to the bank; (2) The part of the proceeds financed by the seller's loan. The Trustee will rely upon the stated report and upon the details therein without having to carry out an examination of the matter.

9.4.3 Immediately after the receipt of the proceeds of the sale by BHEE and the publication of the immediate report stipulated in paragraph 9.4.2 above, the Company will embark on processes to liquidate Elscint and the chain of the companies under it (with the exception of BHEE).

9.4.4 The company undertakes that a total equal to seventy five percent (75%), at minimum, of the net proceeds will be transferred in cash by BHEE (through the corporation through which the company holds BHEE), to the company and the company will transfer the stated monies to the Series H debentures trustee (to the trust account in the name of the trustee of the Series H debentures, liened in favor of a first ranking lien (hereinafter: "**The Trust Account of the Series H Debentures Trustee**") within one business day of the company receiving this amount (hereinafter: "**The Transferred Proceeds**")). The company will publish an immediate report immediately upon depositing the transferred proceeds in the Series H debentures trust account at the trustee.

The balance of the net proceeds (that is, the net proceeds less the transferred proceeds) as well as the right to the repayment of the seller's loan (including the repayments executed by the buyer against the seller's loan) will remain in the possession of the company and the company will be entitled to use such funds for its needs pursuant to its sole discretion.

9.4.5 Upon the deposit of the transferred proceeds in the Series H debentures trust account at the trustee, the liens detailed in paragraphs 9.3.4, 9.3.5 and 9.3.14 of the Series H debentures Bill of Trust (hereinafter: "**The Liens**"), will expire, as will the guarantee detailed in paragraph 9.39 of the Series I debentures Bill of Trust (hereinafter: "**The Guarantee**"), and the negative lien detailed in paragraph 9.3.9 of the Series I debentures Bill of Trust (hereinafter: "**The Negative Lien**"), issued by Elscint and will be considered as being null and void and out of date and this without any need for any additional actions and / or authorizations, including neither on the part of the trustee and / nor on the part of the debenture holders and, in order to eliminate doubt, all references to the Elscint Company (in the Series I debentures Bill of Trust) will be deemed to be null and void.

9.4.6 Within 3 business days after the publication of the immediate report by the company, as detailed in paragraph 9.4.4 above, regarding the deposit of the transferred proceeds in the Series H debentures trust account at the trustee, the Series I debentures trustee will sign all the documents produced for the trustee by the company and which will be reasonably required in order to cancel the liens, the guarantees and the negative lien (including deleting the liens from any register (including from the registers of the Companies Registrars in Israel and in the Netherlands)) according, inter alia, to the directives and the documents that will be drawn up by an attorney who is well versed in Dutch law, and the company will make sure to carry out the actual deletion of the Elscint collateral, within a reasonable period of time, for its own account.

9.4.7 Likewise, as the behest of the company, the Series I debentures trustee will sign a letter of undertaking by which the trustee agrees to the removal of the counter liens and, at the same time, the deposit of the transferred proceeds into the trust account of the Series H debentures trustee, pursuant to the directives of this amendment.

9.4.8 The transferred proceeds that will be deposited in the Series H debentures trust account at the trustee as well as any proceeds yielded accruing vis-à-vis such monies insofar as such will accrue, will be used pursuant to one of the trustee, at the company's sole discretion:

9.4.8.1 For purposes of paying principle and or interest payments to the holders of Series H debentures pursuant to the repayment schedule of the Series H debentures.

9.4.8.2 For purposes of the early repayment of the Series H debentures (in order to eliminate doubt, as a partial early repayment).

9.4.9 It would be prudent to clarify that the transferred proceeds will be deposited, by the company, with the trustee for the holders of Series H debentures and which will be liened to guarantee the undertakings of the company vis-à-vis the holders of Series H debentures and will be used to pay off the company's debt vis-à-vis Series H debentures as long as such will include the case of insolvency of the company.

9.4.10 The company undertakes that, within 21 days of the date of the conclusion of the transaction, it will engineer the fact that the full BHEE rights under the power of the seller's loans will be endorsed, by means of a total and irrevocable endorsement by way of sale, from BHEE to the company ("**The Endorsement to the Company**"). The company will produce, for the trustee, a considered professional opinion issued by an attorney proficient in the relevant laws by which, inter alia, the endorsement to the company was completed, and is irrevocable and non repeatable.

Within 45 days of the date of the completion of the endorsement to the company as stipulated above, the company will lien the right to the repayment of the seller's loan, as detailed below and will also produce, for the trustee, all the documents detailed in paragraph 9.3.6 of the Bill of Trust with respect to the stated lien:

9.4.10.1 To guarantee the full and precise execution of all the payments of principle and interest regarding the debentures and additional amounts with respect to that stipulated in the Bill of Trust and in the debentures that the company must pay to the Series I debenture holders pursuant to the terms and conditions of the Bill of Trust and the debentures and to guarantee the full and precise execution of all the rest of the terms and conditions of the Series I debentures and the bill of trust of the company will be liened, by means of a second ranking fixed lien, and will be endorsed by means of an endorsement of rights by means of a second ranking fixed lien, without an restriction of amount, in favor of the trustee for the debenture holders, the full rights of the company to receive payments, including with respect to the principle and interest under the power of the seller's loan ("**The Second Lien on the Proceeds of the Seller's Loan**").

In order to eliminate doubt, it would be prudent to clarify that the company only liens its right to receive the payments of the principle and interest under the power of the seller's loan and that the holders of the debentures have no other right with respect to the seller's loan and that, accordingly, the debenture holders have no right to carry out any actions whatsoever with respect to the seller's loan and / or to interfere in the terms and conditions of the seller's loan and / or to act vis-à-vis the borrower and that the stated rights will remain solely those of the company (which is entitled to activate such rights at its sole discretion), including when putting up the debentures for immediate repayment and / or upon realizing the second ranking lien on the proceeds of the seller's loan and / or at the time of insolvency procedures against the company.

The company declares that the company's rights to receive the principle and interest payments under the power of the seller's loan, will be liened under a first ranking fixed lien and will be endorsed through a rights endorsement by way of a first ranking fixed lien, with no restriction vis-à-vis the amount, in favor of the trustee, for the holders of Series H debentures of the company ("**The First Ranking Lien on the Proceeds of the Seller's Loan**") and the directives of paragraph 9.3.11 of the Bill of Trust and the directives of the associated subordination letter will apply to the first ranking lien as stated. The Series I debenture trustee will submit an authorization, to the company, by which the full directives of the subordinate letter dated February 20, 2014, will also apply with respect to the first ranking lien regarding the proceeds of the seller's loan and the second ranking lien of the proceeds of the seller's loan.

The company declares that as part of the transaction, the company signed a letter of guarantee vis-à-vis buyer and by which the company guarantees the upholding of BHEE's undertakings pursuant to the agreement (including an undertaking to indemnify the buyer in the case that the buyer incurs damage due to a violation of representations and undertakings as stated) (hereinafter: "**The Company's Guarantee**") and that the buyer has the right to offset amounts owing by the buyer with respect to the seller's loan, against: (a) Amounts owing to the seller from the company pursuant to the company's guarantee; and / or (b) amounts owing to the buyer due to a violation of any of the representations and / or undertaking of BHEE pursuant to the sale agreement.

9.4.10.3 In the case of the realization of the second raking lien on the proceeds of the seller's loan, this does not nor will not accelerate the date of the repayment of the seller's loan and / or to alter, in any manner whatsoever, the terms and conditions of the of the seller's loan agreement and that the rights of the debenture holders (or anyone acting on their behalf), will be to receive payments against the seller's loan when such will be received from the buyer pursuant to the terms and conditions of the seller's loan and subject to the first ranking loan on the proceeds of the seller's loan and the subordinate letter dated February 20, 2014.

9.4.10.6 The directives of paragraphs 9.3.10 to 9.3.16 above will apply to the lien under the power of this paragraph 9.4.10, mutatis mutandis, including the directives of articles 9.3.12 and 9.3.13 of the Bill of Trust, in all matters related to the rights of the company to receive, into its possession, the amount against the repayment of the seller's loan and to use such monies for its own purposes.

9.4.10.7 The lien of the seller's loan by the company will be effected by means of a registration at the Companies Registrar in Israel, and in any other register in Israel required and / or which will be required pursuant to the law and / or pursuant to the Bill of Trust (and the registration of such a lien will not be effected in another country, besides Israel).

3. **Coming in Effect**

This amendment will come into effect immediately upon the signing thereof.

4. By signing this amendment, the trustee sanctions the authorized electronical signatories of the company to report the entering into this letter of amendment as well as the signing thereof, though the stock exchange system.

And in witness did the parties set their signatures:

Elbit Imaging Ltd.	**Mishmeret – Trust Services Company Ltd.**

Attorney's Authorization

I, the undersigned, _____, Adv., confirm that this letter of amendment was signed by Elbit Imaging Ltd by means of Messers: _____ and their signature obligates the company in all matters related to this amendment.

_____ Adv.

Exhibit 8.1

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	89%[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 42.7% on a fully diluted basis.
(2) Approximately 58% 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 - Plots in India.”
(4) 5% of the equity in EPI was allotted to Mr. Avraham (Rami) Goren who served as our former Executive vice chairman of the Board. The shares allotted are entitled to distribution only following their return of Investment of Elbit and PC plus agreed interest.

EXHIBIT 12.1

I, Ron Hadassi, 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. I have disclosed, based on my 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 26, 2018

By: /s/ Ron Hadassi
Name: Ron Hadassi
Title: Chief Executive Officer and Chairman of the Board of Directors

I, Yael Naftali, 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. I have disclosed, based on my 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 26, 2018

By: /s/ Yael Naftali
Name: Yael Naftali
Title: Chief Financial Officer

EXHIBIT 13.1

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, 2015, 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 26, 2018

By: /s/ Ron Hadassi
Name: Ron Hadassi
Title: Chief Executive Officer and Chairman of the Board of Directors

EXHIBIT 13.1

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, 2015, 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 26, 2018

By: /s/ Yael Naftali
Name: Yael Naftali
Title: Chief Financial Officer

Exhibit 15.1

Advisors relied upon in the consolidated financial statements for the years ended December 31, 2017, 2016 and 2015

Exhibit No.	Name of advisor	Nature of professional advice	Reference to the consolidated financial statements
15.2	Colliers International	Valuation of Radisson Blu Hotel in Bucharest, Romania as of December 31, 2015 and 2016	Note 2 W 1e, Note 19
15.3	Cushman & Wakefield - India	Valuation of Indian trading property as of December 31, 2015, 2016 and 2017.	Note 2 W 1a), Note 4d
15.4	Cushman & Wakefield - Budapest	Valuation of certain trading property of PC as of December 31, 2015.	Note 2 W 1a), Note 4
15.5	Jones Lang LaSalle Services SRL	Valuation of certain trading property of PC as of December 31, 2016 and the valuation of the Casa Radio project as of December 31, 2015, 2016 and 2017.	Note 2 W 1a), Note 4 c1
15.6	Pulvernis Bareket Ben-Yehuda Ltd.	Valuations of option granted by the Company during the year ended December 31, 2016, 2017 under the Elbit medical and the company Option Plan.	Note 15a
15.7	Greenberg Olpiner & co.	Valuation of plot located in Tiberias Israel as of December 31, 2015.	Note 19
15.8	Jones Lang LaSalle SP. Z o.o.	Valuation of certain trading property of PC as of December 31, 2017 and the valuation of the Lodz Plaza project as of December 31, 2017.	Note 2 W1a), Note 4b
15.9	Jones Lang LaSalle Kft.	Valuation of certain trading property of PC as of December 31, 2016.	Note 2 W1a), Note 4b

Exhibit 15.2

CONSENT

We hereby consent to the reference to our valuation of the Radisson Blu Hotel in Bucharest, Romania, as of December 31, 2016 and 2015, appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Colliers Valuation and Advisory SRL

Colliers Valuation and Advisory SRL

Bucharest, Romania
April 25, 2018

Exhibit 15.3

CONSENT

We hereby consent to the reference to our valuation of Indian trading property, as of December 31, 2015, 2016 and 2017, appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Cushman & Wakefield
Cushman & Wakefield

Bangalore, India
April 25, 2018

Exhibit 15.4

CONSENT

We hereby consent to the reference to our valuation of certain trading property of Plaza Centers N.V., as of December 31, 2015, 2016 and 2017, appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Cushman & Wakefield

Cushman & Wakefield

Budapest, Hungary
April 25, 2018

Exhibit 15.5

CONSENT

We hereby consent to the reference to our valuation of certain trading property of Plaza Centers N.V., as of December 31, 2016 and the valuation of the Casa radio project as of December 31, 2015, 2016 and 2017 appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Jones Lang LaSalle Services SRL

Jones Lang LaSalle Services SRL

[Bucharest, Romania]
April 25, 2018

Exhibit 15.6

CONSENT

We hereby consent to the reference to our valuation of options granted by the Elbit Imaging Ltd. during the year ended December 31, 2016 and 2017 under the Elbit Medical Ltd. and Elbit Imaging Ltd. option plans, appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Pulvernis Bareket Ben-Yehuda Ltd.

Pulvernis Bareket Ben-Yehuda Ltd.
Formerly Known as De- Kalo Ben Yehuda

[Budapest, Hungary]
April 25, 2018

Exhibit 15.7

CONSENT

We hereby consent to the reference to our valuation of a plot located in Tiberias, Israel, given to Elbit Imaging Ltd., as of December 31, 2015 appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Greenberg Olpiner & Co.

Greenberg Olpiner & Co.

Tel Aviv, Israel
April 25, 2018

Exhibit 15.8

CONSENT

We hereby consent to the reference to our valuation of certain trading property of Plaza Centers N.V., as of December 31, 2017 and the valuation of the Lodz Plaza project as of December 31, 2017 appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Jones Lang LaSalle Services SRL

Jones Lang LaSalle Services SRL

[Warsaw, Poland]
April 25, 2018

Exhibit 15.9

CONSENT

We hereby consent to the reference to our valuation of certain trading property of Plaza Centers N.V., as of December 31, 2016, appearing in this Annual Report on Form 20-F of Elbit Imaging Ltd., and to the incorporation by reference of this Annual Report in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of Elbit Imaging Ltd.

This consent is not to be construed as an admission that we are an expert or that we are a person whose consent is required to be filed under the provisions of the Securities Act of 1933, as amended.

/s/ Jones Lang LaSalle Services Kft

Jones Lang LaSalle Services Kft

Budapest, Hungary
April 25, 2018

Deloitte.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) of our reports dated March 31, 2016, relating to (1) the consolidated financial statements of Elbit Imaging Ltd. before the effects of the retrospective adjustments for the discontinued operations discussed in Note 19 to the consolidated financial statements, the consolidated statements of income, comprehensive income, changes in equity, and cash flows of Elbit Imaging LTD and its subsidiaries (the "Company") for the year ended December 31, 2015 (not presented herein), (which report expresses an unqualified opinion and includes an explanatory paragraphs regarding (i) potential irregularities concerning the Casa radio Project in Romania and their potential consequences as of December 31, 2015, including Foreign Corrupt Practices Act implications and (ii) claims that have been filed against Group companies as of December 31, 2015, one of which was certified as class action), and (2) the condensed financial information schedule, before the effects of the retrospective adjustments for the discontinued operations discussed in Note 5 to the condensed financial information schedule, of Elbit Imaging LTD for the year ended December 31, 2015 (not presented herein), appearing in this Annual Report on Form 20-F of Elbit Imaging LTD. for the year ended December 31, 2017.

/s/ Brightman Almagor Zohar & Co.
Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu

Tel-Aviv, Israel
April 25, 2018

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | Fax: +972 (3) 609 4022 | info@deloitte.co.il

Jerusalem	Haifa	Beer Sheva	Eilat	Petah Tikva	Netanya	Nazareth
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510 D. BOX 45396	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	12 Alumot Omer Industrial park P.O.B. 1369 Omer, 8496500	The City Center P.O.B. 583 Eilat, 8810402	Deloitte Analytics 7 Hasivim P.O.B. 6712 Petah Tikva, 4959368	Seker - Deloitte 7 Giborey Israel St. P.O.B. 8458 Netanya, 4250407	9 Marj Ibn Amer St. Nazareth, 16100
Tel: +972 (2) 501 8888 Fax:+972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax:+972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 690 9500 Fax: +972 (8) 690 9600 info-beersheva@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4163 Fax:+972 (3) 919 0372 info@deloitte.co.il	Tel: +972 (9) 892 2444 Fax:+972 (9) 892 2440 info@deloitte.co.il	Tel: +972 (73) 399 4455 Fax:+972 (73) 399 4455 info-nazareth@deloitte.co.il

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) filed by Elbit Imaging Ltd. of our auditors report dated 8 February, 2018, relating to the financial statements of Insightec Ltd. as of December 31, 2016 and 2017, appearing in the Annual Report on Form 20-F of Elbit Imaging Ltd. for the year ended December 31, 2017.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu

Tel-Aviv, Israel
April 25, 2018

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | Fax: +972 (3) 609 4022 | info@deloitte.co.il

Jerusalem	Haifa	Beer Sheva	Eilat	Petah Tikva	Netanya	Nazareth
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510 D. BOX 45396	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	12 Alumot Omer Industrial park P.O.B. 1369 Omer, 8496500	The City Center P.O.B. 583 Eilat, 8810402	Deloitte Analytics 7 Hasivim P.O.B. 6712 Petah Tikva, 4959368	Seker - Deloitte 7 Giborey Israel St. P.O.B. 8458 Netanya, 4250407	9 Marj Ibn Amer St. Nazareth, 16100
Tel: +972 (2) 501 8888 Fax:+972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax:+972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 690 9500 Fax: +972 (8) 690 9600 info-beersheva@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4163 Fax:+972 (3) 919 0372 info@deloitte.co.il	Tel: +972 (9) 892 2444 Fax:+972 (9) 892 2440 info@deloitte.co.il	Tel: +972 (73) 399 4455 Fax:+972 (73) 399 4455 info-nazareth@deloitte.co.il

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Exhibit 15.12

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form F-1 (Registration No. 333-194519) and in the Registration Statement on Form F-3 (Registration No. 333-172122) and in the Registration Statement on Form S-8 (Registration No. 333-117509, No. 333-130852, No. 333-136684 and No. 333-152820) filed by Elbit Imaging Ltd. of our auditors report dated April 25, 2018, relating to the consolidated financial statements of Elbit Imaging Ltd. as of December 31, 2016 and 2017.

/s/ KOST FORER GABBAY & KASIERER
KOST FORER GABBAY & KASIERER

A member of Ernst & Young Global

Tel-Aviv, Israel
April 25, 2018