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, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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...........

For the transition period from __________________ to __________________

Commission File Number 001-35284

ELLOMAY CAPITAL LTD.
(Exact Name of Registrant as specified in its charter)

ISRAEL
(Jurisdiction of incorporation or organization)

9 Rothschild Boulevard, 2nd floor
Tel Aviv 6688112, Israel
(Address of principal executive offices)

Kalia Weintraub, Chief Financial Officer
Tel: +972-3-797-1111; Facsimile: +972-3-797-1122
9 Rothschild Boulevard, 2nd floor
Tel Aviv 6688112, 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, par value NIS 10.00 per share	NYSE MKT

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

None

Title of Class

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

None

Title of Class

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: 10,692,371[1] ordinary shares, NIS 10.00 par value per share.

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

Yes ☐ No ☑

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

Yes ☐ No ☑

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

Yes ☑ No ☐

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

Yes ☐ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑

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1 Does not include a total of 85,655 ordinary shares held at that date as treasury shares under Israeli law, all of which were repurchased by Ellomay. For so long as such treasury shares are owned by Ellomay they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to Ellomay's shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of Ellomay's shareholders.

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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ellomay
CAPITAL LIMITED

INTRODUCTION

The following is the Report on Form 20-F of Ellomay Capital Ltd. Unless the context in which such terms are used would require a different meaning, all references to “Ellomay,” “us,” “we,” “our” or the “Company” refer to Ellomay Capital Ltd. and its consolidated subsidiaries.

All references to “$,” “dollar,” “US$” or “U.S. dollar” are to the legal currency of the United States of America, references to “NIS” or “New Israeli Shekel” are to the legal currency of Israel and references to “ˆ,” “Euro” or “EUR” are to the legal currency of the European Union.

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. For periods prior to January 1, 2009, our consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

All trademarks, service marks, trade names and registered marks used in this report are trademarks, trade names or registered marks of their respective owners.

Statements made in this Report concerning the contents of any agreement, contract or other document are summaries of such agreements, contracts or documents and are not complete description of all of their terms. If we filed any of these agreements, contracts or documents as exhibits to this Report or to any previous filing with the Securities and Exchange Commission, or SEC, you may read the document itself for a complete understanding of its terms.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this report on Form 20-F contains forward-looking statements. Some of the statements under "Item 3.D: Risk Factors," "Item 4: Information on Ellomay," "Item 5: Operating and Financial Review and Prospects" and elsewhere in this report, constitute forward-looking statements. These statements relate to future events or other future financial performance, and are identified by terminology such as "may," "will," "should," "expect," "scheduled," "plan," "intend," "anticipate," "believe," "estimate," "aim," "potential," or "continue" or the negative of those terms or other comparable terminology, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this report are based on current expectations and beliefs concerning future developments and the potential effects on our business. There can be no assurance that future developments actually affecting us will be those anticipated. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, including the following:

- *Amendments, including retroactive amendments, to the regulation governing the photovoltaic markets in which we operate or to which we may in the future enter;*
- *the market, economic and political factors in Italy, in Spain and generally in Europe, in Israel and worldwide;*
- *our contractors' technical, professional and financial ability to deliver on and comply with their operation and maintenance undertakings in connection with the operation of our photovoltaic plants;*
- *our ability to further familiarize ourselves and maintain expertise in the photovoltaic market and the energy market, and to track, monitor and manage the projects which we have undertaken;*
- *our ability to meet our undertakings under various financing agreements, including to our debenture holders, and our ability to raise additional financing in the future;*
- *the risks we are exposed to due to our holdings in Dori Energy Ltd. and Dorad Energy Ltd.;*
- *the price and market liquidity of our ordinary shares;*
- *the fact that we may be deemed to be an "investment company" under the Investment Company Act of 1940 under certain circumstances (including as a result of the investments of assets following the sale of our business), and the risk that we may be required to take certain actions with respect to the investment of our assets or the distribution of cash to shareholders in order to avoid being deemed an "investment company";*
- *our plans with respect to the management of our financial and other assets and our ability to identify, evaluate and consummate additional suitable business opportunities and strategic alternatives; and*
- *the possibility of future litigation.*

Assumptions relating to the foregoing involve judgment with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this report under "Item 3.D: Risk Factors," "Item 4: Information on Ellomay," "Item 5: Operating and Financial Review and Prospects" and elsewhere in this report. In addition, new factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof, except as required by applicable law. In addition to the disclosure contained herein, readers should carefully review any disclosure of risks and uncertainties contained in other documents that we file from time to time with the SEC.

To the extent that this Report contains forward-looking statements (as distinct from historical information), we desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and we are therefore including this statement for the express purpose of availing ourselves of the protections of the safe harbor with respect to all forward-looking statements.

PART I

ITEM 1: Identity of Directors, Senior Management and Advisers

Not Applicable.

ITEM 2: Offer Statistics and Expected Timetable

Not Applicable.

ITEM 3: Key Information

A. Selected Financial Data

For the years ended December 31, 2013, 2012, 2011, 2010 and 2009, we have prepared our consolidated financial statements in accordance with IFRS, as issued by the IASB. In February 2008 we sold our wide format and super-wide format printing system business to Hewlett-Packard Company, or HP pursuant to an asset purchase agreement executed on December 9, 2007, or the Asset Purchase Agreement. The operating results and cash flows attributed to the digital wide format and super-wide format printing system business were presented in our statements of comprehensive income (loss) and cash flows as discontinued operations. Statements of financial position amounts related to this business are presented as assets and liabilities attributed to discontinued operations and are expected to be settled in one to two years.

The financial statements for the years ended December 31, 2009 and 2010 were audited by Kost Forer Gabbay & Kasierer, an independent registered public accounting firm and a member of Ernst & Young Global. The financial statements for the years ended December 31, 2011, 2012 and 2013 were audited by Somekh Chaikin, an independent registered public accounting firm and a member of KPMG International.

On June 9, 2011, we effected a one-for-ten reverse split of our ordinary shares as approved by our shareholders, or the Reverse Split. The Reverse Split caused each 10 ordinary shares, NIS 1.00 par value per share, to be converted into one ordinary share, NIS 10.00 par value per share. No fractional shares were issued as a result of the Reverse Split as all fractional shares resulting from the Reverse Split that were one-half share or more were increased to the next higher whole number of shares and all fractional shares that were less than one-half share were decreased to the next lower whole number of shares. Unless explicitly stated otherwise, all share prices and amounts are adjusted to account for the Reverse Split.

We currently own twelve operating photovoltaic plants in Italy, with an aggregate nominal capacity of approximately 22.6 megawatt peak, or MWp, and 85% of one operational photovoltaic plant in Spain, with a nominal capacity of approximately 2.3 MWp, or, each, a PV Plant and, together, the PV Plants, and indirectly hold 7.5% of the equity of Dorad Energy Ltd., or Dorad (and an option to increase such holdings to 9.375%). See “Item 4.A: History and Development of Ellomay” and “Item 4.B: Business Overview” for more information.

The selected consolidated financial data set forth below should be read in conjunction with and is qualified by reference to our consolidated financial statements and the related notes, as well as "Item 5: Operating and Financial Review and Prospects."

The tables below set forth selected consolidated financial data under IFRS for the years ended December 31, 2013, 2012, 2011, 2010 and 2009. The information included in the tables has been derived from our audited consolidated financial statements. The audited consolidated financial statements at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, appear at the end of this report.

Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)
(in thousands of U.S. Dollars except per share and share data)

	For Year ended December 31,				
	2013	2012	2011	2010	2009
Revenues	$ 12,982	$ 8,890	$ 6,114	$ -	$ -
Operating expenses	2,381	1,954	1,391	-	-
Depreciation expenses	4,021	2,717	1,777	-	-
Gross profit	6,580	4,219	2,946	-	-
General and administrative expenses	3,449	3,110	3,102	3,211	1,931
Gain on bargain purchase	10,237	-	-	-	-
Capital Loss, net	-	394	-	-	-
Operating Profit (Loss)	13,368	715	(156)	(3,211)	(1,931)
Financing income	204	696	1,971	1,076	1,366
Financing income (expenses) in connection with derivatives, net	1,501	(2,157)	(2,601)	404	-
Financing expenses	(4,201)	(2,166)	(608)	(80)	(9)
Financing income (expenses), net	(2,496)	(3,627)	(1,238)	1,400	1,357
Company's share of losses of investee accounted for at equity	(540)	(232)	(596)	(66)	-
Loss before taxes on income	10,332	(3,144)	(1,990)	(1,877)	(574)
Tax benefit (taxes on income)	(245)	1,011	1,018	44	(69)
Profit (loss) from continuing operations	10,087	(2,133)	(972)	(1,833)	(643)
Income (loss) from discontinued operations, net		-	-	7,035	(376)
Net income (loss) for the year	10,087	(2,133)	(972)	5,202	(1,019)
Income (Loss) attributable to:					
Shareholders of the Company	10,068	(2,110)	(972)	5,202	(1,019)
Non-controlling interests	19	(23)	-	-	-
Net income (loss) for the year	10,087	(2,133)	(972)	5,202	(1,019)
Other comprehensive income (loss):					
Foreign currency translation adjustments	6,038	1,620	(3,698)	194	-
Total other comprehensive income (loss)	6,038	1,620	(3,698)	194	-
Total comprehensive income (loss)	16,125	$ 513	$ (4,670)	$ 5,396	$ (1,019)
Basic net earnings (loss) per share:					
Loss from continuing operations	$ 0.94	$ (0.2)	$ (0.09)	$ (0.2)	$ (0.1)
Earnings (loss) from discontinued operations		-	-	0.9	*) -
Net earnings (loss)	$ 0.94	$ (0.2)	$ (0.09)	$ 0.7	$ (0.1)
Diluted net earnings (loss) per share:					
Loss from continuing operations	$ 0.94	$ (0.2)	$ (0.09)	$ (0.2)	$ (0.1)
Earnings (loss) from discontinued operations	-	-	-	0.8	*) -
Net earnings (loss)	$ 0.94	$ (0.2)	$ (0.09)	$ 0.6	$ (0.1)
Weighted average number of shares used for computing basic earnings (loss) per share	10,692,371	10,709,294	10,775,458	7,911,551	7,378,643
Weighted average number of shares used for computing diluted earnings (loss) per share	10,752,808	10,709,294	10,775,458	8,904,250	7,378,643

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*) Less than $0.01

Other financial data (in thousands of U.S. Dollars)

	For Year ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Adjusted EBITDA from continuing operations(1)	$ 6,612	$ 3,594	$ 1,025	$ (3,255)	$ (1,920)

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(1) Adjusted EBITDA is a non-IFRS measure and is defined as earnings before financial expenses, net, gain on bargain purchase, capital loss, financial expenses, net, taxes, depreciation and amortization. We present this measure in order to enhance the understanding of our historical financial performance and to enable comparability between periods. While we consider Adjusted EBITDA to be an important measure of comparative operating performance, Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of profitability or liquidity. Adjusted EBITDA does not take into account our commitments, including capital expenditures and restricted cash and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. Not all companies calculate Adjusted EBITDA in the same manner, and the measure as presented may not be comparable to similarly-titled measures presented by other companies. Our Adjusted EBITDA may not be indicative of our historic operating results; nor is it meant to be predictive of potential future results. We use the term "Adjusted EBITDA" to highlight the fact that we deducted the gain on bargain purchase from the net income for the year ended December 31, 2013 and added the capital loss to the net income for the year ended December 31, 2012. The Adjusted EBITDA is otherwise fully comparable to EBITDA information which has been previously provided for prior periods.

Reconciliation of Net income (loss) to Adjusted EBITDA

	For Year ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Net income (loss) for the year	$ 10,087	$ (2,133)	$ (972)	$ 5,202	$ (1,019)
Financing expenses (income), net	2,496	3,627	1,238	(1,400)	(1,357)
Loss (income) from discontinued operations, net of tax	-	-	-	(7,035)	376
Income tax expenses (benefit)	245	(1,011)	(1,018)	(44)	69
Gain on bargain purchase	(10,237)	-	-	-	-
Capital loss	-	394	-	-	-
Depreciation and amortization	4,021	2,717	1,777	22	11
Adjusted EBITDA	$ 6,612	$ 3,594	$ 1,025	$ (3,255)	$ (1,920)

Consolidated Statements of Financial Position Sheet Data (in thousands of U.S. Dollars except share data)

	At December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Working capital (deficiency)	$ (4,384)	$ 27,977	$ 31,856	$ 71,756	$ 75,172
Total assets	$ 146,930	$ 128,740	$ 126,392	$ 106,214	$ 76,432
Total liabilities	$ 47,169	$ 45,626	$ 42,331	$ 17,648	$ 6,404
Total shareholders' equity	$ 99,761	$ 83,114	$ 84,061	$ 88,566	$ 70,028
Capital stock	$ 102,590(1)	$ 102,068(1)	$ 102,534(2)	$ 102,369	$ 89,227
Ordinary shares outstanding	10,692,371(1)	10,692,371(1)	10,769,326(2)	10,750,071	7,378,643

(1) Net of 85,655 treasury shares that have been purchased during 2011 and 2012 according to a share buyback program that was authorized by our Board of Directors.

(2) Net of 8,700 treasury shares that have been purchased during 2011 according to a share buyback program that was authorized by our Board of Directors.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Investing in our securities involves significant risk and uncertainty. You should carefully consider the risks and uncertainties described below as well as the other information contained in this report before making an investment decision with respect to our securities. If any of the following risks actually occurs, our business, financial condition, prospects, results of operations and cash flows could be harmed and could therefore have a negative effect on the trading price of our securities.

The risks described below are the material risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations in the future.

Risks Related to our Business

Risks Related to the PV Plants

The majority of our PV Plants are located in Italy and our other 85% owned PV Plant is located in Spain and therefore the revenues derived from them mainly depend on payments received from Italian and Spanish governmental entities. The economic crisis in the European Union, specifically in Italy and in Spain, and measures taken in order to improve Italy's and Spain's financial position, may adversely affect the results of our operations. The global financial crisis that began in 2007 directly affected Italy's and Spain's growth and economy. The situation worsened during 2011 due to the debt crisis in various European Union countries in general and specifically in Italy, whose current debt is one of the highest in the euro zone and in Spain, who has one of the highest budget deficit in the world. In addition, during 2012 and 2013, all three major credit rating agencies downgraded Italy's and Spain's debt. The debt crisis also caused the Italian and Spanish governments to adopt various spending cuts and tax increases aimed at bolstering growth and increasing revenues for the repayment of debt. For example, during 2011 Spain implemented changes to its incentive scheme, including the reduction of subsidies through 2013 and the Spanish government adopted a new law in late 2012 that imposes a new revenue tax on electricity generating power plants. Both countries remain in a state of financial crisis. Both countries have recently commenced several legislation processes that may have a direct negative effect on our results of operations. For more information see "Item 4.B: Business Overview." Although the incentive scheme in Italy is based on end-users' payments and not directly on the Italian government's budget, we cannot assure you that the economic crisis will not cause additional changes to the Italian government's photovoltaic energy incentive schemes or that no additional changes will be made in Spain's photovoltaic energy incentive scheme that may directly or indirectly affect the payments we receive and, therefore, our operations and revenues.

Our business depends to a large extent on the availability of financial incentives. The reduction or elimination of government subsidies and economic incentives could reduce our profitability and adversely impact our revenues and growth prospects. Many countries, such as Germany, Spain, Italy, France, Portugal and Japan, offer substantial incentives to offset the cost of photovoltaic power systems in the form of feed-in tariffs, or FiT or other incentives to promote the use of solar energy and to reduce dependence on other forms of energy. These government incentives could potentially be reduced or eliminated altogether. On June 6, 2013, the Italian Authority for Electricity and Gas (AEEG) announced that the overall annual expense cap of ˆ6.7 billion for incentive payments payable to PV has been reached. As a consequence, the latest feed-in tariff (FiT) regulation—the Conto Energia V—ceased to apply on July 6, 2013, and until new incentive plans will be formulated, Italy will not subsidize any new installations, excluding minor exempted projects. In addition, on December 19, 2013 AEEG announced the replacement, starting January 1, 2014, of the minimum guaranteed prices currently foreseen under the Italian mandatory purchase regime with the zonal hourly prices set out for each specific area for PV plants exceeding 100KWp. In Spain, which also has a subsidy system for the photovoltaic industry, retroactive cuts were adopted from early 2011 to this date by limiting the number of production hours that are eligible to receive the government's feed-in tariff and imposing taxes on sale of electricity. On July 2013, a new remunerative regime on the investment (RD 9/2013) was announced in Spain that states that owners of PV plants will be provided with a profitability measure based on a calculation that will provide the owners of photovoltaic plants a defined yield, currently estimated to be calculated as 10-year government bonds plus 300 basis points. For more information see "Item 4.B: Business Overview." If the Italian government does not formulate new incentive plans and if the Spanish government elects to revise the incentive scheme retroactively, as it has done in the past and is currently in the process of implementing again, this may adversely affect the profitability from our PV Plants and from any new photovoltaic plants developed by us or existing photovoltaic plant acquired by us, and may prevent us from continuing to acquire photovoltaic plants in Italy or in Spain. In general, uncertainty about the introduction of, reduction in or elimination of incentives or delays or interruptions in the implementation of favorable laws could substantially affect our profitability and adversely affect our ability to continue and develop new photovoltaic plants.

Due to the uncertainty in the photovoltaic field in Italy and in Spain, we may seek to primarily invest in photovoltaic plants that have already been connected to the Italian or Spanish national grid and are eligible to receive the applicable FiT, which may not be available on terms beneficial to us or at all. As many of the issues with respect to the future legislation in Italy and in Spain are currently unclear, acquisitions of photovoltaic plants that have already been constructed and are connected to the Italian or Spanish national grid currently provide relatively more certainty as to their economic potential than plants that are still in the planning or construction stage. It may be difficult for us to locate suitable opportunities with attractive returns, and, even if located, the acquisition of an operating photovoltaic plant may be less attractive as the PV market matures and as operating plants are generally more expensive. Our inability to locate and acquire additional photovoltaic plants and the higher cost of such photovoltaic plants may adversely affect our business and results of operations.

Existing regulations, and changes to such regulations, may present technical, regulatory and economic barriers to the construction and operation of our photovoltaic power plants, which may significantly reduce our profitability. Installation of photovoltaic power systems is subject to oversight and regulation in accordance with international, European, national and local ordinances, building codes, zoning, environmental protection regulation, utility interconnection requirements and other rules and regulations. For example, various governmental, municipal and other regulatory entities subject the installation and operation of the plants, and any other component of the PV Plants, to the issuance of relevant permits, licenses and authorizations. If such permits, licenses and authorizations are not issued, or are issued but not on a timely basis, this could result in the interruption, cessation or abandonment of one or more of our PV Plants, or may require making significant changes to one or more of our PV Plants, any of which may cause severe losses. These licenses and permits may be revoked by the authorities following their issuance in the event the authorities discover irregularities or deviations from the scope of the license or permit. Any delay in receiving licenses or revocation of existing licenses may adversely affect our business and results of operations.

Success of the PV Plants, from their construction through their commissioning and ongoing commercial operation, depends to a large extent on the cooperation, reliability, solvency, and proper performance of the contractors we engage for the construction, operation and maintenance of our PV Plants, or the Contractors, and of the other third parties involved, including subcontractors, financing entities, land developers and land owners, suppliers of parts and equipment, the energy grid regulator, governmental agencies and other potential purchasers of electricity. The PV Plants are a complex endeavor requiring timely input, often of a highly specialized technical nature, from several parties, including without limitation, the main supplier and contemplated plant operator, other suppliers of relevant parts and materials, the land developers and land owners, subcontractors, financing entities, the Italian or Spanish government and related agencies both as subsidizers and as the purchasers of the electricity to be generated by the power plants and as regulators. In addition, as we use Contractors in order to operate and maintain our PV Plants, we depend on the representations, warranties and undertakings of such Contractors regarding, *inter alia*: the operation and maintenance of each of the PV Plants, the Contractors' expertise and experience, the use of high-quality materials, securing land use rights and obtaining applicable permits, obtaining the incentive agreement in order to secure the FiT for the production and delivery of power to the national electricity grid through our PV Plants, obtaining the power purchase agreement for the sale of the produced electricity to the energy company, obtaining the interconnection agreement with the national electricity grid operator, the commissioning of power plants that are fit for long-term use, strict compliance with applicable legal requirements, our Contractors' financial stability and the profitability of the venture. If the Contractors' representations or warranties are inaccurate or untrue, or if any of the Contractors defaults on its obligations, or provides us with a system that is not free from defect (which causes a delay in the operation of one or more of the PV Plants), or if any of the other entities referred to herein fails to perform its obligations properly and on a timely basis or fails to grant us the required permits and certifications on a timely basis, at any point in connection with any of the PV Plants, this could result in the interruption, cessation or abandonment of the relevant PV Plant, or may require making significant changes to the project in connection with the relevant PV Plant, any of which may cause us severe losses. For example, the contractor of several of our Italian PV Plants entered into insolvency proceedings during 2012 and we were forced to replace the contractor for such PV Plants. Although we located a replacement for such contractor and there are currently many operation and maintenance contractors available in the Italian and Spanish markets, there is no assurance that we could locate an alternative contractor in the place of a deficient contractor under similar commercial terms in the future.

We are exposed to the possibility of damages to, or theft of, the various components of our photovoltaic plants. Such occurrences may cause disruptions in the production of electricity and additional costs. During 2012 and 2013, some of our Italian PV Plants suffered damages as a result of theft of panels and other components, of damages to invertors caused due to bad weather and damages due to land conditions. Although such damages and theft are generally covered by the PV Plants' insurance policies, any such occurrences in the future may cause disruption in the production and measurement of electricity in connection with the relevant photovoltaic plant, may not be covered in its entirety by the insurance and may cause an increase in the premiums paid to our insurance companies, which may adversely affect our results of operations and profitability.

Our involvement and investment in future projects to purchase or build and operate photovoltaic plants similar to our PV Plants, in Italy, Spain or elsewhere, is substantially dependent on the applicable regulation and changes in regulation applicable to such projects in the locations we choose. Prior to entering into additional projects similar to the PV Plants, we will have to ensure that the regulatory framework that will apply to the prospective projects and the thresholds set forth in such regulations are such that the prospective projects are expected to yield the returns we are interested in. As these regulations are subject to changes, we cannot ensure that the current regulation will be applicable to any future projects or that it will not be revised prospectively or retroactively in the future and that we will meet the schedule and other requirements set forth in current and future regulations. Any changes in the incentive regime could significantly decrease the expected return on the investment in new projects and therefore our results of operations with respect to existing projects and our interest in new projects. For more information concerning recent and imminent changes in the Italian and Spanish regulatory regime, see "Item 4.B: Business Overview."

As a substantial part of our business is currently located in Europe, we are subject to a variety of additional risks that may negatively impact our operations. We currently have substantial operations in Italy and one PV Plant in Spain and may make additional investments in projects located outside of Israel or the United States. Due to these operations and any additional future investments, we are subject to special considerations or risks associated with companies operating in other jurisdictions, including rules and regulations, cross currency movements, different payment cycles, tax issues, such as tax law changes and variations in tax laws as compared to Israel and the United States, cultural and language differences, crime, strikes, riots, civil disturbances, terrorist attacks and wars and deterioration of political relations with Israel. The PV Plants subject us to a number of these risks, as well as the requirement to comply with Italian, Spanish and European Union law. We cannot assure you that we would be able to adequately address these additional risks. If we were unable to do so, our operations might suffer.

We only have a few years of experience and limited independent expertise in the field of photovoltaic power plants, and are therefore reliant on our professional advisors. We have limited experience and have limited independent expertise in the field of operations relating to the PV Plants, that is, the construction, installation, testing, commissioning, operation and maintenance of photovoltaic power plants and the supply of electricity to customers, whether in Italy, Spain or elsewhere. Although we have a representative in Italy who oversees the operation of our Italian PV Plants, we are still dependent upon our professional advisors (such as technical, legal and insurance experts). If the advice received from our professional advisors is inaccurate, incomplete or otherwise flawed, this could result in the inaccurate evaluation of the value and future prospects of a PV plant, which could adversely affect our results of operations.

We are dependent on the suppliers that supply the panels that are installed in our photovoltaic plants. The lack of reliability of such suppliers or of their products, as well as such suppliers' insolvency, may have an adverse effect on our business. Our PV Plants' performance depends on the quality of the panels installed. Therefore, one of the critical factors in the success of our PV Plants is the existence of reliable panel suppliers, who guarantee the performance and quality of the panels supplied. During recent years, several of the manufacturers of photovoltaic panels became insolvent and certain others suffered severe losses and have gone through a consolidation process. Degradation in the performance of the solar panels above a certain level is guaranteed by the panel suppliers and we receive undertakings from the Contractor with respect to minimum performances, however, if any of the suppliers is unreliable or becomes insolvent, it may default on warranty obligations, and such default may cause an interruption in our business or reduction in the generation of energy power, and thus may have an adverse effect on our profitability and results of operations.

Our ability to leverage our investment and to increase the return on our equity investments depends, *inter alia*, on our ability to obtain attractive financing from financial entities. Due to the crisis in the European financial markets in general, and in the Italian and Spanish financial markets specifically, obtaining financing from local banks is more difficult, and the terms on which such financing can be obtained are less favorable to the borrowers. Our ability to obtain attractive financing and the terms of such financing, including interest rates, equity to debt ratio requirement and timing of debt availability will significantly impact the return on our equity investments in the PV Plants. Due to the financial crisis in the European Union in general, and in countries like Greece, Spain and Italy specifically, the local Italian and Spanish banks have substantially limited the scope of financing available to commercial firms and the financing that is provided involves terms less favorable than terms provided prior to the financial crisis. In addition, obtaining financing for our PV Plants from financial institutions that are not located in Spain or in Italy is difficult due to such institutions' lack of familiarity with these markets and the underlying assets. Although we have entered into financing agreements with respect to six of the twelve Italian PV Plants, there is no assurance that we will be able to procure financing for the remaining PV Plants in Italy, our PV Plant in Spain or any PV plants we will acquire in the future, on terms favorable to us or at all. Our inability to obtain additional financing on favorable terms, or at all, may adversely affect the return on our investment in one or more of the PV Plants and our ability to leverage our investment.

In the event we will be unable to continuously comply with the obligations and undertakings, including with respect to financial covenants, which we undertook in connection with the financing of the PV Plants, our results of operations may be adversely affected. In connection with the financing of several of our PV Plants, we have entered into long-term agreements with outside sources of financing, including banks and a leasing company. The agreements that govern the provision of financing include, *inter alia*, undertakings and financial covenants that we are required to maintain for the duration of such financing agreements. In the event we fail to comply with any of these undertakings and covenants, we may be subject to penalties, future financing requirements, and, finally, to the acceleration of the repayment of debt. These occurrences may have an adverse effect on our financial position and results of operations and on our ability to obtain outside financing for other projects.

A drop in the prices of electricity may negatively impact our results of operations. The revenue from the sale of electricity produced by the PV Plants includes the incentives in the form of feed-in tariffs and proceeds from the sale of electricity produced in the electricity market at market price. A decrease in the price of electricity in Italy or in Spain may have a negative impact on our profitability and on our ability to expand our photovoltaic business.

Photovoltaic power plant installations have substantially increased over the past few years. The increased demand for solar panels resulted in substantial investments in photovoltaic panels production facilities, creating oversupply and a sharp decrease in the prices of solar panels. These events resulted in financial difficulties and consolidation of panel suppliers, which may lead to a reversal in the trend and an increase in the prices of solar panels and other components of the system (such as invertors and related electric components), increasing the costs of replacing components in our existing PV Plants and impacting the profitability of constructing new photovoltaic plants and our ability to expand our business. Additionally, if there is a shortage of key components necessary for the production of the solar panels, that may constrain our revenue growth. Higher demand for solar panels and other components of the photovoltaic system resulted in the past in oversupply and a sharp decrease in prices that led many panel suppliers to financial difficulties and liquidation or consolidation with other suppliers. This trend may lead to a decrease in supply and, therefore, an increase in the price of the photovoltaic system components. Should we decide to expand the business and construct additional plants over time, such increases may significantly decrease the expected return on the investment in new projects. Silicon is a dominant component of the solar panels, and although manufacturing abilities have increased over-time, any shortage of silicon, or any other material component necessary for the manufacture of the solar panels, may adversely affect our business.

Our ability to produce solar power is dependent upon the magnitude and duration of sunlight as well as other meteorological and geographic factors. The power production has a seasonal cycle, and adverse meteorological conditions can have a material impact on the plant's output and could result in production of electricity below expected output, which in turn could adversely affect our profitability. In addition, floods, storms, seismic turbulence and earth movements may damage our PV Plants and the insurance coverage we have for such risks may not cover in full the damage because of these circumstances are sometimes deemed "acts of god." The resulting expense due to the need to replace damaged components or the lower electricity output may adversely affect our profitability.

As electric power accounts for a growing share of overall energy use, the market for solar energy is intensely competitive and rapidly evolving. The market for solar energy attracts many initiatives and therefore is intensely competitive. Our competitors who strive to construct new photovoltaic power plants and acquire existing plants may have established more prominent market positions and may have more experience in this field. Extensive competition may adversely affect our ability to continue to acquire and develop new photovoltaic plants. A decrease in prices of other technologies for power production in the field of renewable energy, such as wind power and pumped storage, may result in governmental encouragement of such other technologies on account of encouragement of the photovoltaic technology. This could adversely impact our revenues and growth prospects.

Delays in the construction of the PV Plants or in the filing of the required documentation with the authorities whether in Italy, Spain or elsewhere may result in loss of our eligibility to receive feed-in-tariffs or impede our ability to obtain financing at terms beneficial to us, or at all, and therefore may have an adverse effect on our results of operations and business. Although all of our PV Plants are currently fully constructed and connected to the applicable national grid, we have experienced delays in the completion of the construction or connection to the Italian national grid in the past, which did not result in changes of the applicable FiT. In the event we acquire additional PV Plants that are not fully constructed, delays in construction and filing of documentation could cause a delay in connection to the grid and the application of a different, lower, FiT. Although the contracts that govern the construction of photovoltaic plants often include a system of liquidated damages and price reductions that apply in the event of delays or loss of certain FiT, these remedies are limited and may not completely offset the damages caused to us. Our limited ability to protect ourselves against damages caused due to delays with respect to PV plants we may acquire in the future, may have an adverse effect on our results of operations and business.

Risks Relating to Our Investment in Dori Energy

We have joint control in Dori Energy, who, in turn, holds a minority stake in Dorad Energy Ltd., or Dorad. Therefore, we do not control the operations and actions of Dorad. We currently hold 40% (and an option to increase our holdings under certain conditions to 50%) of the equity of Dori Energy who, in turn, holds 18.75% of Dorad. Although we entered into a shareholders' agreement with Dori Energy and the other shareholder of Dori Energy, U. Dori Group Ltd., or the Dori SHA, providing us with joint control of Dori Energy, should differences of opinion as to the management, prospects and operations of Dori Energy arise, such differences may limit our ability to direct the operations of Dori Energy. In addition, Dori Energy holds a minority stake in Dorad and as of the date hereof is entitled to nominate only one director in Dorad, which, according to the Dori SHA, we are entitled to nominate. Although we have one representative on the Dorad board of directors, we do not control Dorad's operations. These factors may potentially adversely impact the business and operations of Dorad and Dori Energy. In addition, to the extent our interest in Dori Energy is deemed an investment security, as defined in the Investment Company Act of 1940, or the Investment Company Act, we could be deemed to be an investment company under the Investment Company Act, depending on the value of our other assets. Please see "We may be deemed to be an "investment company" under the Investment Company Act of 1940, which could subject us to material adverse consequences" below.

The Dori Energy Shareholders Agreement contains restrictions on our right to transfer our holdings in Dori Energy, which may make it difficult for us to terminate our involvement with Dori Energy. The Dori SHA contains several restrictions on our ability to transfer our holdings in Dori Energy, including a "restriction period" during which we are not allowed to transfer our holdings in Dori Energy (other than to permitted transferees) and, thereafter, certain mechanisms such as a right of first refusal. The aforesaid restrictions may make it difficult for us to terminate our involvement with Dori Energy should we elect to do so and may adversely affect the return on our investment in Dori Energy.

Dorad, which is currently the only substantial asset held by Dori Energy, is involved in a complex project that includes the construction and thereafter the operations and management of the Dorad Power Plant, and its successful operations and profitability is dependent on a variety of factors, many of which are not within Dorad's control. Dorad is involved in the construction of a combined cycle power plant based on natural gas, with a production capacity of approximately 800 MW, or the Dorad Power Plant, on the premises of the Eilat-Ashkelon Pipeline Company, or EAPC, located south of Ashkelon, Israel. The Dorad Power Plant is subject to various complex agreements with third parties (the Israeli Electric Company, or IEC, the contractor, suppliers, private customers, etc.) and to regulatory restrictions and guidelines in connection with, among other issues, the tariffs to be paid by the IEC to Dorad for the energy produced. Various factors and events, both during the construction period of the Dorad Power Plant and during the operations of the power plant, may materially adversely affect Dorad's results of operations and profitability and, in turn, have a material adverse effect on Dori Energy's and our results of operations and profitability. These factors and events include:

- The Dorad Power Plant is in the final stages of the construction phase and during such period Dorad is exposed to various risks, including, without limitation, in connection with noncompliance or breach by the contractor involved in the construction, noncompliance by Dorad or any of its shareholders with their undertaking to finance the Dorad Power Plant, which may result, *inter alia*, in fines and penalties being imposed on Dorad, defects or delays in the construction due to the contractor or outside events and delays in supply of equipment required for the construction of the Dorad Power Plant;

- The operations of the Dorad Power Plant have been delayed due to various factors, including a delay in construction during 2012 due to missile attacks. Such delays may result in penalties and expenses to Dorad due to a breach of its undertakings towards certain of its customers as to the commencement of operations of the Dorad Power Plant. Dorad has already entered into settlement agreements with two of its customers, compensating them for the delays. Any further delays may cause Dorad to incur additional expenses, to grant further discounts to its customers or result in the enforcement of guarantees provided to certain customers, all of which may have a material adverse effect on Dorad's results of operations and profitability.

- The electricity sector in Israel is highly centralized and is dominated by the IEC, which controls and operates the electricity system in Israel, including the delivery and transmission of electricity and also manufactures the substantial majority of electricity in Israel. In addition, the electricity sector is subject to various laws and regulations, including in connection with the tariffs charged by the IEC, including the resolution from May 2013 to charge private manufacturers for the IEC's system operation services, and the licensing requirement, such as the requirement that Dorad obtain a permanent license prior to commencement of its operations. Among other things, the prices paid by Dorad to the IEC for system operation services it will provide to Dorad and the fees received by Dorad from the IEC for electricity sold to the IEC and for providing the IEC with energy availability are all based on tariffs determined by the Israeli regulator and are subject to change due to an impending reform in the electricity market in Israel in light of the IEC's financial situation and the entrance of private energy manufacturers, including Dorad, into the Israeli electricity market. The updates and changes to the regulation may not necessarily involve negotiations or consultations with Dorad and may be unilaterally imposed on it. In addition, the employees of the IEC, who object to certain reforms in the Israeli electricity sector, have in the past applied sanctions to prevent the connection, and at a later stage threatened to disconnect, the Dorad Power Plant from the Israeli national grid as part of their efforts to prevent implementation of these reforms and may in the future do so again. Any changes in the tariffs, system charges or applicable regulations, failure by Dorad to obtain or to maintain the required permanents license, the inability of the IEC to pay Dorad or unilateral actions on the part of IEC's employees may adversely affect Dorad's plan of operations and could have a material adverse effect on Dorad's profitability.

- Dorad's operations are dependent upon the expertise and success of its operations and maintenance contractor, who is responsible for the day-to-day operations of the Dorad Power Plant. In the event the services provided by such contractor will cause delays in the production of energy or any other damage to the Dorad Power Plant or to Dorad's customers, Dorad may be subject to claims for damages and to additional expenses and losses and therefore Dorad's profitability could be adversely affected.

- Significant equipment failures may limit Dorad's production of energy. Although such damages are generally covered by insurance policies, any such failures may cause disruption in the production, may not all be covered by the insurance and the correction of such failures may involve a considerable amount of resources and investment and could therefore adversely affect Dorad's profitability.

- The operation of the Dorad Power Plant is highly complex and dependent upon the continued ability: (i) to operate the various turbines, and (ii) to turn the turbines on and shut them down quickly based on demand and also on the accuracy of the proprietary forecasting system that will be used by Dorad. Any defects or disruptions, or inaccuracies in forecasts, may result in inability to provide the amount of electricity required by Dorad's customers or in over-production, both of which could have a material adverse effect on Dorad's operations and profitability.

- Dorad’s operations are mainly financed by a consortium of financing entities pursuant to a long-term credit facility and such credit facility provides for pre-approval by the consortium of certain of Dorad’s actions and contracts with third parties. Changes in the credit ratings of Dorad and its shareholders, non-compliance with financing and other covenants, delays in provision of required pre-approvals or disagreements with the financial entities and additional factors may adversely affect Dorad’s operations and profitability.

- The Dorad Power Plant is located in Ashkelon, a town in the southern part of Israel, in proximity to the Gaza Strip. The location of the Dorad Power Plant is within range of missile strikes from the Gaza Strip. In recent years, there has been an escalation in violence and missile attacks from the Gaza Strip, including an eight day period in November 2012 in which more than 1,500 missiles were fired from Gaza Strip to Southern and Central Israel. This attack disrupted the work on the Dorad Power Plant, which resumed after the missile strikes ceased. Any such further attacks to the area or any direct damage to the location of the Dorad Power Plant may damage Dorad's facilities and disrupt the commencement of operations of the Dorad Power Plant and thereafter its operations, and may cause losses and delays; and

- Dorad entered into a long-term gas supply agreement with the partners in the “Tamar” license, or Tamar, located in the Mediterranean Sea off the coast of Israel. This agreement includes a “take or pay” mechanism that may result in Dorad paying for gas that is not actually required for its operations. In the event Dorad will be required to pay for gas that it does not need, Dorad’s results of operations and profitability could be adversely affected. The price of the natural gas under the agreement with Tamar is indexed to the electricity production tariff and is therefore subject to change. Such possible revision is now the basis for a dispute between Dorad and Tamar, which may be required to be settled in an arbitration process. In addition, as Tamar is currently Dorad’s sole supplier of gas and has undertaken to supply natural gas to various customers and is permitted to export a certain amount of the natural gas to customers outside of Israel. Dorad's operations will depend on the timely, continuous and uninterrupted supply of gas from Tamar and on the existence of sufficient reserves throughout the term of the agreement with Tamar. Any delays, disruptions, increase in the price of natural gas under the agreement, or shortages in the gas supply from Tamar will adversely affect Dorad's results of operations.

- The Dorad power plant is subject to environmental regulations, aimed at increasing the protection of the environment and reducing environmental hazards, including by way of imposing restrictions regarding noise, harmful emissions to the environment and handling of hazardous materials. Currently the costs of compliance with the foregoing requirements are not material. Any breach or other noncompliance with the applicable laws may cause Dorad to incur additional costs due to penalties and fines and expenses incurred in order to regain compliance with the applicable laws, all of which may have an adverse effect on Dorad's profitability and results of operations.

- As a result of the agreements with the construction contractors of the Dorad power plant and the indexation included in the gas supply agreement, Dorad is exposed to changes in exchange rates of the U.S. dollar against the NIS. To minimize this exposure Dorad executed forward transactions to purchase U.S. dollars against the NIS. As the hedging performed by Dorad does not completely eliminate such exposure, Dorad's profitability might be adversely affected due to future changes in exchange rates. In addition, due to the indexing to the Israeli consumer price index under Dorad's credit facility, it is exposed to fluctuations in the Israeli CPI, which may adversely affect its results of operations and profitability.

Risks Related to our Other Activities

We may not be able to generate sufficient cash flow to make payments under our Series A Debentures and other financing agreements. In January 2014, we raised approximately $33.5 million (approximately NIS 116.8 million), gross proceeds, through the issuance to the public in Israel of our Series A Nonconvertible Debentures, or the Series A Debentures. Net of offering related expenses, the proceeds were approximately $32.9 million (approximately NIS 114.7 million) as of the issuance date. In addition, several of our wholly-owned Italian subsidiaries have entered into financing agreements with various financial institutions, in the aggregate amount of approximately Euro 15.4 million (approximately $20.1 million). If we are unable to make payments when required by the Series A Debentures or these financing agreements or if we do not comply with the financial covenants contained in the deed of trust for the Series A Debentures or our loan agreements and upon the occurrence of several other events of default included in such documents, including certain cross default provisions, we could be required to repay all or portion of these loans prior to their maturity. Depending on our financial position at the time such repayment is required, we may or may not be able to comply with the requirement, subjecting certain assets that were pledged in connection with the various financing agreements to foreclosure by the financing institutions. This may have a material adverse effect on our operations and liquidity.

Our ability to freely operate our business is limited as a result of certain restrictive covenants contained in the deed of trust of our Series A Debentures. The deed of trust governing the Series A Debentures, or the Series A Deed of Trust, contains a number of restrictive covenants that limit our operating and financial flexibility. These covenants include, among other things, a "negative pledge" with respect to a floating pledge on all of our assets and an obligation to pay additional interest in case of certain rating downgrades. The Series A Deed of Trust also contains covenants regarding maintaining certain levels of financial ratios and criteria, including as a condition to the distribution of dividends and other customary immediate repayment conditions, including, under certain circumstances, in the event of a change of control, a change in our operations or a disposition of a substantial amount of assets. Our ability to continue to comply with these and other obligations depends in part on the future performance of our business. Such obligations may hinder our ability to finance our future operations or the manner in which we operate our business. In particular, any non-compliance with performance-related covenants and other undertakings of the Series A Debentures could result in demand for immediate repayment of the outstanding amount under the Series A Debentures and restrict our ability to obtain additional funds, which could have a material adverse effect on our business, financial condition or results of operations.

Our debt increases our exposure to market risks, may limit our ability to incur additional debt that may be necessary to fund our operations and could adversely affect our financial stability. As of December 31, 2013, our total indebtedness was approximately EUR 27.1 million (approximately $37.3 million), excluding any related capitalized costs. We have since repaid approximately EUR 12.9 million (approximately $17.7 million) of such indebtedness and incurred additional indebtedness of approximately $33.5 million as of the issuance date (approximately NIS 116.8 million) in connection with the issuance of the Series A Debentures. The trust deed governing the Series A Debentures permits us to incur additional indebtedness, subject to maintaining certain financial ratios and covenants. Our debt and any additional debt we may incur, could adversely affect our financial condition by, among other things:

- increasing our vulnerability to adverse economic, industry or business conditions and cross currency movements;

- limiting our flexibility in planning for, or reacting to, changes in our industry and the economy in general;

- requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, thus reducing the funds available for operations and future business development; and

- limiting our ability to obtain additional financing to operate, develop and expand our business.

Our business results may be affected by currency and interest rate fluctuations and the hedging transactions we enter into in order to manage currency and interest rate related risks. We hold cash and cash equivalents, restricted cash and short-term deposits in various currencies, including US$, Euro and NIS. Our investments in the Italian and Spanish PV Plants and in Dori Energy are denominated in Euro and NIS. Our Series A Debentures are denominated in NIS and the interest and principal payments are to be made in NIS and the financing we have obtained in connection with six of our PV Plants bears interest that is based on EURIBOR rate. Therefore our repayment obligations and undertakings may be affected by adverse movements in the exchange and interest rates. Although we attempt to manage these risks by entering into hedging transactions as more fully explained in "Item 11: Quantitative and Qualitative Disclosures About Market Risk," and via hedging transactions entered into following December 31, 2013 in connection with the receipt of the NIS proceeds from the issuance of our Series A Debentures, we cannot ensure that we will manage to eliminate these risks in their entirety. These hedging transactions may also impact the results of our operations due to fluctuations in their value based on changes in the relevant exchange or interest rate.

If we do not conduct an adequate due diligence investigation of a target business or a power plant, we may be required to subsequently take write-downs or write-offs, restructuring, and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and our stock price. We must conduct a due diligence investigation of target businesses or power plants that we would intend to acquire or purchase an interest in. Intensive due diligence is time consuming and expensive due to the technical, accounting, finance and legal professionals who must be involved in the due diligence process. Even if we conduct extensive due diligence on a target business, we cannot assure you that this due diligence will reveal all material issues that may affect a particular target business, or that factors outside the control of the target business and outside of our control will not later arise. If our due diligence review fails to identify issues specific to a target business, industry or the environment in which the target business operates, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in losses. Even though these charges may be non-cash items and may not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our ordinary shares.

The current general economic and business conditions around the world and any subsequent economic downturn may adversely affect our ability to consummate new acquisitions, to procure financing for our PV Plants, the prospects of any project we may acquire and the trading price of our ordinary shares. Since mid-2008, due to the severity of the crisis affecting financial institutions throughout the world, the rising costs of various commodities, the limited growth and economic development throughout the world, as well as the recession, the general economic and business conditions in many countries around the world worsened, affecting, among other things, credit ratings of borrowers, the perceived and actual credit risks faced by lenders and purchasers of debt securities, the solvency of trade partners, market entities' appetite for risk, the spending habits of consumers, the ability to procure financing. This crisis disproportionately affected Europe during 2011 and 2012 and many European economies, including Italy and Spain. Despite signs of possible recovery, there is no assurance that this financial crisis will improve or be resolved over the short, medium or long term, or that the recession will be overcome in its entirety in the near or far future, or that any of the trends associated with such recession will be reversed in whole or in part. Furthermore, if any further economic downturns ensue, this may adversely affect our ability to procure financing required for the acquisition of new projects, the value of new projects we acquire and our financial condition and results of operations. In addition, if such further economic downturn will occur, it may also affect the trading prices of securities in various capital markets around the world and may significantly and adversely affect the trading price of our ordinary shares.

We may be deemed to be an "investment company" under the Investment Company Act of 1940, which could subject us to material adverse consequences. We could be deemed to be an "investment company" under the Investment Company Act if we invest more than 40% of our assets in "investment securities," as defined in the Investment Company Act. Investments in securities of majority owned subsidiaries (defined for these purposes as companies in which we control 50% or more of the voting securities) are not "investment securities" for purposes of this definition. As our interest in Dori Energy is not considered an investment in majority owned securities, unless we maintain the required portion of our assets under our control, limit the nature of our investments of our cash assets to cash and cash equivalents (which are generally not "investment securities"), succeed in making additional strategic "controlling" investments and continue to monitor our investment in Dori Energy, we may be deemed to be an "investment company." We do not believe that our holdings in the PV Plants would be considered "investment securities," as we control the PV Plants via wholly-owned subsidiaries and we do not believe that the current fair value of our short-term deposits and holdings in Dori Energy (all as more fully set forth under "Item 4.A: History and Development of Ellomay" and "Item 4.B: Business Overview"), all of which may be deemed to be "investment securities," would result in our being deemed to be an "investment company." If we were deemed to be an "investment company," we would not be permitted to register under the Investment Company Act without an order from the SEC permitting us to register because we are incorporated outside of the United States and, prior to being permitted to register, we would not be permitted to publicly offer or promote our securities in the United States. Even if we were permitted to register, it would subject us to additional commitments and regulatory compliance. Investments in cash and cash equivalents might not be as favorable to us as other investments we might make if we were not potentially subject to regulation under the Investment Company Act. We seek to conduct our operations, including by way of investing our cash and cash equivalents, to the extent possible, so as not to become subject to regulation under the Investment Company Act. In addition, because we are actively engaged in exploring and considering strategic investments and business opportunities, and in fact the majority of our investments to date (mainly in the Italian and Spanish photovoltaic power plants markets) were made through a controlling investment, we do not believe that we are currently engaged in "investment company" activities or business.

Our ability to successfully effect acquisitions and to be successful thereafter will be significantly dependent upon the efforts of our key personnel. Several of our key personnel allocate their time to other businesses. Our ability to successfully effect acquisitions is dependent upon the efforts of our key personnel, including Shlomo Nehama, our chairman of the board, Ran Fridrich, a director and our Chief Executive Officer and Menahem Raphael, a member of our board. Although we have entered into a Management Services Agreement with entities affiliated with these board members, they are not required to commit their full time to our affairs, which could create a conflict of interest when allocating their time between our operations and their other commitments. If our directors' other business affairs require them to devote more substantial amounts of time to such affairs, it could limit their ability to devote time to our affairs and could have a negative impact on our ability to consummate acquisitions.

We may be characterized as a passive foreign investment company. Our U.S. shareholders may suffer adverse tax consequences. Under the PFIC rules, for any taxable year that our passive income or our assets that produce passive income exceed specified levels, we will be characterized as a passive foreign investment company for U.S. federal income tax purposes. This characterization could result in adverse U.S. tax consequences for our U.S. shareholders, which may include having certain distributions on our ordinary shares and gains realized on the sale of our ordinary shares treated as ordinary income, rather than as capital gains income, and having potentially punitive interest charges apply to the proceeds of sales of our ordinary shares and certain distributions.

Certain elections may be made to reduce or eliminate the adverse impact of the PFIC rules for holders of our shares, but these elections may be detrimental to the shareholder under certain circumstances. The PFIC rules are extremely complex and U.S. investors are urged to consult independent tax advisers regarding the potential consequences to them of our classification as a PFIC.

Based on our income and/or assets, we believe that we were a PFIC with respect to any U.S. shareholder that held our shares in 2008, 2009, 2010, 2011 and 2012. We also believe, based on our income and assets, that it is likely that we were not a PFIC with respect to U.S. shareholders that held our ordinary shares in 2013. However, the Internal Revenue Service may disagree with our determinations regarding our prior or present PFIC status and, depending on future events, we could become a PFIC in future years.

For a more detailed discussion of the consequences of our being classified as a PFIC, see "Item 10.E: Taxation" under the caption "U.S. Tax Considerations Regarding Ordinary Shares."

Risks Relating to our Ordinary Shares

You may have difficulty enforcing U.S. judgments against us in Israel. We are organized under the laws of Israel and our headquarters are in Israel. Most of our officers and directors reside outside of the United States. Therefore, it may be difficult to effect service of process upon us or any of these persons within the United States. In addition, you may not be able to enforce any judgment obtained in the U.S. against us or any of such persons in Israel and in any event will be required to file a request with an Israeli court for recognition or enforcement of any non-Israeli judgment. Subject to certain time limitations, executory judgments of a United States court for liquidated damages in civil matters may be enforced by an Israeli court, provided that: (i) the judgment was obtained after due process before a court of competent jurisdiction, that recognizes and enforces similar judgments of Israeli courts and according to the rules of private international law currently prevailing in Israel, (ii) adequate service of process was effected and the defendant had a reasonable opportunity to be heard, (iii) the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel, (iv) the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties, (v) the judgment is no longer appealable, and (vi) an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court. If a foreign judgment is enforced by an Israeli court, it will be payable in Israeli currency. You may not be able to enforce civil actions under U.S. securities laws if you file a lawsuit in Israel.

Provisions of Israeli law may delay, prevent or make difficult an acquisition of Ellomay or a controlling position in Ellomay, which could prevent a change of control and, therefore, depress the price of our shares. Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to some of our shareholders. These provisions of Israeli law may delay, prevent or make difficult an acquisition of Ellomay, which could prevent a change of control and therefore depress the price of our shares.

We may rely on certain Israeli "home country" corporate governance practices which may not afford shareholders the same protection afforded to stockholders of U.S. companies. As a foreign private issuer for purposes of U.S. securities laws, NYSE MKT rules allow us to follow certain Israeli "home country" corporate governance practices in lieu of the corresponding NYSE MKT corporate governance rules. Such home country practices may not afford shareholders the same level of rights or protections in certain matters as those of stockholders of U.S. domestic companies. To the extent we are entitled to elect to follow Israeli law and practice rather than corresponding U.S. law or practice, such as with regard to the requirement for shareholder approval of changes to option plans, our shareholders may not be afforded the same level of rights they would have under U.S. practice.

We have undergone, and will in the future undergo, tax audits and may have to make material payments to tax authorities at the conclusion of these audits. Prior to the sale of our business to HP, we conducted business globally and a substantial part of our operations was conducted in various countries and our past tax obligations were not assumed or purchased by HP as part of the business sold. Since the execution of the contracts in connection with the PV Plants and our other investments, we now also conduct our business globally (currently in Israel, Luxemburg, Italy and Spain). Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable laws in the jurisdictions in which we file. Not all of the tax returns of our operations in other countries and in Israel are final and we will be subject to further audit and assessment by the applicable tax authorities. While we believe we comply with applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes, as a result of which our future results may be adversely affected.

We are controlled by a small number of shareholders, who may make decisions with which you may disagree and which may also prevent a change of control via purchases in the market. Currently, a group of investors comprised of Kanir Joint Investments (2005) Limited Partnership, or Kanir, and S. Nechama Investments (2008) Ltd., or Nechama Investments, hold an aggregate of 59.3% of our outstanding ordinary shares. Shlomo Nehama, our Chairman of the Board who controls Nechama Investments holds directly an additional 4.4% of our outstanding ordinary shares, Ran Fridrich, our CEO and a member of our Board of Directors, holds directly an additional 1.1% of our outstanding ordinary shares and Hemi Raphael, a member of our Board of Directors who, together with Ran Fridrich, controls the general partner of Kanir, directly and indirectly holds an additional 4.3% of our outstanding ordinary shares. Therefore, acting together, these shareholders could exercise significant influence over our business, including with respect to the election of our directors and the approval of change in control and other material transactions. This concentration of control may have the effect of delaying or preventing changes in control or changes in management, or limiting the ability of our other shareholders to approve transactions that they may deem to be in their best interest. In addition, as a result of this concentration of control, we are deemed a "controlled company" for purposes of NYSE MKT rules and as such we are not subject to certain NYSE MKT corporate governance rules. Moreover, our Second Amended and Restated Articles includes the casting vote provided to our Chairman of the Board under certain circumstances and the ability of members of our Board to demand that certain issues be approved by our shareholders, requiring a special majority, all as more fully described in “Item 10.B: Memorandum of Association and Second Amended and Restated Articles,” may have the effect of delaying or preventing certain changes and corporate actions that would otherwise benefit our shareholders.

Our ordinary shares are listed in two markets and this may result in price variations that could affect the trading price of our ordinary shares. Our ordinary shares have been listed on the NYSE MKT under the symbol “ELLO” since August 22, 2011 and on the Tel Aviv Stock Exchange, or TASE, under the symbol “ELOM” since October 27, 2013. Trading in our ordinary shares on these markets is made in different currencies (U.S. dollars on the NYSE MKT and New Israeli Shekels on the TASE), and at different times (due to the 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 trading price of our ordinary shares on one of these markets could cause a decrease in the trading price of our ordinary shares on the other market.

Our non-compliance with the continued listing requirements of the NYSE MKT could cause the delisting of our ordinary shares. The market liquidity and analyst coverage of our ordinary shares is very limited. The NYSE MKT requires listed companies to comply with continued listing requirements, including with respect to stockholders' equity, distribution of shares and low selling price. There can be no assurance that we will continue to qualify for listing on the NYSE MKT. If our ordinary shares are delisted from the NYSE MKT, trading in our ordinary shares in the United States could be conducted on an electronic bulletin board such as the OTC Bulletin Board, which could affect the liquidity of our ordinary shares and the ability of the shareholders to sell their ordinary shares in the secondary market, which, in turn, may adversely affect the market price of our ordinary shares. Also, as our shares are now traded on the TASE, to the extent our share are delisted from the NYSE MKT we could decide to cease being a reporting company under the Securities Exchange Act of 1934, as amended, which may make it more difficult for investors to find up to date information about us, in English or at all. Moreover, in the event our ordinary shares are delisted from the NYSE MKT but are still listed on the TASE, we will be required to start filing and publishing reports in Hebrew with the Israeli authorities in a similar manner to the Israeli public companies whose shares are not listed on an exchange recognized by the Israeli regulator, which will subject us to additional substantial expenses in addition to additional regulatory requirements that may have an adverse effect on our results of operations. In addition, our ordinary shares are not yet regularly covered by securities analysts and the media and the liquidity of our ordinary shares is still very limited. Such limited liquidity could result in lower prices for our ordinary shares than might otherwise prevail and in larger spreads between the bid and asked prices for our ordinary shares. These issues could materially impair our ability to raise funds through the issuance of our ordinary shares in the securities markets.

We have not paid any cash dividends in the past and do not currently have a dividend distribution policy. The payment of dividends will depend on our revenues and earnings, if any, capital requirements, general financial condition and applicable legal and contractual constraints in connection with distribution of profits and will be within the discretion of our then-board of directors. In addition, the terms of the deed of trust governing our Series A Debentures restrict our ability to distribute dividends (for more information see "Item 5:B. Liquidity and Capital Resources"). As a result, any gains on an investment in our ordinary shares will need to come through appreciation of the value of such shares.

Our stock price has been very volatile in the past and may continue to be volatile, which could adversely affect the market liquidity of our ordinary shares and our ability to raise additional funds. Our ordinary shares have experienced substantial price volatility, particularly as there is still very limited volume of trading in our ordinary shares and every transaction performed significantly influences the market price. Although our ordinary shares have been listed on the NYSE MKT since August 22, 2011 and on the TASE since October 27, 2013, there is still limited liquidity and limited analyst coverage of our business and prospects, and these circumstances, combined with the general economic and political conditions, cause the market price for our ordinary shares to continue to be volatile. The continuance of such factors and other factors relating to our business may materially adversely affect the market price of our ordinary shares in the future.

ITEM 4: Information on Ellomay

A. History and Development of Ellomay

Our legal and commercial name is Ellomay Capital Ltd. Our office is located at 9 Rothschild Boulevard, 2nd floor, Tel-Aviv 6688112, Israel, and our telephone number is +972-3-7971111. Our registered agent in the United States is CT Corporation System, 111 Eight Avenue, New York, New York 10011.

We were incorporated as an Israeli corporation under the name Nur Advertisement Industries 1987 Ltd. on July 29, 1987. On August 1, 1993, we changed our name to NUR Advanced Technologies Ltd., on November 16, 1997 we again changed our name to NUR Macroprinters Ltd. and on April 7, 2008, in connection with the closing of the sale of our business to HP, we again changed our name to Ellomay Capital Ltd. Our corporate governance is controlled by the Israeli Companies Law, 1999, as amended, or the Companies Law.

Our ordinary shares are currently listed on the NYSE MKT under the trading symbol "ELLO" and are also listed on the Tel Aviv Stock Exchange under the trading symbol "ELOM" under the Israeli regulatory "dual listing" regime that provides companies whose securities are listed both in the NYSE MKT and the TASE certain reporting leniencies.

Recent Developments

Closing of the Veneto PV Plants Transaction

On June 26, 2013, we closed the purchase of two unlevered Italian special purpose companies, each holding one photovoltaic (solar) plant in the Veneto Region, north Italy, or, together, the Veneto PV Plants. The final adjusted purchase price of the Veneto PV Plants was 23.5 million Euros. The Veneto PV Plants were purchased on a full equity basis, with no external loans at the level of the companies that directly own them. The Veneto PV Plants are connected to the national Italian grid since August 2011 and are entitled to a Feed in Tariff of 23.8 Euro cents per KWh, in addition to the selling price of the electricity, until August 2031.

The Dorad Power Plant

In July 2013, the Dorad Power Plant constructed by Dorad Energy, a private Israeli company in which we indirectly hold 7.5% (and an option to increase such holdings to 9.375%), was energized and connected to the Israeli national grid. In November 2013, the Natural Gas Authority of the Israeli Ministry of National Infrastructures, Energy and Water Resources approved the connection of the Dorad Power Plant to the national gas pipeline network. Pursuant to information received from Dorad, the Dorad Power Plant is currently expected to start commercial operation and production of power at its full capacity of approximately 800 MW in April 2014 and provide power to its various customers, including the Ministry of Defense, Mekorot, Ossem and Fattal and Isrotel hotel networks. For more information see "Item 4.B: Dori Energy and the Dorad Power Plant."

Listing of Ordinary Shares on the Tel Aviv Stock Exchange

On October 27, 2013, our ordinary shares were listed for trading on the TASE, under the symbol "ELOM." We were able to list our ordinary shares on the TASE by virtue of the amendment to the Israeli Securities Law, 5728-1968, that took effect in October 2000, enabling U.S.-listed companies to dual-list on the TASE without additional regulatory requirements.

Proceeds in connection with Terminated Loan Agreement

On July 17, 2013 we entered a loan agreement with Erez Electricity Ltd., or Erez Electricity, which owns, among its other holdings, 24% of the pumped storage project in the Gilboa, Israel, or PSP Gilboa, pursuant to which we loaned an amount of approximately NIS 0.8 million (approximately $0.2 million) to Erez Electricity. In November 2013 in connection with the sale of Erez Electricity's holdings in PSP Gilboa to third parties, we reached an agreement with Erez Electricity according to which we are entitled to the immediate repayment of the amount loaned, including interests accrued and linkage, amounting to approximately NIS 1 million (approximately $0.3 million) and, subject to certain conditions, to additional future compensation in the aggregate amount of NIS 6.7 million (approximately $1.9 million), which will be linked to the Israeli CPI and will be paid in two installments of approximately NIS 1.2 million (approximately $0.35 million) subject to and upon financial closing of PSP Gilboa and NIS 5.5 million (approximately $1.6 million) subject to and upon receipt of permanent licenses for generation of power and approval of the technical advisor appointed by the financial institutions who have financed PSP Gilboa to the transfer from set up phase to operational phase. *We cannot at this point predict when and if such conditions will be met and therefore, when and if we will receive the additional future compensation.*

Series A Debentures Offering in Israel

On January 13, 2014, we issued Series A Nonconvertible Debentures due December 31, 2023 in a public offering in Israel in the aggregate principal amount of NIS 120,000,000 (approximately $34.4 million based on the U.S. Dollar/NIS exchange rate at that time) at a price of NIS 973 per unit (each unit comprised of NIS 1,000 principal amount of Series A Debentures). The Series A Debentures bear fixed interest at the rate of 4.6% per year and are not linked to the Israeli CPI or otherwise. The gross proceeds of the offering were approximately NIS 116.8 million (approximately $33.5 million, at the date of issuance) and the net proceeds of the offering, net of related expenses such as consultancy fee and commissions were NIS 114.7 million (approximately $32.9 million. For additional information concerning the Series A Debentures see “Item 5.B: Liquidity and Capital Resources” and “Item 10.C: Material Contracts.”

Pumped-Storage project in the Manara Cliff in Israel

On January 28, 2014 we entered into an agreement, or the Ortam Agreement, with Ortam Sahar Engineering Ltd., or Ortam, an Israeli publicly listed company, pursuant to which, subject to the fulfillment of conditions as set forth below, we shall acquire Ortam’s holdings (24.75%) in Agira Sheuva Electra, L.P., or the Partnership, an Israeli Limited Partnership that is promoting a prospective pumped-storage project in the Manara Cliff in Israel as well as Ortam's holdings: (i) in Chashgal Elyon Ltd., or the GP, an Israeli private company, which is the general partner of the Partnership (25%), and (ii) in the engineering, procurement and construction contractor of the aforementioned project (50%).

The Ortam Agreement forms part of several prospective agreements that we are currently negotiating with the other partners of the Partnership. As of this date we entered into additional agreements with some of the other partners, which are also subject to various conditions to closing.

The consummation of the transactions contemplated by the Ortam Agreement, as well as by the other conditional agreements referred to above, is subject to us entering into additional agreements with other partners of the Partnership and with several third parties, which are yet to be negotiated. Furthermore, the consummation of the transactions contemplated by the Agreement and the agreements referred to in the previous paragraph is subject to the fulfillment of additional conditions precedent, including, among others, the obtainment of third party and various regulatory approvals. *We cannot at this stage assess whether and at what time the conditions to closing will be fulfilled and therefore cannot assess whether or when the closing will occur*.

Principal Capital Expenditures and Divestitures

During 2011, 2012, 2013 and up to March 1, 2014, we made or accrued capital expenditures of an aggregate amount of approximately $91.9 million, as of March 1, 2014, in connection with the Italian and Spanish PV Plants, net of penalties due to delay in connection to the national grid of some of the PV Plants and net of approximately $0.9 million assets disposed as a result of panels stolen from one of our PV Plants and invertors damaged due to bad weather conditions in another PV Plant, partially reimbursed by the existing insurance policies in the amount of approximately $0.435 million and our aggregate capital expenditure in connection with the acquisition of shares in U. Dori Energy Infrastructure Ltd. is approximately $29.9 million, as of March 1, 2014.

For further information on our financing activities please refer to “Item 4.B: Business Overview” and “Item 5: Operating and Financial Review and Prospects.”

B. Business Overview

We are in the business of energy and infrastructure and our operations currently mainly include production of renewable and clean energy. We own thirteen photovoltaic plants, or PV Plants, that are connected to their respective national grids and operating as follows: (i) twelve photovoltaic plants in Italy with an aggregate nominal capacity of approximately 22.6 MWp and (ii) 85% of one photovoltaic plant in Spain with a nominal capacity of approximately 2.3 MWp. In addition, we indirectly own 7.5% of Dorad (and an option to increase our indirect holdings in Dorad under certain conditions to 9.375%).

PV Plants

Photovoltaic Industry Background

Electric power accounts for a growing share of overall energy use. While a majority of the world’s current electricity supply is generated from fossil fuels such as coal, oil and natural gas, these traditional energy sources face a number of challenges including rising prices, security concerns over dependence on imports from a limited number of countries, and growing environmental concerns over the climate change risks associated with power generation using fossil fuels. As a result of these and other challenges facing traditional energy sources, governments, businesses and consumers are increasingly supporting the development of alternative energy sources, including solar energy.

Solar energy is one of the most direct and unlimited energy sources. It is the underlying energy source for renewable fuel sources, including biomass fuels and hydroelectric energy. By extracting energy directly from the sun and converting it into an immediately usable form, either as heat or electricity, intermediate steps are eliminated.

Global trends in the industry

According to EPIA (European Photovoltaic Industry Association) the solar power market has grown significantly in the past decade. According to EPIA, with at least 37 GW of newly-added capacity globally, 2013 was another record-year for photovoltaic installations, compared to 31.1 GW global photovoltaic new installations in 2012 and 29.7 GW.

With at least 37 GW of newly-added capacity globally, 2013 was another record-year for photovoltaic installations. The global PV cumulative installed capacity reached an impressive 136.7 GW at the end of last year, which represents a 35% increase compared to the year before. The internationalization trend of PV markets already observed in 2012 accentuated in 2013, with Asia taking the lead over Europe in connection with new PV installations.

While Europe concentrated more than 70% of the world's new PV installations in 2011 and 59% in 2012, with more than 10 GW of new capacity installed during the year (compared to 17.6 GW in 2012 and over 22.4 GW in 2011), Europe only accounted for 28% of the world's market in 2013. Asian markets, led by China and Japan (around 11 GW and 7 GW respectively), partially explain this decrease, as the Asia-Pacific region represented 57% of the 2013 global market new PV installations. European PV markets have experienced a slowdown that in a number of European countries can be explained by governmental retrospective measures that have adversely affected investors' confidence, as further explained in "Item 4.B: Material Effects of Government Regulations on the PV Plants." PV remains the third most important renewable energy source in terms of globally installed capacity (after hydro and wind power). PV now covers 3% of the electricity demand in Europe and 6% of the peak electricity demand. For the third year in a row, PV is in the top-2 newly-added generation capacity in Europe, together with wind.

Anatomy of a Solar Power Plant

Solar power systems convert the energy in sunlight directly into electrical energy within solar cells based on the photovoltaic effect. Multiple solar cells, which produce DC power, are electrically interconnected into solar panels. A typical solar panel may have several dozens of individual solar cells. Multiple solar panels are electrically wired together and are electrically wired to an inverter, which converts the power from DC to AC and interconnects with the utility grid.

Solar electric cells convert light energy into electricity at the atomic level. The conversion efficiency of a solar electric cell is defined as the ratio of the sunlight energy that hits the cell divided by the electrical energy that is produced by the cell. The earliest solar electric devices converted about 1%-2% of sunlight energy into electric energy. Current solar electric devices convert 5%-25% of light energy into electric energy (the overall efficiency for solar panels is lower than solar cells because of the panel frame and gaps between solar cells), and current mass produced panel systems are substantially less expensive than earlier systems. In recent years effort in the industry has been directed towards the development of solar cell technology that reduces per watt costs and increases area efficiencies.

Solar electric panels are composed of multiple solar cells, along with the necessary internal wiring, aluminum and glass framework, and external electrical connections.

Inverters convert the DC power from solar panels to the AC power used in buildings. Grid-tie inverters synchronize to utility voltage and frequency and only operate when utility power is stable (in the case of a power failure these grid-tie inverters shut down to safeguard utility personnel from possible harm during repairs). Inverters also operate to maximize the power extracted from the solar panels, regulating the voltage and current output of the solar array based on sun intensity.

Monitoring. There are two basic approaches to access information on the performance of a solar power system. The most accurate and reliable approach is to collect the solar power performance data locally from the counters and the inverter with a hard-wired connection and then transmit that data via the internet to a centralized database. Data on the performance of a system can then be accessed from any device with a web browser, including personal computers and cell phones. As an alternative to web-based remote monitoring, most commercial inverters have a digital display on the inverter itself that shows performance data and can also display this data on a nearby personal computer with a hard-wired or wireless connection.

Tracker Technology vs. Fixed Technology

As described above, some of our PV Plants use fixed solar panels while others use panels equipped with single or dual axis tracking technology. Tracking technology is used to minimize the angle of incidence between the incoming light and a photovoltaic panel. As photovoltaic panels accept direct and diffuse light energy and panels using tracking technology always gather the available direct light, the amount of energy produced by such panels, compared to panels with a fixed amount of installed power generating capacity, is higher. As the double axis trackers allow the photovoltaic production to stay closer to maximum capacity for many additional hours, an increase of approximately 20% (single) - 30% (dual) of the photovoltaic modules plane irradiation can be estimated.

Solar Power Benefits

The direct conversion of light into energy offers the following benefits compared to conventional energy sources:

- Economic - An increase in solar power generation will reduce dependence on fossil fuels. Worldwide demand for electricity is expected to nearly double by 2025, according to the U.S. Department of Energy. Additionally, according to International Energy Agency, over 60% of the world’s electricity is generated from fossil fuels such as coal, natural gas and oil. The combination of declining finite fossil fuel energy resources and increasing energy demand is depleting natural resources as well as driving up electricity costs, underscoring the need for reliable renewable energy production. Solar power systems are renewable energy sources that rely on the sun as an energy source and do not require a fossil fuel supply. As such, they are well positioned to offer a sustainable long-term alternative means of power generation. Once a solar power system is installed, the cost of generating electricity is relatively stable over the lifespan of the system. There are no risks that fuel prices will escalate or fuel shortages will develop, although cash paybacks for systems range depending on the level of incentives, electric rates, annualized sun intensity, installation costs and derogation in the efficiency of the panels.

- Convenience - Solar power systems can be installed on a wide range of sites, including small residential roofs, the ground, covered parking structures and large industrial buildings. Most solar power systems also have few, if any, moving parts and are generally guaranteed to operate for 20-25 years, resulting in low maintenance and operating costs and reliability compared to other forms of power generation.

- Environmental - Solar power is one of the cleanest electric generation sources, capable of generating electricity without air or water emissions, noise, vibration, habitat impact or waste generation. In particular, solar power does not generate greenhouse gases that contribute to global climate change or other air pollutants, as power generation based on fossil fuel combustion does, and does not generate radioactive or other wastes as nuclear power and coal combustion do. It is anticipated that greenhouse gas regulation will increase the costs and constrain the development of fossil fuel based electric generation and increase the attractiveness of solar power as a renewable electricity source.

- Security - Producing solar power improves energy security both on an international level (by reducing fossil energy purchases from hostile countries) and a local level (by reducing power strains on local electrical transmission and distribution systems).

These benefits have impacted our decision to enter into the solar photovoltaic market. We believe escalating fuel costs, environmental concerns and energy security make it likely that the demand for solar power production will continue to grow. Many countries, including Italy and Spain, have put incentive programs in place that directly spur the installation of grid-tied solar power systems. For further information please see “Item 4.B: Material Effects of Government Regulations on the PV Plants.”

There are several risk factors associated with the photovoltaic market. See “Item 3.D: Risk Factors - Risks Relating to the PV Plants.”

Our Photovoltaic Plants

The following table includes information concerning our PV Plants:

PV Plant Title	Nominal Capacity[1]	Location	Technology of Panels	Connection to Grid	FiT (ˆ/kWh)[2]	Revenue in 2012 (in thousands)[3]	Revenue in 2013 (in thousands)[3]
“Troia 8”	995.67 kWp	Province of Foggia, Municipality of Troia, Puglia region, Italy	Fix	January 14, 2011	0.346	$800	$827
“Troia 9”	995.67 kWp	Province of Foggia, Municipality of Troia, Puglia region, Italy	Fix	January 14, 2011	0.346	$816	$832
“Del Bianco”	734.40 kWp	Province of Macerata, Municipality of Cingoli, Marche region, Italy	Fix	April 1, 2011	0.346	$480	$470

PV Plant Title	Nominal Capacity[1]	Location	Technology of Panels	Connection to Grid	FiT (ˆ/kWh)[2]	Revenue in 2012 (in thousands)[3]	Revenue in 2013 (in thousands)[3]
"Giaché"	730.01 kWp	Province of Ancona, Municipality of Filotrano, Marche region, Italy	Duel Axes Tracker	April 14, 2011	0.346	$665	$656
"Costantini"	734.40 kWp	Province of Ancona, Municipality of Senigallia, Marche region, Italy	Fix	April 27, 2011	0.346	$526	$531
"Massaccesi"	749.7 kWp	Province of Ancona, Municipality of Arcevia, Marche region, Italy	Duel Axes Tracker	April 29, 2011	0.346	$671	$652
"Galatina"	994.43 kWp	Province of Lecce, Municipality of Galatina, Puglia region, Italy	Fix	May 25, 2011	0.346	$637	$829
"Pedale (Corato)"	2,993 kWp	Province of Bari, Municipality of Corato, Puglia region, Italy	Single Axes Tracker	May 31, 2011	0.289	$2,514	$2,518
"Acquafresca"	947.6 kWp	Province of Barletta-Andria-Trani, Municipality of Minervino Murge, Puglia region, Italy	Fix	June 2011	0.291	$654	$675
"D'Angella"	930.5 kWp	Province of Barletta-Andria-Trani, Municipality of Minervino Murge, Puglia region, Italy	Fix	June 2011	0.291	$624	$662

PV Plant Title	Nominal Capacity[1]	Location	Technology of Panels	Connection to Grid	FiT (^/kWh) [2]	Revenue in 2012 (in thousands)[3]	Revenue in 2013 (in thousands)[3]
"Soleco"	5,923.5 kWp	Province of Rovigo, Municipality of Canaro, Veneto region, Italy	Fix	August 2011	0.238	--[4]	$1,520[4]
"Tecnoenergy"	5,899.5 kWp	Province of Rovigo, Municipality of Canaro, Veneto region, Italy	Fix	August 2011	0.238	--[4]	$1,501[4]
"Rinconada II"[5]	2,275 kWp	Municipality of Córdoba, Andalusia, Spain	Fix	July 2010	0.322162 [6]	$503[7]	$1,309

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1. The actual capacity of a photovoltaic plant is generally subject to a degradation of 0.5%-0.7% per year, depending on climate conditions and quality of the solar panels.

2. In addition to the FiT payment, the Italian PV Plants are eligible to receive the price paid for the electricity generated by the plant ("ritiro dedicato") equal to the applicable electricity market price. Until December 31, 2013 Italian PV plants with a capacity under 1 MW were eligible to receive a minimum market price guarantee, as a function of supply and demand, on an hourly basis for different zones within Italy. Resolution no. 618/2013/R/EFR dated December 19, 2013 set a replacement, starting January 1, 2014, of the minimum guaranteed prices with the zonal hourly prices set out for each specific area (so called prezzi zonali orari, i.e. the average monthly price, correspondent to each hour, as resulting from the electric market price on the area where the PV plant is located).

3. Due to various factors, including changes in regulation discussed below, changes in the climate and the degradation of the solar panels, past results are not necessarily indicative of future performance.

4. The acquisition of this PV Plant was consummated on June 26, 2013 and therefore revenues for 2012 and for the six months ended June 30, 2013 are not reflected in our condensed financial statements included in this report.

5. This PV Plant is 85% owned by us.

6. This FiT is relevant for 2013. Based on the current regulation, the FiT is linked to the Spanish core consumer price index minus fifty basic points.

7. As the acquisition of this PV Plant was consummated on July 1, 2012, the revenues for the six months ended June 30, 2012 are not reflected in our financial statements included in this report.

The construction and operation of photovoltaic plants entail the engagement of Contractors, in order to build, assemble, install, test, commission, operate and maintain the photovoltaic power plants, for the benefit of our wholly-owned subsidiaries.

Each of the PV Plants is constructed and operates on the basis of the following agreements:

- an Engineering Procurement & Construction projects Contract, or an EPC Contract, which governs the installation, testing and commissioning of a photovoltaic plant by the respective Contractor;
- an Operation and Maintenance, or O&M, Agreement, which governs the operation and maintenance of the photovoltaic plant by the respective Contractor;
- when applicable, an agreement between the owner of the photovoltaic plant and the Contractor, whereby the panels required for the construction of the photovoltaic plant will be purchased by such owner directly from a third party supplier of such panels, and then transferred to the Contractor;
- a number of ancillary agreements, including:
  - one or more "surface rights agreements" with the land owners, which provide the terms and conditions for the lease of land on which the photovoltaic plants are constructed and operated;
  - with respect to our Italian PV Plants –
    - standard "incentive agreements" with Gestore dei Servizi Elettrici, or GSE, Italy's energy regulation agency responsible, *inter alia*, for incentivizing and developing renewable energy sources in Italy and purchasing energy and re-selling it on the electricity market. Under such agreements, it is anticipated that GSE will grant the applicable FiT governing the purchase of electricity (FiTs are further detailed in "Item 4.B: Material Effects of Government Regulations on the Italian PV Plants");
    - one or more "power purchase agreements" with GSE, specifying the power output to be purchased by GSE for resale and the consideration in respect thereof (in the event of sale via the "Dedicated Withdrawal System" as more fully described under "Item 4.B: Material Effects of Government Regulations on the Italian PV Plants"); and
    - one or more "interconnection agreements" with the Enel Distribuzione S.p.A, or ENEL, the Italian national electricity grid operator, which provide the terms and conditions for the connection to the Italian national grid.
  - with respect to our Spanish PV Plant –
    - Standard "power evacuation agreements" with the Spanish power distribution grid company Endesa Distribución Eléctrica, S.L.U., or Endesa, regarding the rights and obligations of each party, concerning, inter alia, the evacuation of the power generated in the facility to the grid; and

- Standard “representation agreements” with an entity that will represent the PV Principal in its dealings with the Spanish National Energy Commission, or CNE, and the bid system managed by the operator of the market, Operador del Mercado Ibérico de Energía, Polo Español, S.A., or OMEL, who are responsible for payment of the FiT as more fully set described under “Item 4.B: Material Effects of Government Regulations on the Spanish PV Plants.” The representation agreements in connection with Rinconada II are with Nexus Energía, S.A.

- optionally, one or more “project financing agreements” with financing entities, as were already executed with respect to several of the PV Plants and as more fully described below, and as may be executed in the future with respect to one or more of the remaining PV Plants; and

- a stock purchase agreement in the event we acquire an existing company that owns a photovoltaic plant that is under construction or is already constructed.

Our aggregate investment in our PV Plants is approximately Euro 66.6 million (excluding the annual operation and maintenance costs and net of assets disposed in the amount of approximately $0.5 million).

As all of our PV Plants are operational, the summaries below describe the material terms of the O&M Agreements executed in connection with such PV Plants. Certain of the EPC Contracts and forms of O&M Agreements were filed as exhibits to previously filed Form 20-Fs.

Operation and Maintenance Agreements

General

As mentioned above, each of the PV Plants is operated and maintained by a local contractor pursuant to an O&M Agreement executed between such Contractor and our subsidiary that owns the PV Plant, or the PV Principal. Each O&M Agreement sets out the terms under which each of the Contractors is to operate and maintain the PV Plant once it becomes operational, i.e. starting from the issuance of a Provisional Acceptance Certificate pursuant to the applicable EPC Contracts and for a period of 20 years thereafter in Italy and 25 years in Spain.

A technical adviser, appointed by the PV Principal or the Financing Entity, is responsible for monitoring the performance of the services, or the Technical Adviser. Our current Technical Adviser in Italy is a leading technical firm in Italy which appears in the Italian banks’ white list.

Currently many EPC companies provide O&M services to photovoltaic plants and we expect that, if required, we will be able to replace some or all of our current O&M Contractors with other contractors and service providers. However, we cannot ensure that if such replacement shall take place we will be able to receive the same terms and warranties from the new contractor. In addition, to the extent the relevant PV Plant received financing from a bank or other financing institution, the applicable financing agreement will generally require that we obtain the financing institution's approval for the replacement of an O&M contractor.

The Contractor of four of our photovoltaic plants (Del Bianco, Giache, Constantini and Massaccesi) entered into insolvency proceedings during 2012 that are subject to an arrangement with its creditors. We therefore entered into new O&M agreements with another contractor during 2013. In connection with such insolvency proceedings, we enforced the bonds received from the contractor as part of its obligations under the EPC agreements and received an amount of approximately $0.6 million.

The Services

Each O&M Agreement governs the provision of the following services: (i) Subscription Services, which include Preventive Maintenance Services (maintenance services such as cleaning of panels and taking care of vegetation, surveillance, remote supervision of operation and full operational status of the PV Plant) and Corrective Maintenance Services (services to correct incidents arising at the PV Plant or to remedy any anomaly in the operation of the PV Plant), and (ii) Non-Subscription Services, which are all services that are outside of the scope of the Subscription Services. In some cases, certain engagement agreements are executed by us directly with service providers (such as internet, security services, etc.).

The Consideration

Based on the range of services offered by the Contractor, the annual consideration for the Subscription Services varies from Euro 19,000 to Euro 45,000 per MWp (linked to the Italian inflation rate or the Spanish Consumer Price Index) for each of the PV Plants, paid in the majority of the PV Plants on a quarterly basis. The Subscription Services fee is fixed and the Contractor is not entitled to request an increase in the price due to the occurrence of unforeseen circumstances. This annual consideration does not include the price of the insurance policies to be obtained by the PV Principal to the extent they have an exposure, including all risk insurance policies.

Contractor’s Obligations, Representations and Warranties

The Contractor’s obligations under the O&M Agreement include, *inter alia*, the duty to diligently perform the operation and maintenance services in compliance with the applicable law and permits in a workmanlike manner and using the most advanced technologies, to contract for adequate insurance with the PV Principal and the Financing Entity as additional insured parties, to guarantee the availability of spare parts and replenish the inventory as needed, and to assist the PV Principal and the Financing Entity in dealing with the authorities by providing the necessary information required by such authorities. The Contractor represents and warrants, *inter alia*, that it holds the necessary permits and authorizations, and that it has the necessary skills and experience to perform the services contemplated by the O&M Agreement.

Termination

Each party may terminate the O&M Agreement (to the extent applicable, after obtaining the approval of the financing entity) if the other is in breach of any of its obligations that remains uncured for 30 days following written notice thereof.

The O&M Agreement is terminated if the Contractor is liquidated or becomes bankrupt or insolvent, and on other similar grounds, unless the PV Principal is willing to continue the O&M Agreement.

The O&M Agreements also provide the parties the option to withdraw from the agreement other than in the event of a breach by the other party, subject to certain advance notice requirements.

Competition

Our competitors are mostly other entities that seek land and contractors to construct new power plants on their behalf or seek to purchase existing photovoltaic power plants due to the changing regulatory regime relating to newly built photovoltaic plants. The market for solar energy is intensely competitive and rapidly evolving, and many of our competitors who strive to construct new solar power plants have established more prominent market positions and are more experienced in this field. Our competitors in this market include Etrion Corporation (ETX.TO), Sunflower Sustainable Investments Ltd. (SNFL.TA), Enlight Renewable Energy Ltd. (ENLT.TA), Energixs Renewable Energies Ltd. (ENRG.TA), Allerion Cleanpower S.p.A., Origis Energy and Foresight Group. If we fail to attract and retain ongoing relationships with solar plants developers, we will be unable to reach additional agreements for the development and operation of additional solar plants, should we wish to do so.

Seasonality

Solar power production has a seasonal cycle due to its dependency on the direct and indirect sunlight and the effect the amount of sunlight has on the output of energy produced. Although we received the technical calculation of the average production recorded in the area of each of our PV Plants from our technical advisors and incorporated such data into our financial models, adverse meteorological conditions can have a material impact on the PV Plants' output and could result in production of electricity below expected output.

Sources and Availability of Components of the Solar Power Plant

As noted above, the construction of our PV Plants entails the assembly of solar panels and inverters that are purchased from third party suppliers. One of the critical factors in the success of our PV Plants is the existence of reliable panel suppliers, who guaranty the performance and quality of the panels supplied. Degradation in such performance above a certain minimum level, generally 90% during the initial ten year period and 80% during the following ten-fifteen year period, is guaranteed by the panel suppliers. However, if any of the suppliers is unreliable or becomes insolvent, it may default on warranty obligations. Photovoltaic power plant installations have substantially increased over the past few years. Higher demand for solar panels and other components of the photovoltaic system resulted in the past in oversupply and a sharp decrease in prices that led many panel suppliers to financial difficulties and liquidation or consolidation with other suppliers. This trend may lead to a decrease in supply and, therefore, an increase in the price of the photovoltaic system components.

There are currently sufficient numbers of solar panel manufacturers at sufficient quality and we are not currently dependent on one or more specific suppliers.

In addition, silicon is a dominant component of the solar panels, and although manufacturing abilities have increased over-time, any shortage of silicon, or any other material component necessary for the manufacture of the solar panels, may adversely affect our business.

Material Effects of Government Regulations on the PV Plants

The construction and operation of the PV Plants is subject to complex legislation covering, *inter alia*, building permits, licenses and the governmental long-term incentive scheme. The following is a brief summary of the regulations applicable to our PV Plants.

Material Effects of Government Regulations on the Italian PV Plants

The regulatory framework surrounding the Italian PV Plants consists of legislation at the Italian national and local level. Relevant European legislation has been incorporated into Italian legislation, as described below.

National Legislation

(i) Construction Authorizations

Construction of the PV Plants is subject to receipt of appropriate construction authorizations, pursuant to Legislative Decree no. 380 of 2001, or Decree 380, and Legislative Decree 29 December 2003 no. 387, or Decree 387, the latter of which implements European Directive no. 77 of 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market.

Decree 387 aims to promote renewable energies, *inter alia* by simplifying the procedures required to commence constructions. In particular, it regulates the so-called *Autorizzazione Unica*, or AU, in relation to renewable energy plants. The AU is an authorization issued by the Region in which the construction is to take place, or by other local competent authorities, and which joins together all permits, authorizations and opinions that would otherwise be necessary to begin construction (such as, building licenses, landscape authorizations, permits for the interconnection facilities, etc.). The only authorization not included in the AU is the environmental impact assessment (*valutazione di impatto ambientale*, or VIA, see below), which needs to be obtained before the AU procedure is started. The AU is issued following a procedure called *Conferenza di Servizi* in which all relevant entities and authorities participate. Such procedure is expected to be completed within 180 days of the filing of the relevant application, but such term is not mandatory and cannot entirely be relied upon.

Decree 380, which is the general law on building administrative procedures, provides another track for obtaining the construction permit. Pursuant to this decree, the construction authorization can be obtained through a *permesso di costruire*, or the Building Permit, which is an express authorization granted by the competent municipality. Upon positive outcome of the municipality's review, the Building Permit is granted. Works must start, under penalty of forfeiture of the Building Permit, within one year following the date of issuance, and must be completed within the following three years.

Decree 380 also regulates the so-called *Dichiarazione di inizio attività*, or DIA, procedure. DIA is a self-certification process whereby the applicant declares that the project in question complies with all relevant requirements and conditions. The competent authority can deny the authorization within 30 days of receipt of DIA; should such a denial not be issued within such term - which is mandatory - the authorization shall be deemed granted and the applicant is allowed to start the works. The DIA procedure can be used in relation to plants whose power is lower than 20 kW. Since the expected power output of the PV Plants exceeds 20kW, the DIA is not available for the PV Plants. With the entry into force of the Romani Decree on March 29, 2011, which implemented European applicable directives (in particular, directive no. 28 of 2009), the DIA procedure has been replaced, with respect to plants fed by renewable energy sources, by the so called *procedura abilitativa semplificata*, or PAS, according to which, very similarly to the DIA procedure, an applicant can start construction of a plant after 30 days of the filing of the application with the competent Municipality provided that the latter has in such time not raised objections and/or requested integrations. With respect to photovoltaic plants, under the Romani Decree the PAS applies to plants with a power up to 20 kWp, and regions can increase such threshold up to 1 MWp.

With particular regard to the Puglia Region, for a certain period of time the limitations of the DIA procedure were not applicable due to regional legislation that had increased the abovementioned limits of power; however, this has been superseded by a new Regional Law (no. 25 of 2012) that has implemented the provisions introduced by the Romani Decree on PAS (see the relevant section below).

The Italian PV Plants rely on one AU, three DIAs and six Building Permits. Pedale is the PV Plant that relies on the AU. Please see below for more information on the suspension of Pedale's AU.

(ii) Connection to the National Grid

The procedures for the connection to the national grid are provided by the Authority for Electric Energy and Gas, or AEEG. Currently, the procedure to be followed for the connection is regulated by the AEEG Resolution no. 99 of 2008 (*Testo Integrato delle Connessioni Attive*, or TICA) which replaces previous legislation and has subsequently been integrated and partially amended by AEEG Resolutions no. 124/2010 and 125/2010. According to TICA, an application for connection must be filed with the competent local grid operator, after which the latter notifies the applicant the estimated time for connection, or STMC. The STMC shall be accepted within 45 days of issuance. However, in order for the authorization to the connection to become definitive, all relevant authorization procedures (such as easements, ministerial *nulla osta*, etc.) must be successfully completed.

There are three alternative modalities to sell electricity:

- by way of sale on the electricity market (Italian Power Exchange IPEX), the so called "Borsa Elettrica";

- through bilateral contracts with wholesale dealers; and

- via the so-called "Dedicated Withdrawal Plant" introduced by AEEG Resolution no. 280/07 and subsequent amendments. This is the most common way of selling electricity, as it affords direct and quick negotiations with the national energy handler (GSE), which will in turn deal with energy buyers on the market. We sell electricity though this method.

Regional Regulation Applicable to the Marche Region

Marche Regional Law no. 7 of 2004 requires certain types of projects to be subjected to an Environmental Impact Assessment, or the VIA Procedure, and states that the VIA Procedure is expressly excluded for photovoltaic plants whose surface is less than 5000 m^2 (unless such plants are not listed as national protected areas pursuant to law no. 394 of December 6^{th} 1991). Specific provisions prevent constructors from avoiding such limits by building various plants with a surface of less than 5.000 m^2.

In addition, Regional Law no. 7 of 2004 has been amended by Law no. 99 of 2009, which specifies that the VIA Procedure is expressly excluded for plants with a nominal power lower than 1 MW. In the case of the PV Plants, the target nominal power for each PV Plant is less than 1 MW, such that the PV Plants are expected to be exempt from the VIA Procedure.

Regional Regulation Applicable to the Puglia Region

Regional Law 19 February 2008 no. 1 has established that the construction of renewable energy plants in Puglia whose power capacity is up to 1 MW can be authorized with DIA (without prejudice to applicable provisions on environmental impact assessment), in the case of photovoltaic plants located on industrial, commercial and service buildings, and/or located on the ground within industrial, commercial and service parks.

In this regard, by *Circolare* no. 38/8763 the Puglia Region pointed out the so-called "cluster issue" (i.e. group of plants whose capacity is lower than 1 MW each, located in the same agricultural area and authorized by means of DIAs, rather than under the AU procedure), providing that if plants cannot be deemed as single plants, the simplified DIA procedure shall be considered elusive of Legislative Decree no. 387/2003 and therefore the AU Procedure should be followed. The *Circolare* identified as signals to the occurrence of a cluster: (i) single point of connection for more than one plant; (ii) same landowner(s) for adjacent plants; or (iii) same economic and industrial initiative (i.e. same directors or shareholders, same developer, etc.).

Regional Law 21 October 2008 no. 31 has subsequently provided a new regulation of the terms according to which the DIA procedure can be used in connection with plants having nominal power up to 1 MWp. Said law applies to DIA which have become effective after 7 November 2008 and provides that the commencement of the works concerning photovoltaic plants, whose power ranges from 20 kW up to 1 MW to be built on agricultural lands, can be authorized by way of DIA, provided that:

- the area to be enslaved (*asservimento*) is at least twice the size of the radiant surface; and

- the portion of the plot of land which is not occupied by the photovoltaic plant is used exclusively for agricultural activities.

However, on March 26, 2010 Regional Law no. 31/2008 was annulled by the Constitutional Court in so far as, contrary to what is set forth in Legislative Decree no. 387/2003, it increases up to 1 MWp the maximum power threshold (20 kW) established by Law no. 244/2007 for application of the DIA procedure. DIA issued according to Regional Law no. 31/2008 can therefore be voided on the basis of the Constitutional Court judgment provided that they are successfully challenged by a third party having an interest or by the administrative bodies acting in self-protection ("*autotutela*"). As noted above, three of the PV Plants rely on DIAs that were issued under Regional Law 31/2008; however, as those PV Plants are already built and have been operating for the past several months, the period for a challenge by third parties or administrative bodies are deemed to have expired.

By Regional Law no. 25, issued on September 24, 2012, further regulations have been introduced particularly with the aim of implementing the Romani Decree provisions at regional level. In particular, Regional Law no. 25:

(i) confirmed and further regulated the provisions of the *Circolare* no. 38/8763 regarding the cluster issue;
(ii) implemented and extended the provisions of the Romani Decree by providing that the PAS applies to photovoltaic plants with power up to 200 kWp,and in particular cases (contaminated areas such as industrial areas, dumps and quarries), up to 1 MWp; and
(iii) provided new requirements as to the procedure of application for the AU, including the requirement to submit an audited business plan together with the application.

The Incentive Tariff System for Photovoltaic Plants

The Italian government promotes renewable energies by providing certain incentives. In particular, with Ministerial Decree 19.2.2007, or the Second Conto Energia, the production of renewable electric energy from photovoltaic sources has been promoted by granting a fixed FiT for a period of 20 years from connection of PV plants. The FiT is determined with reference to the nominal power of the plant, the characteristics of the plant (plants are divided into non-integrated; partially integrated and architecturally integrated) and the year on which the plant has been connected to the grid. The FiT provided for by the Second Conto Energia are as follows:

Nominal Power kWp	Non-Integrated	Partially Integrated	Arch. Integrated
1 kW ≤ P ≤ 3 kW	0.40 Euro/kWh	0.44 Euro/kWh	0.49 Euro/kWh
3 kW < P ≤ 20 kW	0.38 Euro/kWh	0.42 Euro/kWh	0.46 Euro/kWh
P > 20 kW	0.36 Euro/kWh[1]	0.40 Euro/kWh	0.44 Euro/kWh

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[1] With regard to the Italian PV Plants under the Second Conto Energia the tariffs equal to ˆ 0.346/kWh.

The figures above refer to plants which started operation within December 31, 2008. For plants which commenced operations between January 1, 2010 and December 31, 2010, the FiT will be reduced by 2% for each calendar year following 2008.

Pursuant to Ministerial Decree 6 August 2010, or the Third Conto Energia, a fixed FiT is granted for a period of 20 years from the date on which the plant is connected to the grid in relation to plants that enter into operation after December 31, 2010 and until December 31, 2013. The FiT provided for by the Third Conto Energia are as follows:

	A		B		C	
Nominal Power	Plants entered in operation after December 31, 2010 and by April 30, 2011		Plants entered in operation after April 30, 2011 and by August 31, 2011		Plants entered in operation after August 31, 2011 and by December 31, 2011	
	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants
[kW]	[ˆ /kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]
1 ≤ P ≤ 3	0.402	0.362	0.391	0.347	0.380	0.333
3< P ≤20	0.377	0.339	0.360	0.322	0.342	0.304
20< P ≤200	0.358	0.321	0.341	0.309	0.323	0.285
200< P ≤1000	0.355	0.314	0.335	0.303	0.314	0.266
1000<P≤5000	0.351	0.313	0.327	0.289[1]	0.302	0.264
P>5000	0.333	0.297	0.311	0.275	0.287	0.251

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1 With regard to the Italian PV Plant under the Third Conto Energia the tariff is equal to ˆ 0.289/kWh.

The plants entering into operation in 2012 and 2013 will be granted the tariff referred to in column C above deducted by 6% each year.

The FiT is payable by GSE upon the grant of an incentive agreement between the producer and GSE. Notwithstanding the foregoing, the first payment of the FiT to the producer is made retroactively, 6 months following connection to the national grid.

However, the Romani Decree provides that the Third Conto Energia shall apply only to photovoltaic plants whose grid connection has been achieved by May 31, 2011.

The Romani Decree provides that, starting from its entry into force, ground mounted PV plants installed on agricultural lands, will benefit from incentives, provided that:

a) the power capacity of the plant is not higher than 1 MW and - in the case of lands owned by the same owner - the PV plants are installed at a distance of at least 2 km; and

b) the installation of the PV plants does not cover more than 10% of the surface of agricultural land which is available to the applicant.

Such provisions shall not apply to ground mounted PV plants installed on agricultural lands provided either that they have been admitted to incentives within the date of entry into force of the Romani Decree, or the authorization for the construction of the PV plant was obtained, or the application there for submitted, by January 1, 2011; and provided that in any case the PV plant commences operations within one year from the date of entry into force of the Romani Decree. However, all PV Plants have already been connected to the national grid and, except for the Acquafresca and D’Angella PV Plants, have already been awarded the incentives agreed under the relevant EPC Contract.

As an implementation to the Romani Decree, a new Decree was issued on 5 May 2011, or the Fourth Conto Energia, setting out the new FiT for PV plants entering into operations after May 31, 2011.

The three following tables provide the FiT that will apply to PV plants entering into operations from June 1, 2011 until December 31, 2012 on the basis of the Fourth Conto Energia:

	June 2011		July 2011		August 2011	
	PV plants on buildings	Other plants	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants
	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]
1≤P≤3	0.387	0.344	0.379	0.337	0.368	0.327
3<P≤20	0.356	0.319	0.349	0.312	0.339	0.303
20<P≤200	0.338	0.306	0.331	0.300	0.321	0.291
200<P≤1000	0.325	0.291[1]	0.315	0.276	0.303	0.263
1000<P≤5000	0.314	0.277	0.298	0.264	0.280	0.250
P>5000	0.299	0.264	0.284	0.251	0.269	0.238

1 With regard to the Italian PV Plant under the Forth Conto Energia the tariff is equal to ˆ 0.291/kWh.

	September 2011		October 2011		November 2011		December 2011	
	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants
	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]
1≤P≤3	0.361	0.316	0.345	0.302	0.320	0.281	0.298	0.261
3<P≤20	0.325	0.289	0.310	0.276	0.288	0.256	0.268	0.238
20<P≤200	0.307	0.271	0.293	0.258	0.272	0.240	0.253	0.224
200<P≤1000	0.298	0.245	0.285	0.233.	0.265	0.210	0.246	0.189
1000<P≤5000	0.278	0.243	0.256	0.223	0.233	0.201	0.212	0.181
P>5000	0.264	0.231	0.243	0.212	0.221	0.191	0.199	0.172

	January – June 2012		July – December 2012	
	PV plants on buildings	Other PV plants	PV plants on buildings	Other PV plants
	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]
1≤P≤3	0.274	0.240	0.252	0.221
3<P≤20	0.247	0.219	0.227	0.202
20<P≤200	0.233	0.206	0.214	0.189
200<P≤1000	0.224	0.172	0.202	0.155
1000<P≤5000	0.182	0.156	0.164	0.140
P>5000	0.171	0.148	0.154	0.133

The following table provides the FiT and the relevant reduction, which will apply to PV plants which will enter into operation after December 31, 2012 on the basis of the Fourth Conto Energia. Please note that commencing January 1, 2013 the FiT will include the price paid for the electricity generated by the plant ("*ritiro dedicato*").

	PV plants on building		Other PV plants	
	Omni-comprehensive tariff	Auto-consumption premium	Omni-comprehensive tariff	Auto-consumption premium
	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]	[ˆ/kWh]
1≤P≤3	0.375	0.230	0.346	0.201
3<P≤20	0.352	0.207	0.329	0.184
20<P≤200	0.299	0.195	0.276	0.172
200<P≤1000	0.281	0.183	0.239	0.141
1000<P≤5000	0.227	0.149	0.205	0.127
P>5000	0.218	0.140	0.199	0.121

In the first quarter of 2012, the Liberalizzazioni Decree was adopted. Article 65 of the Liberalizzazioni Decree, *inter alia*, provides that ground based PV plants located in agricultural areas will not be granted the FiT provided by the Romani Decree, unless they: (i) obtained the authorization for the construction of the PV plant or filed the application for the authorization by March 25, 2012 (i.e., the date of entry into force of the Decree conversion law), (ii) commence operations by September 21, 2012 (i.e, 180 days of the date of entry into force of the Decree conversion law), and (iii) complied with the Romani Decree requirements set forth above with respect to the power capacity of the plant, the distance between the PV plants and the percentage coverage of agricultural land of the PV plant. This provision applies the Romani Decree requirements to PV plants that were already authorized or applied for authorization by March 25, 2012 (while other PV plants will not be eligible for incentives). However, Article 65 of the Liberalizzazioni Decree also provides (by way of reference to the Romani Decree) that the incentive shall be granted to PV plants that do not meet the requirements in preceding item (iii) if they have obtained the authorization for the construction of the PV plant or filed the application for the authorization by January 1, 2011, provided that they commence operations within 60 days of March 25, 2012. This in particular applies to the Acquafresca and D'Angella Plants, which applied for the authorization prior to January 1, 2011 and already commenced operations.

The Fourth Conto Energia has been replaced by a new decree signed on July 6, 2012 entered into force on July 11, 2012, also known as Fifth Conto Energia. The Fifth Conto Energia sets out a new system of incentives granted to plants fed by renewable energy sources and, with some exceptions, applies to photovoltaic plants that commenced opperations starting from August 27, 2012. The main provisions introduced by the Fifth Conto Energia are:

(i) new (generally lower than the Fourth Conto Energia and decreasing every six months) tariffs, comprising both the incentives and the sale of electric energy (so called "omni-comprehensive tariffs");

(ii) the provision for "large" photovoltaic plants of a register in which the same must be enrolled in order to qualify for the grant of the incentives;

(iii) bonuses for photovoltaic plants whose components are manufactured in European Union countries; and

(iv) bonuses for photovoltaic plants on buildings replacing asbestos roofs.

The Fifth Conto Energia provides that it shall cease to be effective 30 days after the communication by the Italian Energy Authority that a cumulative amount equal to 6.7 billion Euros of annual cost for incentives granted to photovoltaic plants has been reached. In June 2013, AEEG announced that the overall annual expense cap of ˆ6.7 billion for incentive payments payable to PV has been reached. As a consequence, the Fifth Conto Energia ceased to apply on July 6, 2013, and until new incentive plans will be formulated, Italy will not subsidize any new installations, excluding minor exempted projects.

Law 228 of 2012 (so called *Legge di Stabilità 2013*, approved on December 24, 2012) has subsequently provided some time extensions in connection with the benefits of the Fourth Conto Energia incentives. In particular, an extension of the deadline for the commencement of operations to March 31, 2013 has been provided for photovoltaic plants installed on public buildings or on areas owned by the public administration whose authorization has been already obtained as at the date of the law; furthermore, an extension to June 30, 2013 has been provided for photovoltaic plants of the same kind that are subject to the so called *valutazione di impatto ambientale* (environmental screening), and to October 31, 2013 if the relevant authorization has been obtained after March 31, 2013.

Other Renewable Energy Incentives

Legislative Decree no. 79 of 1999 implements the so-called “priority of dispatch” principle to the marketing of renewable energies, which means that the demand for electricity must be first satisfied by renewable energies.

In other words, in light of the increasing demand of energy, the sale of the total output of power plants fuelled by renewable sources is required by law, and the government must buy power from solar power plants that wish to sell to it, before it can buy the remainder of its power needs from fossil fuel energy resources.

Recent innovations regarding the Italian incentive system and the electric energy sale price

(i) The so called “Fare 2” Decree

Recently the Ministry of Economic Development issued a draft of decree, or the *Fare 2* Decree, which provides, among other, measures aimed at reducing the cost of energy for consumers.

Thereafter, such measures have been incorporated in a law proposal ancillary to the so called “Stability law” (i.e. the budget law to be approved on an annual basis to comply with European Union financial requirements) whose approval will follow the ordinary Italian legislation procedure (as opposed to the simplified procedure of a Governmental decree). This will entail a longer time than as originally expected and we cannot predict at this time when, and if, the proposal will be passed and what the approved law will include.

The law draft, dated November 15, 2013, in particular sets out the following provisions which may impact investments in PV plants:

- a measure consisting of granting the option to access a new revised incentive plan based on a reduced tariff amount with duration extended by 7 years. This specific provision applies to producers of renewable energy and owners of plants to which the ”all-inclusive tariff” (tariffa omnicomprensiva) or certain “Green Certificates” (certificati verdi) apply and provides an alternative incentive system for production of renewable energy, which can be activated voluntarily on demand of each producer who wants to continue the production of energy also after the period initially determined for the incentive plan (20 years), but with a correspondent reduction in the nominal amount of the same incentive; None of our PV Plants is subject to these provisions.

- a replacement, starting from January 1, 2014, of the minimum guaranteed prices currently foreseen under the Italian mandatory purchase regime with the zonal hourly prices set out for each specific area (so called *prezzi zonali orari,* i.e. the average monthly price, correspondent to each hour, as resulting from the electric market price on the area where the PV plant is located).

While the first provision would merely provide an additional option for PV plants owners, the second provision would decrease the return on investment in all PV plants with nominal capacity of less than 1 MWp, including plants already connected to the national grid, as it is expected to reduce the minimum guaranteed prices that were initially fixed for 20 year periods for all such PV plants. The *Fare 2* Decree has since been replaced by another decree named *Destinazione Italia* which was approved as a Law Decree (not ordinary law). This new decree does not differ from the *Fare 2* Decree in the matters set forth above, except that it specifies that the replacement of minimum guaranteed prices with zonal prices applies only to PV plants exceeding 100kWp (as recently confirmed by GSE).

(ii) AEEG opinion n. 483/2013

In parallel with the above-described legislative procedure, on October 31, 2013, AEEG (i.e., the Italian authority for electric energy) has issued a document whereby it started a consultation process aimed at re-determining the amount of the minimum guaranteed prices from which electric energy produced through renewable sources currently benefit under the mandatory purchase regime.

This document illustrates the current regime of minimum guaranteed prices and identifies possible issues with respect to which other interested entities may set forth their position. The deadline for filing observations was November 25, 2013.

In such document AEEG identifies (based on a quantification of standard operational costs) Euro 0.0378/Kwh as the price that could be guaranteed to PV plants with nominal power higher than 20kWp, without any progressive diversification (as currently applying in 2013, from Euro 0.106/Kwh for the first 3,750 Kwh annual production, through Euro 0.0952/Kwh for annual production of electricity up to 25 MWh, and until Euro 0.0806/Kwh for annual production of electricity up to 2,000 Mwh) and provided that should such price be lower than the zonal hourly prices, the zonal hourly price shall apply. Should this plan be implemented, this would entail a reduction of more than 50% of the electric energy sale price (excluding the revenues from FiT, and only for photovoltaic plants with nominal capacity of less than MWp). On December 19, 2013 AEEG issued a new resolution determining the new reduced minimum guaranteed prices – such resolution has however been challenged before the administrative Court by an organization of renewables. We cannot at this point predict when and if such re-determination will be adopted and what its final content will be.

(iii) AAEG resolution 36/E

Resolution n. 36/E dated December 19, 2013, highlighted, that, in case of plants qualified as real estate (which is the case of all of our Italian PV Plants), the depreciation rate for tax purposes will by the same as the depreciation rate for "industry manufacturer" (i.e. 4%).

(iv) Imbalance costs under AEEG Resolution n. 281/2012

On January 1, 2013 AEEG Resolution n. 281/2012 (subsequently also implemented by Resolution n. 343/2012), or the AEEG Resolution, entered into force, aiming at charging the PV plant owners with the costs relating to the electric system (so called “imbalance costs”) that are the result of an inaccurate forecast of the production of electric energy, particularly in cases in which the owner is party to the mandatory purchase regime with GSE.

Such costs are mainly due to the fact that under the mandatory purchase regime GSE buys electric energy on the basis of a production forecast that may not be fully accurate; such circumstance cause the GSE to bear costs in connection with the re-sale of electric energy on the market; before Resolution n. 281/2012, such costs were borne by final consumers.

In order to transfer such costs to the owners of the PV plants, AEEG Resolution n. 281/2012 has mainly provided two types of measures:

(i) imbalance costs are to be borne by the owners of PV plants, in an amount calculated by multiplying the discrepancy of the production forecast by a fixed parameter;

(ii) in the case that the owner of the PV plant is party to the GSE mandatory purchase regime, administrative costs borne by GSE in connection with forecast services are to be charged on the owner. All of our Italian PV Plants are parties to the GSE mandatory purchase regime.

On June 24, 2013, the administrative Court of the Lombardia Region annulled the parts of AEEG Resolution relating to the imbalance costs as the AEEG Resolution should apply to programmable sources which should have a different treatment than non-programmable renewable energy sources, such as photovoltaic plants.

This judgment was challenged on September 11, 2013 by AEEG before the *Consiglio di Stato* (the Italian supreme administrative Court), which, on an *interim* basis (final judgment is still to be issued), reinstated the provisions of Resolution n. 281/2012/R/efr by suspending the effectiveness of the administrative court decision, with the exception that, for non-programmable plants, a deductible of 20% on the imbalance shall apply (i.e., imbalance costs shall be paid only if the forecast inaccuracy exceeds 20%).

We cannot predict at this point what the final determination of the court will be and what impact it will have on the revenues from our Italian PV Plants.

Material Effects of Government Regulations on the Spanish PV Plant

General legal framework

The power production from renewable energy sources in Spain benefits from economic incentives under the so called “Special Regime.”

Royal Decree 661/2007, of May 25, 2007, or RD 661/2007, sets forth the general basis of the economic regime for any power production installation in the Special Regime regardless the technology (e.g. wind, thermosolar, photovoltaic, etc.). Royal Decree 1578/2008, of September 26, 2008, or RD 1578/2008, sets forth the procedure for the assignation of the feed-in tariff to PV solar plants commissioned after September 29, 2008 (the limit date under RD 661/2007).

Additionally, Royal Decree-law 2/2013, of February 1, 2013, or RD-L 2/2013, which entered into force on February 2, 2013, sets forth certain amendments to the update of the feed-in tariff and the alternative schemes concerning the consideration for the electricity produced under the Special Regime. RD-L 2/2013 has not reduced the FiT, but it has changed the Consumer Price Index (*IPC*) of reference for the purposes of the annual updated of the FiT, as further explained below in under “*Update of the feed in tariff*”.

Economic incentives of the Special Regime

Pursuant to RD 661/2007, the consideration for the electricity produced under the Special Regime may be paid by means of three different alternative schemes to be elected by the producer:

(a) As a consequence of selling the electricity produced at the feed-in tariff;

(b) As a consequence of selling the electricity produced on the wholesale power production market managed by the market operator (OMEL) at the market price; or

(c) As a consequence of selling the electricity produced at the price negotiated between the parties in a bilateral or forward contract, entered into by a producer and an off-taker.

Pursuant to Article 3 of RD 2/2013, power production facilities under the payment scheme described in paragraph (b) shall not be entitled to switch from such scheme to the other schemes described in paragraph (a) and (c). Rinconada II is under the feed-in tariff, that is, the scheme of paragraph (a) above.

Any power production facility in the Special Regime that is not within the scope of paragraph (b) above remains entitled to choose between the feed-in tariff and the market price and may switch from one scheme to the other provided that a minimum period of one year has elapsed between one scheme and the other.

Feed in tariff applicable to PV solar plants under RD 1578/2008

RD 661/2007 embodies the general framework of the economic regime applicable to any PV solar technology and regulates the terms of the feed-in tariff applicable to PV solar plants commissioned on or before September 29, 2008. The economic regime set forth in RD 661/2007 is also applicable to the electricity produced by PV solar plants commissioned after September 29, 2008, except for (i) the requirements to the access to the feed-in tariff (i.e. the requirement of registration in the Pre-assignation Registry (as hereinafter defined) in order to qualify for the relevant feed-in tariff, as further explained below), which are different to those requirements established pursuant to the RD 1578/2008 and (ii) the values of the feed-in tariff applicable to PV solar technology.

RD 1578/2008 has introduced significant changes in the economic regime for the PV solar technology, including: (i) the establishment of a new classification of PV solar plants and setting of new power capacity limits, (ii) creation of the Registry for the Pre-assignation of tariff ("*Registro de Preasignacion de Retribución*"), or the Pre-assignation Registry, and (iii) setting forth new quotas of aggregate installed power capacity for PV solar technology and new feed-in tariff values which are directly connected with the Pre-assignation Registry.

Classification of PV solar plants

RD 1578/2008 establishes a new classification of PV solar plants distinguishing between two categories (article 3 RD 1578/2008):

(a) Type I – PV solar roof plants (or plants developed in similar surfaces); and

(b) Type II – Any other type of PV solar plants (mainly, ground PV solar plants).

Power capacity limits for PV solar plants under RD 1578/2008

The maximum capacity for the PV solar plants included in Type I shall not exceed 2MW and for plants included in Type II, the installed capacity shall not exceed 10 MW.

The criterion for the calculation of the power capacity of a given PV solar plant under RD 1578/2008 differs from that established in RD 661/2007. Pursuant to article 10 of RD 1578/2008 the power installed capacity of a PV solar plant is calculated as follows: Solar PV production units which are located in cadastral references with the same initial fourteen digits shall be considered as one single plant; hence their capacities shall be added together, and solar PV production units which are connected to the same point of the distribution or transportation network, or which have a common feed-in line, shall be considered as one single plant, hence their capacities shall be added together.

Access to the feed-in tariff

In order to be entitled to obtain the feed-in tariff of RD 1578/2008 any PV solar project (regardless of its type) shall be recorded with the Pre-Assignation Registry which is managed by the Spanish Ministry of Industry, Tourism and Commerce, or MITYC. The registration in the Pre-assignation Registry does not eliminate the mandatory registration of the relevant PV solar plant in the Administrative Registry of Installations under the Special Regime, or RIPRE.

In addition to the abovementioned registration, RD 1578/2008 also requires that within 16 months from the date of its registration in the Pre-assignation Registry the commissioning of the PV solar plant will be completed and the PV solar plant will start to sell the electricity produced. Otherwise the plant shall not be entitled to the feed-in tariff.

For registration purposes, the Spanish Government issues a call for registration for each following quarter (i.e. the call for registration takes place 4 times a year). The call for registration includes the maximum power capacity (in MW) that will be pre-assigned for that specific quarter and remunerated at the feed-in-tariff, as well as the feed-in-tariff, which decreases from quarter to quarter (i.e. the feed-in-tariff of the second quarter is lower than the feed-in-tariff of the first quarter).

The Pre-Assignation Registry is currently suspended pursuant to Royal Decree-Law of 1/2012, dated January 27, 2012. Thus, at the moment, no further PV solar technology developments are possible under the feed in tariff scheme.

Limitations on the feed-in tariff

Various regulations currently limit the right to receive the feed in tariff scheme. Royal Decree 1565/2010, of November 19, 2010 limits the right to receive the feed-in tariff to the first 30 years of the exploitation of a PV solar plant. Royal Decree-Law 14/2010 of December 23, 2010 provides that any given PV solar facility is only entitled to receive the feed in tariff for a certain amount of equivalent hours depending on the Climatic Solar Zone where the relevant facility is located. In accordance with the scope of application of the aforementioned regulations, the amendments include PV plants already commissioned at the date of entry into force of the said regulations in addition to future PV plants. Thus, the amendments introduced are retroactive concerning any PV plants which were already in operation when the regulations were approved.

Update of the feed in tariff

Pursuant to Article 12 of RD 1578/2008, feed-in tariffs shall be updated annually, starting on January 1 of the second year following the quarter in which they were established, according to the formulas and criteria set forth in Article 44.1 of RD 661/2007. Pursuant to Article 44 of RD 661/2007, feed-in tariffs and premiums shall be annually updated taking as a reference the increase of the Consumer Price Index (IPC) minus twenty-five basic points until December 31, 2012 and minus fifty basic points onwards.

Pursuant to Article 1 of RD-L 2/2013, the IPC of reference shall be the IPC calculated on constant taxes and without considering non-processed foods and energy (before the entry into force of RD-L 2/2013, the IPC of reference was the general IPC).

The last update of the feed-in tariff for PV Solar plants under RD 661/2007 was adopted by means of Order ITC/3519/2009 of December 28, 2009.

New taxation of the feed in tariff

The Spanish Parliament has recently enacted the Spanish Law 15/2012, dated December 27, 2012, or Law 15/2012, on fiscal measures for the sustainability of the energy sector, which entered into force on January 1, 2013.

Law 15/2012 sets forth a new tax on energy generation with the following criteria:

(a) **Taxable event**: generation of electric energy and its transmission to the grid;

(b) **Taxable income**: total amount received in terms of feed in tariff;

(c) **Tax rate**: 7%;

(d) **Taxpayer**: titleholder of the taxable event, i.e., the person which is entitled to generate electric energy and transfer such energy to the grid;

(e) **Tax period and accruing**: the tax period is the natural year and the tax is accrued each December 31;

(f) **Tax payment terms**: the taxpayers are obliged to issue a final self-settlement of the tax amount and to pay such amount within the following month of November as from the accruing of the tax. Therefore, the first self-settlement and payment shall be satisfied during November 2013; and

(g) **Interim tax payments**: the taxpayers are also required to transfer interim tax payments to the account of the final self-settlement within the first twenty calendar days of May, September, November and February of the following year, and corresponding to the periods of three, six, nine and twelve months of each year, respectively, and in accordance with the rules to be issued by the Ministry of Treasury and Public Bodies.

General licensing procedure for PV Solar plants in the region of Andalusia

The inclusion of a PV Solar plant in the Special Regime implies that the PV Solar plant is prima facie entitled to receive the economic benefits of the Special Regime, as its main characteristics fulfill the legal requirements set-forth in Article 27 of Law 54/1997 of November 27, 1997 on the Electricity Sector, or Law 54/1997. The Resolution in which the PV Solar plant is included in the Special Regime is to be granted by the Regional Energy Department.

Bank Guarantee

Pursuant to Section 7 of Regional Decree 50/2008 of February 19, 2008, regulating the administrative procedures of PV Solar plants to be located in the Autonomous Region of Andalusia, or Decree 50/2008, enacted in accordance to section 66 bis of Royal Decree 1955/2000, of December 1, 2000, regulating the transmission, distribution, trading and supply activities and authorisation procedures for electrical power facilities, a bank guarantee in benefit of the Regional Economy and Finance Department of a total amount equivalent to Euro 500 per kW of installed capacity is required to secure the connection point of a PV solar plant to the power grid during the licensing procedure.

Assignment of the connection point by the power distribution company

The manager of the power distribution grid of the area is responsible for granting access and connection to the power grid to new power installations to be erected in its influence area. The assignment of the connection point implies that the PV Solar Plant is entitled to inject the electricity output into the grid in a specific connection point.

Administrative authorization and execution project.

The construction and operation of a PV Solar plant within the Special Regime is subject to the prior awarding of an administrative authorization and execution of a project approval by the Autonomous Region of Andalusia.

Pursuant to section 11 of Decree 50/2008 the administrative authorization and the execution project approval may be granted by a sole administrative decision ("*resolución administrativa única*").

Apart from the abovementioned obligations, the construction and operation of a solar PV solar plant in the Region of Andalusia requires the granting of the appropriate authorizations, licenses and permits from the relevant Regional Environmental Department, as well as certain town and country planning licenses to be obtained from the City Council where the solar PV solar plant is to be located.

Once the solar PV plant has been granted with the relevant authorizations and licenses required by the applicable regulations, the PV solar plant may be registered with the Pre-Assignation Registry and therefore be able to benefit from the tariff established by RD 1578/2008; provided that the Plant is finally registered in the RIPRE and has started selling electricity within 16 months following the date of publication in the MITYC web page of the registration of the PV Installations in the Pre-assignation Registry.

After completion of the construction works of a PV solar plant, the owner shall apply for the Official Commissioning Record ("*acta de puesta en servicio*") issued by the Regional Energy Department, which entitles the relevant company to run the PV Solar plant and to sell the power output. Provided that the Official Commissioning Record was obtained, the PV Solar plant shall apply for the Final Registration of the PV installations in RIPRE. The Final Registration in RIPRE is a prerequisite for a PV Solar plant to sell the power output under the Special Regime.

Additionally, Spanish Royal Decree-law 29/2012, dated December 28, 2012, or RD-L 29/2012, which deals with several measures in the fields of employment, social welfare and economy, sets forth in its Article 8 a new provision related with the loss of the feed in tariff in the event of PV plants which were not duly concluded by the maximum term for Final Registration of the PV plants in RIPRE. Pursuant to Article 8 of RD-L 29/2012, a PV installation shall be deemed as duly concluded by the maximum term for Final Registration of the PV installation in RIPRE in the following cases:

(a) When all the necessary evacuation facilities (e.g. aerial or subterranean lines, transformation centers, etc.) are fully executed and commissioned;

(b) When all the equipment for the generation of electricity are fully executed and commissioned; and

(c) When the whole solar field is duly executed and commissioned.

In the event a PV plant does not meet any of the above mentioned conditions, the titleholder of the PV plant may lose its right to the feed in tariff and thus to sell the power output under the Special Regime, but it will remain entitled to sell the generated energy under the ordinary regime and therefore under market prices.

Likewise, following the adoption of Article 8 of RD-L 29/2012, any equipment of the PV plant whatsoever (i) not expressly foreseen in the execution project approved and taken into consideration for the Official Commissioning Record ("*acta de puesta en servicio*") and (ii) not covered by the granting of an authorization for amendment of the execution project before the relevant Public Authority, shall not be considered as part of the PV plant and therefore shall not be entitled to the feed in tariff. In such cases, the energy generated by means of the relevant equipment of the PV plants shall be paid in market prices.

In either case, any measures taken by the Public Authorities shall be preceded by an official inspection by the National Energy Commission (*Comisión Nacional de Energía*) and the issuance of an administrative procedure by the Spanish National Directorate-General of Energy Policy and Mines (*Dirección General de Política Energética y Minas*) in which the titleholder of the PV plant shall be entitled to make statements or address written pleadings.

The new Spanish general legal framework applicable to renewable energies

The legal and regulatory framework applicable to the production of electricity from renewable energy sources in Spain has been modified by Royal Decree-law 9/2013, dated July 12, 2013, due to the adoption of several urgent measures in order to ensure the financial stability of the power system, or RDL 9/2013. This new royal decree-law amends section 30.4 of the former Power Act (Law 54/1997, dated November 27, 1997), derogating the former "Special Regime" and establishing the basis of the new remuneration scheme applicable to renewable energies. Law 54/1997 has been repealed by the new Power Act (Law 24/2013, of December 26, 2013) as from December 28, 2013, however, article 30.4 of Law 54/1997 is kept in full force. Therefore, the new Power Act has not modified the remuneration scheme applicable to renewable energies set forth by RDL 9/2013.

The feed-in tariff applicable to PV plants pursuant to Royal Decree 661/2007 and Royal Decree 1578/200 is replaced by the new specific remuneration regime, or SRR, set forth in RDL 9/2013. SRR includes: (i) the proceeds for the sale of electricity according to market price, (ii) an "investment retribution" enough to cover the investment costs of a so-called "**standard facility**" – provided that such costs are not fully recoverable through the sale of energy in the market and (iii) an "operational retribution" enough to cover the difference, if any, between the operational income and costs of a standard plant that participates in the market. These new regulations are expected to be passed in the following quarter.

The definition of what constitutes a "*standard facility*" as well as the rest of the elements included in the SRR and its relevant calculation formula are not included in RDL 9/2013 but are expected to be included in a future Spanish Royal Decree to be approved by the Spanish Government (Consejo de Ministros) in early 2014.

The future Royal Decree is expected to include the following aspects as set forth in RDL 9/2013:

(a) The calculation of the SRR shall be made in reference to a "*standard facility*" and during its "*regulatory life term*," which will also be defined by the future Royal Decree-.

This calculation shall be made taking into account:

i) The standard incomes for the sale of energy production, valued at the production market prices;
ii) The standard operational costs;
iii) The standard value of the initial investment cost. For this calculation, only those costs and investments that correspond exclusively to the electricity production activity will be taken into account. Furthermore, costs or investments determined by administrative rules or acts that do not apply throughout Spanish territory will not be taken into account; and
iv) The final value of the SRR shall not exceed the minimum level necessary to cover the costs so as to enable the undertakings to compete in the same conditions with the remaining undertakings using other technologies, and it shall enable a "*reasonable return*".

(b) SRR shall not be calculated independently for each power installation, and every facility will be included in one of the "*standard facility*" categories, as will be defined by the future Royal Decree, and, consequently, it will be entitled to the relevant SRR.

It should be highlighted that RDL 9/2013 has repelled Royal Decree 661/2007, of May 25, 2007, or RD 661/2007 and Royal Decree 8, of September 26, 2008, or RD 1578/2008 and since it entered into force last July 14, 2013, its provisions are applicable to every PV solar plant currently in operation. Notwithstanding the foregoing, until the approval of the new Royal Decree regulating the SRR calculation formula, PV plants have and will continue receiving the corresponding feed-in tariff in accordance with RD 661/2007 or RD 1578/2008. To this end these regulations are kept temporarily in force. Once the new Spanish Royal Decree enters into full force, the amounts received in terms of feed-in tariff shall be subject to a final settlement, which would mean either the increase in payment rights or the accrual of payment obligations concerning the amount received by owners of PV plants during such transitory period (i.e. since July 14, 2013 and through the adoption of the new Spanish Royal Decree). This settlement will be conducted during the first six monthly payments after the approval of the future Royal Decree.

The PV plants currently in operation, including Rinconada II, are already subject to the SRR, regardless of the fact that the full application of the SRR will not be feasible until the further approval of the specific regulations of the terms set forth in RDL 9/2013 which are expected to be adopted in early 2014.

RDL 9/2013 has introduced instability to the Spanish Renewable Energy Regulations due to the fact that it came into force immediately on its publication date, before its specific provisions were developed and publicized and, therefore, before it can become fully applicable. We cannot at this point of the regulatory procedure forecast what will be the final calculation of the SRR and when the new Spanish Royal Decree will be adopted, given that the parameters of the formula have not been defined. The only reference which is clearly stated by RDL 9/2013 is that the SRR shall ensure "*reasonable return*" or profitability; which during the first regulatory period (i.e., for the next six years) shall be equivalent to a Spanish 10-year sovereign bond calculated as the average of stock price in the stock markets during the months of April, May and June 2013, increased by 300 basis points (approximately 7.5%).

Main aspects of the new regulation

Pursuant to RDL 9/2013, the main aspects of the new remuneration scheme applicable to renewable energies are:

(a) The feed-in tariff has been eliminated and PV plants are no longer entitled to receive the reactive power complement;

(b) SRR shall be determined taking into account: (i) the electricity market price; and (ii) standard investment cost and operational costs by reference to each "*standard facility*" category;
(c) The SRR shall be enough to compensate the investment costs of a "*standard facility*" that a well-managed and efficient company would not be able to recover through the sale of energy in the market and makes it possible to obtain a "*reasonable return*" applied to each "*standard facility*". Nevertheless, the SRR will not exceed the minimum level necessary to cover the costs that allow the facilities to compete on equal terms with the other energy production technologies on the market;
(d) The "*reasonable return*" will be set as a project profitability, which will be based, before tax, on the average yield of Spanish 10-year sovereign bonds on the secondary market, applying the appropriate differential set forth above;
(e) PV plants currently in operation shall receive the SRR applicable to the relevant "*standard facility*" category; and
(f) The SRR parameters may be reviewed every 6 years, which means that the SRR may not remain as is throughout the PV solar plant regulatory lifetime.

Based on draft data published by the Spanish regulator at the end of January 2014, we currently estimate that the new regulations will cause a decrease of approximately 20% in our annual revenues from Rinconada II. *However, these drafts have not been approved yet and are therefore subject to change. We cannot at this point anticipate when the new regulations will become effective and what their actual effect on our results of operations will be.*

The obligation to finance the tariff deficit

Pursuant to new Power Act (Law 24/2013) renewable installations are obliged to finance future tariff deficits. According to former Power Act, the tariff deficit was only financed by five vertically integrated companies (Iberdrola, Endesa, E.On, Gas Natural Fenosa and Hidrocantábrico). Following the new legislation, in case that there is a temporary deviation between revenues and costs of the electricity system on any given monthly settlement, this deviation shall be borne by all the companies participating in the settlement system (including renewable facilities). As a result of this provision, the settlement corresponding to January 2014 will only cover 25% of the total income. Any outstanding amount shall be included in future settlements plus an interest rate. The amounts received by Rinconada II in terms of feed-in tariff shall be subject to a final settlement, which would mean either the increase of payment rights or the accrual of payment obligations concerning the amount received since July 14, 2013

Rinconada II

Rinconada II is fully commissioned and is currently entitled to receive a feed-in tariff of 30.71893 cˆ/kWh, corresponding to the second quarter of year 2009 of the Pre-assignation Registry, in exchange for the electricity produced, limited to a total amount of 1,632 equivalent hours of production, during the first 30 year of its operation. Rinconada II has been awarded with all the permits and licenses required to its construction and exploitation.

The new tax on energy generation set forth in Law 15/2012 is fully applicable to Rinconada II. The taxpayers are Ellomay Spain, S.L. and the 21 Spanish affiliates entirely owned by Ellomay Spain, S.L.

Dori Energy and the Dorad Power Plant

General

U. Dori Energy Infrastructures Ltd., or Dori Energy, is an Israeli private company in which we hold 40%. The remaining 60% are held by U. Dori Group Ltd., or the Dori Group. Dori Energy's main asset is its holdings of 18.75% of Dorad.

Dori Energy

On November 25, 2010, Ellomay Clean Energy Ltd., or Ellomay Energy, our wholly-owned subsidiary, entered into an Investment Agreement, or the Dori Investment Agreement, with the Dori Group and Dori Energy, with respect to an investment by Ellomay Energy in Dori Energy. Pursuant to the terms of the Dori Investment Agreement Ellomay Energy invested a total amount of NIS 50 million (approximately $14.1 million) in Dori Energy, and received a 40% stake in Dori Energy’s share capital. The transaction contemplated by the Dori Investment Agreement, or the Dori Investment, was consummated on January 27, 2011, or the Dori Closing Date. Following the Dori Closing Date, the holdings of Ellomay Energy in Dori Energy were transferred to Ellomay Clean Energy Limited Partnership, or Ellomay Energy LP, an Israeli limited partnership whose general partner is Ellomay Energy and whose sole limited partner is us. Ellomay Energy LP replaced Ellomay Energy with respect to the Dori Investment Agreement and the Dori SHA.

Ellomay Energy was also granted an option to acquire additional shares of Dori Energy, or the Dori Option, which, if exercised, will increase Ellomay Energy’s percentage holding in Dori Energy to 49% and, subject to the obtainment of certain regulatory approvals – to 50%. The original terms of the Dori Option provided for an exercise price of NIS 2.5 million for each 1% of Dori Energy's issued and outstanding share capital and for an exercise period for the first tranche of the Dori Option, applicable to 9% of Dori Energy's issued and outstanding share capital, or the First Tranche, commencing on the Dori Closing Date and ending six (6) months after the completion and delivery of the Dorad Power Plant. Subject to the full exercise of the First Tranche, the second tranche of the Option, applicable to an additional 1% of Dori Energy's issued and outstanding share capital (on a fully diluted basis), is exercisable commencing six (6) months after the completion and delivery of the Dorad Power Plant and ending twenty four (24) months thereafter.

On October 24, 2012 the parties to the Dori Investment Agreement executed an addendum to the Dori Investment Agreement, or the Dori Addendum. The Dori Addendum updated the terms of the Dori Option as follows: (i) the exercise period for the First Tranche was extended so that the period will end twelve (12) months following the completion and delivery of the Dorad Power Plant, and (ii) the exercise price of the Dori Option (for both tranches) was reduced to NIS 2.4 million for each 1% of Dori Energy's issued and outstanding share capital (on a fully diluted basis). The other terms of the Dori Option remained unchanged. The Dori Addendum further updated the undertaking of Dori Energy's shareholders in connection with the financing of investments in Dorad by clarifying that in the event Dori Energy does not obtain outside financing, each of Dori Group and Ellomay Energy LP will invest its share of the required amounts, pro rata to their holdings in Dori Energy, replacing the Dori Group's undertaking to provide debt financing to Dori Energy in the event Dori Energy does not obtain outside financing.

Concurrently with the execution of the Dori Investment Agreement, Ellomay Energy, Dori Energy and Dori Group have also entered into the Dori SHA that became effective upon the Dori Closing Date. The Dori SHA provides that each of Dori Group and Ellomay Energy is entitled to nominate two directors (out of a total of four directors) in Dori Energy. The Dori SHA also grants each of Dori Group and Ellomay Energy with equal rights to nominate directors in Dorad, provided that in the event Dori Energy is entitled to nominate only one director in Dorad, such director shall be nominated by Ellomay Energy for so long as Ellomay Energy holds at least 30% of Dori Energy. The Dori SHA further includes customary provisions with respect to restrictions on transfer of shares, a reciprocal right of first refusal, tag along, principles for the implementation of a BMBY separation mechanism, special majority rights, etc.

Dori Energy’s representative on Dorad’s board of directors is currently Mr. Hemi Raphael, who is also a member of our Board of Directors. As of March 1, 2014, Ellomay Energy extended shareholder loans to Dori Energy in the aggregate amount of approximately $15.5, million (net of deferred interest) and the aggregate investment of Dori Energy in Dorad as of December 31, 2013, including option reevaluation and the Company’s share of losses of investee was approximately $25.

The Dorad Power Plant

The disclosures contained herein concerning the Dorad Power Plant are based on information received from Dorad and other publicly available information.

Dorad's operations have to date entailed the construction of the Dorad Power Plant, a combined cycle power plant based on natural gas, with a production capacity of approximately 800 MW, located south of Ashkelon. The Dorad Power Plant was constructed as a turnkey project, with the consideration denominated in US dollars. Dorad is leasing the land from the Eilat-Ashkelon Pipeline Company (EAPC for the construction period and for a period of 24 years and 11 months following the commencement of commercial operations of the Dorad Power Plant.

The electricity produced is expected to be sold to end-users throughout Israel and to the Israeli National Electrical Grid. The transmission of electricity to the end-users shall be done via the existing transmission and distribution grid, in accordance with the provisions of the Electricity Sector Law and its Regulations, and the Standards and the tariffs determined by the Public Utility Authority - Electricity. The existing transmission and delivery lines are operated by the IEC, which is the only entity that holds a license to operate an electricity system in Israel. The Dorad Power Plant will be based on combined cycle technology using natural gas. The combined cycle configuration is a modern technology to produce electricity, where gas turbines serve as the prime mover. After combustion in the gas turbine to produce electricity, the hot gases from the gas turbine exhaust are directed through an additional heat exchanger to produce steam. The steam powers a steam turbine connected to a generator, which produces additional electric energy. The Dorad Power Plant will be comprised of twelve natural gas turbines, each with a nominal capacity of 50 MWp and two steam turbines, each with a nominal capacity of 100 MWp. These turbines can be turned on and off quickly, with no losses in energy efficiency, which provides operational flexibility in accordance with the expected needs of customers and the IEC, calculated based on a proprietary forecasting system implemented by Dorad.

The other shareholders in Dorad are Eilat Ashkelon Infrastructure Services Ltd. (37.5%), Edelcom Ltd. (18.75%), both Israeli private companies and Zurlu Enerji Elektrik Uretim A.S. (25%), a publicly traded Turkish company. Dorad's shareholders, including Dori Energy, are parties to a shareholders agreement that includes customary provisions, including a right of first refusal, arrangements in connection with the financing of Dorad's operations, certain special shareholder majority requirements and the right of each shareholder holding 10% of Dorad's shares to nominate one member to Dorad's board of directors. As noted above, pursuant to the Dori SHA, we are currently entitled to recommend the nomination of the Dorad board member on behalf of Dori Energy.

Dorad has entered into a credit facility agreement with a consortium led by Bank Hapoalim Ltd., or the Dorad Credit Facility, and financial closing of the Dorad Power Plant was reached on November 29, 2010, with the first drawdown received on January 27, 2011. The Dorad Credit Facility provides that the consortium will fund up to 80% of the cost of the project, with the remainder to be funded by Dorad's shareholders. The funding is linked to the Israeli consumer price index and bears interest at a rate that is subject to updates every three years based on Dorad's credit rating (Dorad received an "investment grade" rating, on a local scale, from the two leading Israeli rating agencies). The current interest rate is approximately 5.5%. The funding will be repaid (interest and principal) in semi-annual payments, commencing six months of the commencement of operations of the Dorad Power Plant and for a period of 17 years thereafter. The Dorad Credit Facility further includes customary provisions, including early repayment under certain circumstances, fixed charges on Dorad's assets and rights in connection with the Dorad Power Plant and certain financial ratios, which Dorad is in compliance with as of December 31, 2013. In connection with the Dorad Credit Facility, Dorad's shareholders (including Dori Energy) undertook to provide guarantees to certain customers, to the IEC and to various suppliers and service provides of Dorad and also undertook to indemnify Dorad and the consortium in connection with certain expenses, including payments to customers due to delays in the commencement of operations, payment of liquidated damages to the construction contractors in the event of force majeure and certain environmental hazards. The aggregate investment of Dorad in the construction of the Dorad Power Plant as of December 31, 2013 was approximately NIS 4,054 million (approximately $1,168 million) and the remaining expected investment until completion of the construction phase is approximately NIS 570 million (approximately $164 million). The Dorad Credit Facility provides for the establishment of the project accounts and determines the distribution of the cash flows among the accounts. In addition, the Dorad Credit Facility includes terms and procedures for executing deposits and withdrawals from each account and determines the minimum balances in each of the capital reserves.

As of March 1, 2014, Dori Energy provided guarantees to the Public Utilities Authority – Electricity, to customers of Dorad and to Israel Natural Gas Lines Ltd. in the aggregate amount of approximately NIS 8.7 million and, upon the commencement of commercial operations of the Dorad Power Plant, we expect that this amount will increase to approximately NIS 39 million mainly due to a total of NIS 160 million guarantee Dorad is required to provide the IEC. As of December 31, 2013, the principal and accrued interest on the shareholders loans provided to Dorad by Dori Energy was in the aggregate amount of approximately NIS 54 million (approximately $15.6 million). Shareholder loans bear 10% interest and are linked to the Israeli CPI

In July 2013, the Dorad Power Plant was energized and connected to the Israeli national grid. In November 2013, the Natural Gas Authority of the Israeli Ministry of National Infrastructures, Energy and Water Resources approved the connection of the Dorad Power Plant to the national gas pipeline network. The Dorad Power Plant is currently in advanced stages of the acceptance tests and, based on information received from Dorad, is currently expected to commence operations in April 2014, subject to receipt of the permanent electricity production license discussed under "Material Effects of Government Regulations on Dorad’s Operations" below. The commencement of operations of the Dorad Power Plant was postponed due to technical delays, including a temporary disruption of the works during 2012 due to missile attacks directed at Southern and Central Israel.

Dorad previously entered into an operation and maintenance agreement, or the Dorad O&M Agreement, with a wholly-owned subsidiary of Eilat Ashkelon Infrastructure Services Ltd., which holds 37.5% of Dorad, or the Dorad O&M Contractor. Certain of the obligations under such agreement were assigned to Zurlu Enerji Elektrik Uretim A.S., which holds 25% of Dorad. The Dorad O&M Agreement is for a period of 24 years and 11 months commencing upon receipt of a permanent license by Dorad, and in no event for a period that is longer than the period of the lease of the Dorad Power Plant premises. During 2013, the Dorad O&M Contractor entered into an agreement with Ezom Ltd., which, to our knowledge, is 75% owned by the controlling shareholder of Edelcom Ltd. (which holds 18.75% of Dorad) with the remainder held by a company controlled by Zurlu Enerji Elektrik Uretim A.S. for the provision of sub-contracting services to the Dorad O&M Contractor. Despite the assignment and subcontracting agreement, the Dorad O&M Contractor remains liable to Dorad for all obligations under the Dorad O&M Agreement. Dori Energy has objected to the aforementioned subcontracting agreement and to the method of its approval by the Dorad board of directors and is considering its options in that regard.

The Israeli Electricity Market; Competition

The Israeli electricity market is dominated by the IEC, which manufactures and sells almost all of the electricity consumed in Israel and by the Palestinian Authority and had an installed capacity of 13,248 MW as of December 31, 2012. In recent years, various private manufacturers received energy production licenses from the Public Utilities Authority – Electricity. These private manufacturers include, among others, OPC, which is has commenced operations and has a production capacity of approximately 440 MW, and Dalia Power Energies Ltd., which is in final stages of construction and is expected to have a production capacity of approximately 870 MW.

Following the commencement of operations of the Dorad Power Plant, Dorad will compete with the IEC and other private electricity manufacturers with respect to sales to potential customers directly and will also compete with the other private electricity manufacturers with respect to the use of the portion of electricity manufactured by the Dorad Power Plant that is not pre-sold to specific customers but rather is made available to the IEC for its use based on IEC's discretion and decision as to the source of available electricity that it will use from time to time.

Dorad's position is that the current regulation and structure of the Israeli electricity market provide IEC with a competitive advantage over the private electricity manufacturers. As noted below, the regulation governing the electricity market in Israel is currently subject to a review by a steering committee. However, as long as the regulations remains unchanged, as the IEC controls the transmission and delivery lines and the connection of the private power plants to the Israeli national grid, Dorad and the other private manufacturers are dependent on the IEC for their operations and may also be subject to unilateral actions on the part of IEC's employees. During 2013, the employees of IEC temporarily disconnected the Dorad Power Plant from the Israeli national grid as part of their efforts to prevent the entrance of private electricity manufacturers into the Israeli electricity market until the IEC reaches an understanding with them concerning the expected reform and possible privatization of the IEC. During June 2013, the Israeli labor court issued a ruling permitting the disconnection of private power plants by employees of the IEC under certain conditions.

Prospective Customers

Dorad entered into long term (between 6-20 years) electricity supply agreements with various commercial consumers for an aggregate of approximately 90% of the production capacity of the Dorad Power Plant. The end-users include the Israeli Ministry of Defense, Mekorot (Israel's water utility and supply company), Israeli food manufacturers (Ossem and Strauss), Israeli hotel chains (Isrotel and Fattal), and others. The customers will pay a fee that is less than the fee set by the Israeli Public Utilities Authority – Electricity for electricity consumers in the Israeli market and the validity of these agreements is generally subject to the commencement of operations and electricity supply by the Dorad Power Plant.

The agreements with the Israeli Ministry of Defense and with Mekorot include an undertaking to compensate such customers in the event of a delay in commercial operations of the Dorad Power Plant beyond the second quarter of 2013. Dorad reached an agreement with such customers for compensation in the form of discounts for the first six months or one year of operations and may still be subject to claims for monetary compensation from Mekorot for which a provision was made during 2013 in Dorad's financial statements in the amount of NIS 7.8 million (approximately $2.2 million)

Dorad has approached the Israeli Ministry of National Infrastructures, Energy and Water Resources and the Israeli Public Utilities Authority – Electricity in order to receive their approval to sell electricity to private consumers as well as to commercial consumers.

In addition to the provision of electricity to specific commercial consumers, the agreement between Dorad and the IEC, which governs the provision of services and electricity from the IEC to Dorad, provides that Dorad will supply availability and energy to the IEC based on a production plan determined by the Israeli Public Utilities Authority – Electricity, on IEC's requirements and on the tariffs determined by the Israeli Public Utilities Authority – Electricity.

Sources and Availability of Raw Materials for the Operations of the Dorad Power Plant

The Dorad Power Plant will be a bi-fuel plant, using natural gas as the main fuel and diesel oil in the event of an emergency. Pursuant to publications of the Israeli Public Utilities Authority – Electricity, natural gas is currently being used for the production of approximately 30%-35% of the electricity produced in Israel and is expected to become the main production material (for approximately 75%) of the electricity produced in Israel.

Agreement with EMG

Dorad previously executed a gas sale agreement for the supply of natural gas for its operations with the Egyptian company, EMG. In early 2011, riots in Egypt have led to political instability and to the resignation of the President of Egypt and the appointment of a new government. In addition, during 2011 several explosions of gas pipelines at the Egyptian National Grid in Sinai occurred causing the halt of supply of natural gas from Egypt for various periods pending repair of the gas pipelines.

Based on information provided to Dori Energy by Dorad, on April 22, 2012 Dorad received a letter from EMG indicating that on April 19, 2012 the Egyptian energy companies with which EMG entered into a Gas Supply and Purchase Agreement, or GSPA (Egyptian General Petroleum Corporation and Egyptian Natural Gas Holding Company, or, together, the Egyptian Gas Companies), delivered a notice to EMG purporting to terminate their agreement with EMG and on June 21, 2012 an additional letter from EMG was received indicating that while the termination attempt of the GSPA was unlawful and in bad faith, on May 9, 2012, EMG found itself with little practical alternative but to accept the Egyptian Gas Companies' repudiation of the GSPA, resulting in the termination of the GSPA at common law. Such additional letter from EMG further indicated that EMG continues to explore the possibility of alternative gas supply as a result of the aforementioned termination of the GSPA. Further to the these events, Dorad notified EMG, in a letter of which copy was delivered to us on August 6, 2012, that the natural gas delivery agreement dated December 12, 2007 (as amended) by and between Dorad and EMG has been terminated with immediate effect and demanded that EMG shall refund the $3 million advance payments made by Dorad, in addition to interest accrued thereon, and shall compensate Dorad for its losses arising from the breaches of the aforesaid agreement. Our share in this amount was recorded as a loss as of December 31, 2012.

Agreement with Tamar

On October 15, 2012, Dorad entered into the Tamar Agreement with Tamar, which is currently the sole supplier of natural gas for the Israeli electricity market. Pursuant to the information received from Dorad, following the fulfillment of certain conditions precedent that are set forth in the Tamar Agreement, Dorad will purchase natural gas from Tamar for purposes of operating the Dorad power plant and the main terms of the Tamar Agreement are as follows:

- Tamar has committed to supply natural gas to Dorad in an aggregate quantity of up to approximately 11.2 billion cubic meters (BCM), or the Total Contract Quantity, in accordance with the conditions set forth in the Tamar Agreement.

- The Tamar Agreement will terminate on the earlier to occur of: (i) sixteen (16) years following the commencement of delivery of natural gas to the Dorad power plant or (ii) the date on which Dorad will consume the Total Contract Quantity in its entirety. Each of the parties to the Tamar Agreement has the right to extend the Tamar Agreement until the earlier of: (i) an additional year provided certain conditions set forth in the Tamar Agreement were met, or (ii) the date upon which Dorad consumes the Total Contract Quantity in its entirety.

- Dorad has committed to purchase or pay for ("take or pay") a minimum annual quantity of natural gas in a scope and in accordance with a mechanism set forth in the Tamar Agreement.

- The Tamar Agreement grants Dorad the option to reduce the minimum annual quantity so that it will not exceed 50% of the average annual gas quantity that Dorad will actually consume in the three years preceding the notice of exercise of the option, subject to adjustments set forth in the Tamar Agreement. The reduction of the minimum annual quantity will be followed by a reduction of the other contractual quantities set forth in the Tamar Agreement. The option described herein is exercisable during the period commencing as of the later of: (i) the end of the fifth year after the commencement of delivery of natural gas to Dorad in accordance with the Tamar Agreement or (ii) January 1, 2018, and ending on the later of: (i) the end of the seventh year after the commencement of delivery of natural gas to Dorad in accordance with the Tamar Agreement or (ii) December 31, 2020. In the event Dorad exercises this option, the quantity will be reduced at the end of a one year period from the date of the notice and until the termination of the Tamar Agreement.

- During an interim period, that will commence upon the fulfillment of conditions set forth in the Tamar Agreement, or the Interim Period, the natural gas supply to Dorad will be subject to the quantities of natural gas available to Tamar at the time following the supply of natural gas to customers of the "Yam Tethys" project and other customers of Tamar that have executed natural gas supply agreements with Tamar prior to the execution of the Tamar Agreement. The Interim Period will end after (and to the extent) Tamar completes a project to expand the supply capacity of the natural gas treatment and transmission system from Tamar, expected to be completed by January 2016, subject to the fulfillment of conditions set forth in the Tamar Agreement, or the Expansion Project. In the event the conditions for the completion of the Expansion Project are not fulfilled, or the Expansion Project is not completed by the dates set forth in the Agreement, Dorad shall be entitled to terminate the Tamar Agreement. Upon completion of the Expansion Project, the minimum capacity set forth in the Tamar Agreement will increase and the Total Contract Quantity will increase respectively up to approximately 13.2 BCM.

- The natural gas price set forth in the Tamar Agreement is linked to the rate of electricity production as determined from time to time by the Israeli Public Utility Authority – Electricity, which includes a "floor price."

- As set forth in the notice received from Dorad, Dorad estimates that the aggregate value of the Tamar Agreement (based on its assessment of the gas prices, after the linkage pursuant to the formula set forth in the Tamar Agreement, and of the quantity of natural gas that will be acquired over the term of the Agreement) may amount to approximately US$3.5 billion, assuming that the Total Contract Quantity will be increased to approximately 13.2 BCM and assuming that the option for the reduction of the minimum gas quantities as set forth above will not be exercised by Dorad. The actual value will depend on various factors, including the quantity of natural gas actually purchased and the electricity production rates and accordingly there can be no assurance as to the aggregate value of the Tamar Agreement.

- Dorad may be required to provide Tamar with guarantees or securities in the amounts and subject to the conditions set forth in the Tamar Agreement.

- The Tamar Agreement includes additional provisions and undertakings as customary in agreements of this type such as compensation mechanisms in the event of shortage in supply, the quality of the natural gas, limitation of liability, etc.

As a result of the agreements with the construction contractors of the Dorad power plant and the indexation included in the gas supply agreement, Dorad is exposed to changes in exchange rates of the U.S. dollar against the NIS. To minimize this exposure Dorad executed forward transactions to purchase U.S. dollars against the NIS.

Tamar and Dorad are currently in dispute over the price of natural gas due to the update of the electricity production costs determined by the Israeli Public Utilities Authority – Electricity during 2013. In the event such parties do not reach an understanding, the dispute will be referred to an arbitration process. Any increase in the natural gas price under the agreement with Tamar will add to Dorad's cost of production and will adversely affect its results of operations.

Dorad is also a party to a natural gas delivery agreement and to a diesel oil warehousing agreement. In November 2013, the Natural Gas Authority of the Israeli Ministry of National Infrastructures, Energy and Water Resources approved the connection of the Dorad Power Plant to the national gas pipeline network.

Material Effects of Government Regulations on Dorad's Operations

The regulatory framework applicable to the production of electricity by the private sector in Israel is provided under the Israeli Electricity Sector Law, 1996, or the Electricity Law, and the regulations promulgated thereunder, including the Electricity Market Regulations (Terms and procedures for the granting of a license and the duties of the Licensee), 1997, the Electricity Market Principles (Transactions with the supplier of an essential service), 2000, and the Electricity Market Regulations (Conventional Private Electricity Manufacturer), 2005. In addition, standards, guidelines and other instructions published by the Israeli Public Utilities Authority – Electricity (established pursuant to Section 21 of the Electricity Law, or the Authority) and\or by the Israeli Electric Company also apply to the production of electricity by the private sector in Israel.

In February 2010, the Authority granted Dorad a Conditional License, as defined by the Electricity Market Regulations (Conventional Private Electricity Manufacturer), 2005, or the Conditional License) for the construction of a natural gas (and alternative fuel for back up purposes) operated power plant in Ashkelon, Israel for the production of electricity, with an installed production capacity of 760-850 MWp. The Conditional License includes several conditions precedent to the entitlement of the holder of the Conditional License to produce and sell electricity to the Israeli Electric Company. The Conditional License is valid for a period of fifty four (54) months commencing from the date of its approval by the Israeli Minister of National Infrastructures, Energy and Water Resources, subject to compliance, by Dorad, with the milestones set forth therein, and the other provisions set forth therein (including a financial closing, the provision of guarantees and the construction of the power plant). If Dorad shall comply with all the conditions and meet all the milestones, as detailed in the Conditional License, it is expected to be granted with a permanent electricity production license under the Conditional License. Dorad approached the Authority requesting the issuance of the permanent electricity production licenses for the production units comprising the Dorad Power Plant.

In September 2010, Dorad received a draft approval of conditional tariffs from the Authority that sets forth the tariffs applicable to the Dorad Power Plant throughout the period of its operation, and in October 2013, Dorad received a revised approval of tariffs pursuant to the Tamar Agreement.

In addition, in July 2009, the Licensing Authority of the National Planning and Construction Board for National Infrastructure established pursuant to the Israeli Zoning and Construction Law, 1996, or the Construction Law, granted a building permit with respect to the Dorad Power Plant (Building License No. 2-01-2008), as required pursuant to the Construction Law.

The Authority determined the method and tariffs for the provision of availability and electricity by private electricity manufacturers to the IEC in the event not all of the capacity of such manufacturers was sold directly to customers. The Authority's decision provides that the IEC will pay for the availability even in the event electricity was not actually used by end customers depending on the amount of electricity made available to the IEC.

As noted above, the transmission and delivery lines expected to be used by the Dorad Power Plant are managed by the IEC, and the IEC is solely licensed to operate electricity systems (i.e. to oversee and manage the production and transmission of electricity) in Israel. In May 2013, the Authority determined a temporary fee that will be charged by the IEC per KWh for its electricity system operator services from its customers, from private energy manufacturers, such as Dorad, and from "self-manufacturers" (i.e. those who manufacture electricity for self-use). The Authority determined that once a permanent fee is established, a retroactive settling of accounts will be performed. These fees may revise the pricing structure of Dorad's services and may cause Dorad to incur additional costs.

In August 2013, a steering committee for a reform in IEC was established, with the purposes of, *inter alia,* structuring the Israeli electricity market, including the implementation of competition in the relevant sectors, and suggesting an overhaul reform of the Israeli electricity market. In March 2014 the steering committee published an interim report for comments. One of the recommendations of the steering committee is to create an independent system operator and to maintain a minimal percentage of electricity produced by private manufacturers in Israel (42%), including by selling some of the power plants owned by the IEC to private entities.

Due to the location of the Dorad Power Plant, Dorad has implemented various security measures in order to enable continued operations of the Dorad Power Plant during attacks on its premises. Prior to the commencement of its operations, Dorad is required to obtain various licenses and permits from local and municipal authorities, which Dorad is in the process of obtaining.

The Dorad Power Plant is subject to a variety of Israeli environmental laws and regulations, including limitations concerning noise, emissions of pollutants and handling hazardous materials.

Material Effects of Government Regulations - General

Investment Company Act of 1940

Regulation under the Investment Company Act governs almost every aspect of a registered investment company’s operations and can be very onerous. The Investment Company Act, among other things, limits an investment company’s capital structure, borrowing practices and transactions between an investment company and its affiliates, and restricts the issuance of traditional options, warrants and incentive compensation arrangements, imposes requirements concerning the composition of an investment company’s board of directors and requires shareholder approval of certain policy changes. In addition, contracts made in violation of the Investment Company Act are void.

An investment company organized outside of the United States is not permitted to register under the Investment Company Act without an order from the SEC permitting it to register and, prior to being permitted to register, it is not permitted to publicly offer or promote its securities in the United States.

We do not believe that our current asset structure results in our being deemed to be an "investment company," as we control the Italian PV Plants via wholly-owned subsidiaries and Rinconada II through an 85% held subsidiary and the current fair value of our short-term deposits and holdings in Dori Energy do not in our judgment exceed 40% of our aggregate assets, excluding our assets held in cash and cash equivalents. If we were deemed to be an "investment company," we would not be permitted to register under the Investment Company Act without an order from the SEC permitting us to register because we are incorporated outside of the United States and, prior to being permitted to register, we would not be permitted to publicly offer or promote our securities in the United States. Even if we were permitted to register, it would subject us to additional commitments and regulatory compliance. Investments in cash and cash equivalents or in other assets that are not deemed to be "investment securities" might not be as favorable to us as other investments we might make if we were not potentially subject to regulation under the Investment Company Act. We seek to conduct our operations, including by way of investing our cash and cash equivalents, to the extent possible, so as not to become subject to regulation under the Investment Company Act. In addition, because we are actively engaged in exploring and considering strategic investments and business opportunities, and in fact have entered the Italian and Spanish photovoltaic power plants markets through controlling investments, we do not believe that we are currently engaged in "investment company" activities or business.

Shell Company Status

Following the consummation of the HP Transaction, we ceased conducting any operating activity and substantially all of our assets consisted of cash and cash equivalents. Accordingly, we may have been deemed to be a "shell company," defined by Rule 12b-2 promulgated under the Securities Exchange Act of 1934 as (1) a company that has no or nominal operations; and (2) either: (i) no or nominal assets; (ii) assets consisting solely of cash and cash equivalents; or (iii) assets consisting of any amount of cash and cash equivalents and nominal other assets.

Our characterization as a "shell company" subjected us to various restrictions and requirements under the U.S. Securities Laws. For example, in the event we consummated a transaction that caused us to cease being a "shell company," we were required to file a report on Form 20-F within four business days of the closing of such transaction. We filed such Form 20-F that included full disclosure with respect to the PV Plants and our post-transaction status on March 10, 2010, following the execution of the EPC Contracts in connection with the Del Bianco and Costantini PV Plants.

Therefore, we believe that since the execution of the EPC Contracts on March 4, 2010, we have ceased being a "shell company." However, as noted below, the fact that we previously could have been deemed to be a "shell company" continues to affect us in certain ways.

Pursuant to the provisions of Rule 144(i) promulgated under the Securities Exchange Act of 1934, shares issued by us at the time we were deemed to be a "shell company" and thereafter can only be resold pursuant to the general provisions of Rule 144 subject to the additional conditions in Rule 144(i), including that we have filed all reports and other materials required to be filed by Section 13 or 15(d) of the Exchange Act, as applicable, during the twelve month period preceding the use of Rule 144 for resale of such shares. This continuing restriction may limit our ability to, among other things, raise capital via the private placement of our shares.

Agreements in the Israeli Oil and Gas Sector

Adira Farm-out Agreement in connection with the Yitzchak License

On December 5, 2011 Ellomay Oil and Gas 2011 LP, or Ellomay Oil and Gas, a limited partnership whose general partner is a wholly-owned subsidiary of Ellomay, entered into the Yitzchak Farm-out Agreement, with Adira Energy Ltd., or Adira, for the farm-in of Ellomay Oil and Gas to 20% of the participating interests in the Yitzhak oil and gas exploration and drilling license in the Mediterranean sea, or the Yitzchak License. The Yitzchak License covers a total area of approximately 127.7 square kilometers (or 31,555 acres) and is in relatively shallow water with depths between 60 and 250 meters.

Pursuant to the Yitzchak Farm-out Agreement, Ellomay Oil and Gas will pay Adira a 3% overriding royalty interest, or ORRI, on Ellomay Oil and Gas's share of revenues from sold petroleum until repayment of Ellomay Oil and Gas's expenditures in the work program plus interest of LIBOR + 1%, and 4.5% ORRI following such repayment. In addition, each of Ellomay Oil and Gas and the other holders of the participating interests in the License is required to bear and pay its respective share of all of the expenditures approved in relation to the License and to bear and pay its share of the carried interest with respect to the lead operator's 5% participating interest, subject to certain reimbursement rights.The transaction contemplated by the Yitzchak Farm-out Agreement was consummated on January 9, 2012. The holders of the Yitzchak License executed a Joint Operating Agreement, or the Yitzchak JOA, in September 2012. The Yitzhak JOA provides that we may, until we have invested an amount of $2 million, reduce our investments and thereby reduce our holdings in the Yitzchak license. To date, we funded approximately $554,000, which only represents 10% of the total cash calls to the partners in the Yitzhak license expenses and which we have recorded as a loss during 2012 due to the precarious financial situation of Adira. We expect to continue to assess the status of the Yitchak project and determine the extent of future funding according to our business assessments. *Therefore, we do not believe that our involvement with the Yitzchak Licenses is material to us as of the date of filing of this annual report.*

Delek Farmout Agreements

On February 22, 2011, or the Licenses Effective Date, we entered into two Farmout Agreements, or the Delek Farmout Agreements, contemplating the acquisition of participating interests in four exploration licenses, or the Exploration Licenses, as follows: (i) a Farmout Agreement among Delek Drilling Limited Partnership, or Delek, Avner Oil Exploration Limited Partnership, or Avner, and us contemplating the acquisition by us of 10% of the participating interests in each of the "337/Aviah" and "338/Qeren" drilling licenses, or, respectively, the Aviah License and the Qeren License; and (ii) a Farmout Agreement among Delek, Avenr, Noble Energy Mediterranean Ltd., or Noble, and us contemplating the acquisition by us of 15% of the participating interests in each of the "Ruth D" and "Alon E" drilling licenses, or, respectively, the Ruth License and the Alon License (the transferors of the participating interests are referred to herein as Farmors and the transferees of the participating interests are referred to herein as Farmees).

The consideration that we anticipated paying in connection with the acquisition of the participating interests was an aggregate of approximately $710,000 as reimbursement for past expenditures incurred by the Farmors in connection with operations under the Exploration Licenses until the Licenses Effective Date (which does not include reimbursement of additional expenses that were to be billed to us during the period between the Licenses Effective Date and the closing of the transactions contemplated by the Delek Farmout Agreements). In connection with the Delek Farmout Agreements, we also entered into Overriding Royalty Deeds with the Farmors, providing them with an aggregate overriding royalty interest of 3% of the participating interest per each Exploration License, we granted to each of the Farmors a one-time option to convert part or all of their participating interests in any of the Exploration Licenses, but not more than 3.33% in aggregate with respect to the Aviah License and the Qeren License and 15% in the aggregate with respect to the Ruth License and Alon License, into overriding royalty interests and we entered into Joint Operating Agreements, or JOAs, with the other holders of the Aviah License and Qeren License, and with ATP Oil & Gas Corporation (NASDAQ: ATPG) as operator and into novation agreements related to the Ruth License and Alon License, under which we joined the existing JOAs among the Farmors and Noble as operator.

The transactions contemplated by the Delek Farmout Agreements were not consummated to date. In December 2011, the Israeli Petroleum Commissioner published its decision not to extend the terms of the Aviah License, the Qeren License, the Ruth License and the Alon License and all four licenses have expired and the Petroleum Commissioner announced that they will not be renewed. The current owners of these licenses have announced that they are considering taking legal action in connection with the termination of the licenses but we cannot at this stage estimate or foresee which actions will be taken by the current owners of these licenses as a result of such decision, if any, and what effect these actions will have on the likelihood of the consummation of the transactions. *As these transactions were not consummated, as of March 1, 2014, we made no expenditures in connection with these licenses. Therefore, we do not believe that our current involvement with these licenses is material to us as of the date of filing of this annual report.*

C. Organizational Structure

Our Italian PV Plants are held by the following Italian companies, wholly-owned by Ellomay Luxembourg Holdings S.àr.l. (a Luxemburg company), which, in turn, is wholly-owned by us: (i) Ellomay PV One S.r.l., (ii) Ellomay PV Two S.r.l., (iii) Ellomay PV Five S.r.l., (iv) Ellomay PV Six S.r.l., (v) Ellomay PV Seven S.r.l (formerly Energy Resources Galatina S.r.l.), (vi) Pedale S.r.l., (vii) Luma Solar S.r.l., (viii) Murgia Solar S.r.l. Our Spanish PV Plant is held by Ellomay Spain S.L., a Spanish company 85% owned by Ellomay Luxemburg, (ix) Soleco S.r.l. and (x) Technoenergy S.r.l. Ellomay Spain owns 21 Spanish companies, each holding a 90 kW solar installation portion of the Riconada II, the first named Energía Solar Fotovoltaica Parque 15, S.L. and the others bear a similar name with references to different numbers (16-34 and 69).

We hold the Dori Energy shares through Ellomay Clean Energy Limited Partnership, an Israeli limited partnership whose general partner is Ellomay Clean Energy Ltd., a company incorporated under the laws of the State of Israel wholly-owned by us.

D. Property, Plants and Equipment

Our office space of approximately 306 square meters is located in Tel Aviv, Israel. This lease currently expires in April 2015. We have an additional option to extend the lease until April 2016. We sub-lease a small part of our office space to a company controlled by Mr. Shlomo Nehama, at a price per square meter based on the price that we pay under our leases. This sub-lease agreement was approved by our Board of Directors.

The PV Plants are located in Italy and in Spain. Pursuant to the building right agreements executed by our subsidiaries that are PV Principals in connection with the PV Plants, our subsidiaries own the PV Plants and received the right to maintain the PV Plant on the land on which they are located, or the Lands). The ownership of the Lands remains with the relevant owners of the Lands who are the grantors of the building rights under the respective building right agreements. In the case of the Galatina Plant our subsidiary owns the land on which the PV Plant is built. The following table provides information with respect to the Lands and the PV Plants:

PV Plant	Size of Property	Location	Owners of the PV Plants/Lands
"Troia 8"	2.42.15 hectares	Province of Foggia, Municipality of Troia, Puglia region	PV Plant owned by Leasint and leased to Ellomay Six S.r.l. / Building right granted to Ellomay PV Six S.r.l. from owners
"Troia 9"	2.39.23 hectares	Province of Foggia, Municipality of Troia, Puglia region	PV Plant owned by Leasint and leased to Ellomay Five S.r.l. / Building right granted to Ellomay PV Five S.r.l. from owners
"Del Bianco"	2.44.96 hectares	Province of Macerata, Municipality of Cingoli, Marche region	PV Plant owned by Ellomay PV One S.r.l./ Building right granted to Ellomay PV One S.r.l. from owners
"Giaché"	3.87.00 hectares	Province of Ancona, Municipality of Filotrano, Marche region	PV Plant owned by Ellomay PV Two S.r.l. / Building right granted to Ellomay PV Two S.r.l. from owners
"Costantini"	2.25.76 hectares	Province of Ancona, Municipality of Senigallia, Marche region	PV Plant owned by Ellomay PV One S.r.l. / Building right granted to Ellomay PV One S.r.l. from owners
"Massaccesi"	3,60,60 hectares	Province of Ancona, Municipality of Arcevia, Marche region	PV Plant owned by Ellomay PV Two S.r.l. / Building right granted to Ellomay PV Two S.r.l. from owners
"Galatina"	4.00.00 hectares	Province of Lecce, Municipality of Galatina, Puglia region	PV Plant and Land owned by Energy Resources Galatina S.r.l.
"Pedale (Corato)"	13.59.52 hectares	Province of Bari, Municipality of Corato, Puglia region	Building Right granted to Pedale S.r.l. that will own the PV Plant once constructed/ Land held by owners and leased to Pedale S.r.l.
"Acquafresca"	3.38.26 hectares	Province of Barletta-Trani, Municipality of Minervino Murge, Puglia region	Building Right granted to Murgia Solar S.r.l. owns the PV Plant. Land held by owners and leased to Murgia Solar S.r.l.
"D'Angella"	3.79.570 hectares	Province of Barletta-Trani, Municipality of Minervino Murge, Puglia region	Building Right granted to Luma Solar S.r.l. that owns the PV Plant. Land held by owners and leased to Luma Solar S.r.l.
"Soleco"	11.56.87 hectares	Province of Rovigo,Municipality of Canaro,Veneto region	Building Right granted to Soleco S.r.l. that owns the PV Plant. Land held by owners and leased to Soleco S.r.l.
"Tecnoenergy"	11.66.78 hectares	Province of Rovigo, Municipality of Canaro, Veneto region	Building Right granted to Tecnoenergy S.r.l. that owns the PV Plant. Land held by owners and leased to Tecnoenergy S.r.l.
"Rinconada II"[1]	81,103 m²	Municipality of Córdoba, Andalusia, Spain	Building Right granted to Ellomay Spain S.L. that owns the PV Plant. Land held by owners and leased to Ellomay Spain S.L.

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1. This PV Plant is 85% owned by us.

For more information concerning the use of the properties in connection with the PV Plants, see "Item 4.A: History and Development of Ellomay" and "Item 4.B: Business Overview" above.

ITEM 4A: Unresolved Staff Comments

Not Applicable.

ITEM 5: Operating and Financial Review and Prospects

The following discussion and analysis is based on and should be read in conjunction with our consolidated financial statements, including the related notes, and the other financial information included in this annual report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report.

Our financial statements have been prepared in accordance with IFRS, as issued by the IASB, which differ in certain significant respects from U.S. GAAP.

A. Operating Results

General

We are involved in the production of renewable energy through our ownership of the PV Plants in Italy and Spain. As of March 1, 2014, all of our PV Plants, with an aggregate nominal capacity of approximately 22.6 MWp in Italy and of approximately 2.3 MWp in Spain (owned by an 85% held subsidiary), are connected to the applicable national grid and operating. In addition, we indirectly own 7.5% of Dorad (and an option to increase our indirect holdings in Dorad under certain conditions to 9.375%). See “Item 4.A: History and Development of Ellomay” and “Item 4.B: Business Overview” for more information.

IFRS

Our financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the IASB, which differ in certain respects from U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements. Certain accounting principles require us to make certain estimates, judgments and assumptions that affect the reported amounts recognized in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. The changes in accounting estimates are recognized in the period of the change in estimate. The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates computed by us that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

Legal claims

When assessing the possible outcomes of legal claims that were filed against us and our subsidiaries, we and our subsidiaries relied on the assessments of our legal counsel. The assessments of our legal counsel are based on the best of their professional judgment, and take into consideration the current stage of the proceedings and the legal experience accumulated with respect to the various matters. As the results of the claims will ultimately be determined by the courts, they may be different from such assessments.

Classification of leases

In order to determine whether to classify a lease as a finance or operating lease, we evaluate whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, we evaluate such criteria as the existence of a “bargain” purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

Uncertain Tax positions

We recognize a provision for tax uncertainties. In determining the amount of the provision, assumptions and estimates are made in relation to the probability that the position will be sustained upon examination and the amount that is likely of being realized upon settlement, using the facts, circumstances, and information available at the reporting date. We record additional tax charges in a period in which it determines that a recorded tax liability is less than it expects ultimate assessment to be. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evaluation of regulations and court rulings. Therefore, the actual tax liability may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

Purchase price allocation

We are required to allocate the purchase price of investment in investees to the assets and liabilities of the investee, on the basis of their estimated fair value. This estimation requires management to use significant estimates and assumptions. The intangible assets that were recognized include the customer portfolio. Critical estimates that were used to value certain assets include, inter alia, the cash flows expected from the customer portfolio. Management's assessments regarding the fair value and useful life are based on assumptions management considered reasonable, but involve uncertainty, therefore actual results may be different.

Fair value measurement of non-trading derivatives

Within the scope of the valuation of derivative not traded on an active market, we make assumptions about unobserved data using valuation models.

Results of Operations

On June 9, 2011, we effected a one-for-ten reverse share split. All share and per share data for periods prior to that date have been retroactively adjusted to reflect this reverse share split.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

Revenues were approximately $13 million for the year ended December 31, 2013, compared to approximately $8.9 million for the year ended December 31, 2012. Operating expenses were approximately $2.4 million for the year ended December 31, 2013, compared to approximately $2 million for the year ended December 31, 2012. Depreciation expenses were approximately $4 million for the year ended December 31, 2013, compared to approximately $2.7 million for the year ended December 31, 2012. These increases resulted from the operations of our Spanish PV Plant acquired on July 1, 2012 and the Veneto PV Plants acquired on June 26, 2013.

Gain on bargain purchase was approximately $10.2 million for the year ended December 31, 2013 compared to $0 for the year ended December 31, 2012. On June 26, 2013, we consummated the acquisition of the Veneto PV Plants. The final consideration paid for the Veneto PV Plants and the related licenses was approximately 23.5 million Euros (approximately $30.7 million). The Veneto PV Plants were purchased under insolvency proceedings. We performed an analysis of the fair value of identifiable assets acquired and liabilities assumed using a discounted cash-flow method and a purchase price allocation and recorded gain on bargain purchase (negative goodwill) in the amount of approximately $10.2 million based upon management's best estimate of the value as a result of such analysis. Negative goodwill represents the excess of our share in the fair value of acquired identifiable assets, liabilities and contingent liabilities over the cost of the acquisition.

General and administrative expenses were approximately $3.5 million for the year ended December 31, 2013, compared to approximately $3.1 million for the year ended December 31, 2012. The increase resulted mainly from consultancy fees in connection with the transactions negotiated during 2013, including the acquisition of the Veneto PV Plants and the loan agreement with Israel Discount Bank Ltd. The increase in general and administrative expenses for the year ended December 31, 2013 was offset by proceeds received in connection with the enforcement of a bond received from a contractor of four of our photovoltaic plants that has entered into insolvency proceedings, in the amount of approximately $0.6 million. General and administrative expenses for the year ended December 31, 2012 include a disposal of fixed assets due to theft and damages to components of two of our PV Plants and income from insurance policies in connection with these events.

Capital loss was $0 for the year ended December 31, 2013, compared to a capital loss of approximately $0.4 million for the year ended December 31, 2012. The capital loss recorded during 2012 is mainly attributable to the sale of holdings in connection with an MVNO project we decided not to continue holding and to the impairment of our investment in the Yitzhak License.

Financing expenses, net were approximately $2.5 million in the year ended December 31, 2013, compared to approximately $3.6 million in the year ended December 31, 2012. This decrease in financing expenses was primarily attributable to the fair value measurement of swap contracts and the fair value measurement of options to acquire additional shares of Dori Energy. The decrease was offset by expenses related to the listing of our shares on the TASE and from an approximately $0.5 million expense recorded as a result of the issuance of a warrant to purchase 308,427 shares, increased expenses from exchange rate differences in 2013 on cash and cash equivalents and short-term bank loans denominated in foreign currencies and to the interest expenses on our short-term loans and borrowings, financial lease obligations and long-term bank loans. See Note 17 to our consolidated financial statements.

Share of losses of equity accounted investees was approximately $0.5 million in the year ended December 31, 2013, compared to approximately $0.2 million in the year ended December 31, 2012. This increase was primarily due to expenses in connection with delay in the operation of the Dorad Power Plant and Dorad's expenses relating to the fair value measurement of derivatives.

Taxes on income were approximately $0.2 million in the year ended December 31, 2013, compared to tax benefit of approximately $1 million in the year ended December 31, 2012. Tax benefit for the year ended December 31, 2012 is mainly attributable to reversal of tax provisions made in prior years.

Income attributable to non-controlling interests was approximately $19,000 in the year ended December 31, 2013, compared to a loss of approximately $23,000 in the year ended December 31, 2012. The increase in income attributable to non-controlling interests was due to the operations of our Spanish PV Plant acquired on July 1, 2012.

Other comprehensive income from foreign currency translation differences from foreign operation were approximately $6 million in the year ended December 31, 2013, compared to income of approximately $1.6 million in the year ended December 31, 2012. The changes for the years ended December 31, 2013 and December 31, 2012 were primarily due to the operations of our Italian and Spanish PV Plants and our investment in Dori Energy. Income from foreign currency translation differences in the years ended December 31, 2013 and December 31, 2012 resulted from the revaluation of the Euro against the U.S. dollar and the revaluation of the NIS against the U.S. dollar during 2013 and 2012. Appreciation of the Euro against the U.S. dollar was approximately 4.6% during 2013, compared to an appreciation of the Euro against the U.S. dollar of approximately 2% during 2012. During 2013 the appreciation of the NIS against the U.S. dollar was approximately 7.5%, compared to an appreciation of the NIS against the U.S. dollar of approximately 2.3% during 2012.

Our total comprehensive income for the year ended December 31, 2013 was approximately $16.1 million, compared to a loss of approximately $0.5 million in the year ended December 31, 2012. The net income for the year ended December 31, 2013 was primarily due to gain on bargain purchase (negative goodwill) in the amount of approximately $10.2 million recorded in connection with the acquisition of the Veneto PV Plants.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

Revenues were approximately $8.9 million for the year ended December 31, 2012, compared to approximately $6.1 million for the year ended December 31, 2011. Operating expenses were approximately $2 million for the year ended December 31, 2012, compared to approximately $1.4 million for the year ended December 31, 2011. Depreciation expenses were approximately $2.7 million for the year ended December 31, 2012, compared to approximately $1.8 million for the year ended December 31, 2011. These increases resulted from the operations of our Italian PV Plants that were connected to the Italian national grid during the six months ended June 30, 2011 and the operations of our Spanish PV Plant acquired on July 1, 2012.

General and administrative expenses were approximately $3.1 million for each of the years ended December 31, 2012 and December 31, 2011. General and administrative expenses for the year ended December 31, 2012 include a disposal of fixed assets due to theft and damages to components of two of our PV Plants and income from insurance policies in connection with these events.

Capital loss was approximately $0.4 million for the year ended December 31, 2012, compared to $0 for the year ended December 31, 2011. The Capital loss recorded during 2012 is mainly attributable to the sale of holdings in connection with an MVNO project we decided not to continue holding and to the impairment of our investment in the Yitzhak License.

Financing income was approximately $0.6 million in the year ended December 31, 2012, compared to approximately $1.8 million in the year ended December 31, 2011. This decrease in financing income was mainly attributable to gain from exchange rate differences net that were recognized in 2011.

Financing expenses were approximately $4.2 million in the year ended December 31, 2012, compared to approximately $3.1 million in the year ended December 31, 2011. This increase in financing expenses was mainly attributable to increased expenses from exchange rate differences in 2012 on cash and cash equivalents and short-term bank loans denominated in foreign currencies and to the interest expenses on our short-term loans and borrowings, financial lease obligations and long-term bank loans.

Share of losses of equity accounted investees was approximately $0.2 million in the year ended December 31, 2012, compared to approximately $0.6 million in the year ended December 31, 2011. This decrease was primarily due to the sale of our holdings in connection with an MVNO project we decided not to continue holding.

Tax benefit was approximately $1 million in each of the years ended December 31, 2012 and December 31, 2011. Tax benefit for the year ended December 31, 2012 is mainly attributable to reversal of tax provisions made in prior years.

Loss attributable to non-controlling interests was approximately $23,000 in the year ended December 31, 2012, compared to $0 loss in the year ended December 31, 2011. This increase was primarily due to the operations of our Spanish PV Plant acquired on July 1, 2012.

Other comprehensive income from foreign currency translation differences from foreign operation were approximately $1.6 million in the year ended December 31, 2012, compared to a loss of approximately $3.7 million in the year ended December 31, 2011. The changes for the years ended December 31, 2012 and December 31, 2011 were primarily due to the operations of our Italian and Spanish PV Plants and our investment in Dori Energy. Loss from foreign currency translation differences in 2011 resulted from the devaluation of the Euro against the U.S. dollar, and in connection with the closing of our investment in Dori Energy in January 2011 resulting from the devaluation of the NIS against the U.S. dollar. Income from foreign currency translation differences in the year ended December 31, 2012 resulted from the revaluation of the Euro against the U.S. dollar and the revaluation of the NIS against the U.S. dollar during 2012. Appreciation of the Euro against the U.S. dollar was approximately 2% during 2012, compared to a depreciation of the Euro against the U.S. dollar of approximately 3.2% during 2011. During 2012 the appreciation of the NIS against the U.S. dollar was approximately 2.3%, compared to a depreciation of the NIS against the U.S. dollar of approximately 7.1% during 2011.

Our total comprehensive loss for the year ended December 31, 2012 was approximately $0.5 million, compared to a loss of approximately $4.7 million in the year ended December 31, 2011. The net loss for the year ended December 31, 2012 was primarily due to the fair value measurement of swap contracts, partially offset by foreign currency translation differences.

Impact of Inflation and Fluctuation of Currencies

The annual rate of inflation in Israel was 2.6% in the year ended December 31, 2011, it decreased to 1.6% in the year ended December 31, 2012 and increased to 1.8% in the year ended December 31, 2013.

We hold cash and cash equivalents, restricted cash and short-term deposits in various currencies, including US$, Euro and NIS. Our investments in the Italian and Spanish PV Plants and in Dori Energy are denominated in Euro and NIS. Our Series A Debentures are denominated in NIS and the interest and principal payments are to be made in NIS and the financing we have obtained in connection with six of our PV Plants bears interest that is based on EURIBOR rate. We therefore are affected by changes in the prevailing Euro/U.S. dollar and NIS/U.S. dollar exchange rates. We cannot predict the rate of appreciation/depreciation of the NIS or the Euro against the U.S. dollar in the future, and whether these changes will have a material adverse effect on our finances and operations.

The table below set forth the annual rates of appreciation (or depreciation) of the NIS against the U.S. dollar and of the U.S. dollar against the Euro.

	Year ended December 31,		
	2013	**2012**	**2011**
Appreciation (Depreciation) of the NIS against the U.S. dollar	7.5%	2.3%	(7.1)%
Appreciation (Depreciation) of the Euro against the U.S. dollar	4.6%	2%	(3.2)%

The representative dollar exchange rate was Euro 1.29 for one U.S. dollar on December 31, 2011, Euro 1.32 for one U.S. dollar on December 31, 2012 and Euro 1.38 for one U.S. dollar on December 31, 2013. The average exchange rates for converting the Euro to U.S. dollars during the years ended December 31, 2011, 2012 and 2013 were Euro 1.39, 1.28 and 1.33 for one U.S. dollar, respectively. The exchange rate as of March 1, 2014 was Euro 1.37 for one U.S. dollar.

The representative dollar exchange rate was NIS 3.821 for one U.S. dollar on December 31, 2011, NIS 3.733 for one U.S. dollar on December 31, 2012 and NIS 3.471 for one U.S. dollar on December 31, 2013. The average exchange rates for converting the New Israeli Shekel to U.S. dollars during the years ended December 31, 2011, 2012 and 2013 were NIS 3.579, 3.858 and 3.609 for one U.S. dollar, respectively. The exchange rate as of March 1, 2014 was NIS 3.496 for one U.S. dollar.

We believe that the currency of the primary economic environment in which we operate is the U.S. dollar. Thus, the U.S. dollar is our reporting and functional currency. However, the functional currency of our Italian and Spanish subsidiaries is the Euro and the functional currency of our investment accounted under the equity method in Israel is the NIS. When a company's functional currency differs from its parent's functional currency that entity represents a foreign operation whose financial statements are translated so that they can be included in the consolidated financial statements as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

(b) Income and expenses for each period presented in the statement of comprehensive income (loss) are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.

(c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of issuance.

(d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the period are translated as described in (b) and (c) above.

(e) All resulting translation differences are recognized as a separate component of other comprehensive income (loss) in equity "adjustments arising from translating financial statement of foreign operations."

On a total or partial disposal of a foreign operation, the relevant part of the other comprehensive income (loss) is recognized in the statement of comprehensive income (loss).

Intergroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising on these loans are recognized in the same component of equity as discussed in (e) above.

For information concerning hedging transactions entered into in connection with our PV operations in Italy and in Spain, see "Item 11: Quantitative and Qualitative Disclosures About Market Risk."

Governmental Economic, Fiscal, Monetary or Political Policies or Factors that have or could Materially Affect our Operations or Investments by U.S. Shareholders

Governmental Regulations Affecting the Operations of our PV Plants

Our PV Plants are subject to comprehensive regulation and we sell the electricity produced by our PV Plants for rates determined by governmental legislation and to local governmental entities. Any change in the legislation that affects PV plants such as our PV Plants could materially adversely affect our results of operations. The recent economic crisis in Europe and specifically in Italy and Spain could cause the applicable legislator to reduce benefits provided to operators of PV plants or to revise the Feed-in-Tariff system that currently governs the sale of electricity in Italy and Spain. For more information see "Item 3.D: Risk Factors - Risks Related to the PV Plants" and "Item 4.B: Material Effects of Government Regulations on the PV Plants."

Effective Israeli Corporate Tax Rate

Israeli companies are generally subject to company tax on their taxable income. The applicable rate was 26% in 2009, 25% in 2010 and 24% in 2011, and was scheduled to be reduced gradually to 18% by 2016. However, due to recent amendments to the Israeli Income Tax Ordinance, the rate commencing January 1, 2012 has been set at 25%.

On August 5, 2013, 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.

As of December 31, 2013, we had tax loss carry-forwards in the amount of approximately NIS 122 million (approximately $35.2 million). Under current Israeli tax laws, tax loss carry-forwards do not expire and may be offset against future taxable income.

B. Liquidity and Capital Resources

General

As of March 1, 2014, we held approximately $22.3 million in cash and cash equivalents, approximately $1.8 million in short-term restricted cash, approximately $5.2 million in short-term deposits and approximately $4.3 million in long-term restricted cash.

Although we now hold the aforementioned funds, we may need additional funds if we seek to acquire certain new businesses and operations. If we are unable to raise funds through public or private financing of debt or equity, we will be unable to fund certain business combinations that could ultimately improve our financial results. We cannot ensure that additional financing will be available on commercially reasonable terms or at all.

We entered into the Leasing Agreements with Leasint, the Finance Agreement with Centrobanca and the Loan Agreement with UniCredit in connection with the financing of six of our PV Plants and into the Discount Bank Agreement in connection with the financing of our portion of Dori Energy's obligations to Dorad (all as defined and more fully described below). We also secured short term bank financing in connection with the financing of our PV operations from Leumi USA (that was repaid during 2013). In addition, during 2013 we entered into a loan agreement with Israel Discount Bank Ltd. or the Discount Loan Agreement (that was substantially repaid as of March 1, 2014), and in January 2014 we issued the Series A Debentures, as more fully described below. We currently have no commitments for additional financing, however we intend to finance the remainder of our PV Plants by bank loans or other means of financing.

As of December 31, 2013 we had a working capital deficiency of approximately $4.4 million, resulting from the classification of the loan received from Discount Bank as a short-term liability (as it was due to be repaid in December 2014). We have since raised additional funds in the offering of the Series A Debentures (approximately $32.9 million as of the issuance date, net of offering related expenses), and used a portion of the proceeds from the offering to repay a substantial amount of the Discount Bank loan with the remainder expected to be repaid in April 2014, in an aggregate amount of approximately $0.96 million. In our opinion, our working capital is sufficient for our present requirements.

We currently invest our excess cash in cash and cash equivalents that are highly liquid and in short term deposits.

At December 31, 2013 we had approximately $7.2 million cash and cash equivalents, compared with approximately $33.2 million of cash and cash equivalents at December 31, 2012 and approximately $28.9 million cash and cash equivalents at December 31, 2011. The reduction in cash during the year ended December 31, 2013 was mainly attributable to the acquisition of the Veneto PV Plants.

As of December 31, 2013, we had recorded commitments for capital expenditures in the amount of approximately $2 million for services that were substantially preformed in connection with agreements entered into during 2010 through 2011. We anticipate to use our cash assets and financing from third party financing entities (especially in connection with the financing of our Italian PV Plants) in order to meet such commitments.

In connection with the issuance of the Series A Debentures in January 2014, we undertook to comply with the "hybrid model disclosure requirements" as determined by the Israeli Securities Authority and as described in the prospectus governing the Series A Debentures. This model provides that in the event certain financial "warning signs" exist, and for as long as they exist, we will be subject to certain disclosure obligations towards the holders of our Series A Debentures.

In examining the existence of warning signs as of December 31, 2013, our board of directors noted that our consolidated financial statements as of and for the year ended December 31, 2013 reflect that we have a working capital deficiency of $4.4 million. The Israeli regulations provide that the existence of a working capital deficiency could be deemed to be a "warning sign" unless our board of directors determines that the possible "warning sign" does not reflect a liquidity problem. Our board of directors reviewed our financial position, outstanding debt obligations and our existing and anticipated cash resources and uses and determined that the existence of a working capital deficiency as of December 31, 2013 does not reflect a liquidity problem. In making such determination, our board of directors noted the following: (i) the deficiency in working capital resulted from the classification of the Discount Bank loan, in the amount of approximately $17.7 million, as a short-term liability in light of its December 2014 repayment date, (ii) our balance sheet for December 31, 2013 does not reflect the proceeds from the offering of the Series A Debentures, in the amount of approximately $32.9 million, as of the issuance date, as the offering was consummated in January 2014, (iii) a significant portion of the Discount Bank loan was repaid during the first quarter of 2014 and the remainder is expected to be repaid in April 2014, (iv) the deficiency in working capital was therefore eliminated in early 2014, (v) our operating subsidiaries generated a positive cash flow during the year ended December 31, 2013, which is expected to increase during fiscal 2014 as it only included cash flows from the Veneto PV Plants for the second half of fiscal 2013 and (vi) all of our operating Italian subsidiaries are wholly-owned by us and our operating Spanish subsidiary is 85% owned by us, therefore, we can control, within the limitations of applicable law and financing agreements, to the extent they exist, the flow of funds from such subsidiaries and the repayment of interest and principal on shareholder loans we provided to such subsidiaries and dividends received from such subsidiaries. In addition, our Board of Directors noted the negative cash flow from operating activities based on our separate internal (unpublished) unaudited financial information for the year ended December 31, 2013. Our Board of Directors concluded that the aforementioned negative cash flow should not be deemed as "continuing" due to the positive cash flow from operating activities based on our separate internal (unpublished) unaudited financial information for the year ended December 31, 2012 and for six months ended December 31, 2012, the positive cash flow from operating activities based on our audited consolidated financial statements for the years ended December 31, 2012 and 2013 and the implications of the acquisition of the Veneto PV Plants in mid-2013 on our separate cash flow from continuing operations for the year ended December 31, 2013.

Project Finance

We executed several project finance agreements in connection with six of the PV Plants and may in the future exercise additional project finance agreements with respect to one or more of the remaining PV Plants. The following is a brief description of the project finance agreements that exist in connection with several of the PV Plants.

Leasint

On December 31, 2010, Ellomay PV Five S.r.l. and Ellomay PV Six S.r.l., our wholly-owned Italian subsidiaries that are the PV Principal for the Troia 9 and Troia 8 PV Plants, respectively, entered into Financial Leasing Agreements, or the Leasing Agreements, with Leasint S.p.A., or Leasint.

Pursuant to the Leasing Agreements, each of Ellomay PV Five and Ellomay PV Six sold the PV Plants owned by them for an aggregate of Euro 3.795 million before applicable VAT (such amount included payments to the EPC Contractors) and Leasint, in turn, leases the PV Plant to each of these entities in consideration for (i) a down-payment equal to approximately 21% of the consideration and (ii) monthly payments of approximately Euro 20,000 commencing 210 days following the transfer of ownership of the relevant PV Plant to Leasint, for the duration of the Leasing Agreement (17 years), representing a nominal annual interest rate of 3.43%. The monthly payments are linked to the monthly EURIBOR (Euro Interbank Offered Rate). At the end of term of the Leasing Agreement, each of the respective subsidiaries has the option to purchase the PV Plant from Leasint for 1% of the consideration.

The Leasing Agreements provide that the PV Principals shall be responsible and liable to Leasint for the acceptance of the plant and for the adherence with applicable laws, and the PV Principals shall undertake any risk in connection with the PV Plant, including, *inter alia*, the operation and the maintenance of the PV system. The Leasing Agreements also include indemnification undertakings towards Leasint and further provides Leasint with the rights to independently verify the correct performance of the works.

The Leasing Agreements may not be assigned by the PV Principals. In connection with the Leasing Agreements, the relevant PV Principals assigned their rights to receive credits from GSE to Leasint (to be used for payment of the monthly installments).

In connection with the Leasing Agreements, Ellomay Luxemburg, our wholly-owned subsidiary and the parent company of Ellomay PV Five and Ellomay PV Six, (i) undertook not to transfer its holdings in these companies without the prior written consent of Leasint, (ii) provided a pledge on the shares it holds in such companies in favor of Leasint in order to guarantee the obligations of these companies under the respective Leasing Agreement and (iii) agreed to the subordination of any receivables it may be entitled to receive from these companies. In connection with the Leasing Agreements and the foregoing undertakings by Ellomay Luxemburg, we undertook not to transfer more than 20% of our holdings of Ellomay Luxemburg without the prior written consent of Leasint.

As of December 31, 2013, all available funds under the Leasing Agreements, amounting to approximately Euro 6 million, were utilized.

Centrobanca

On February 17, 2011, Ellomay PV One S.r.l., our wholly-owned Italian subsidiary that is the PV Principal for the Del Bianco and Costantini PV Plants, entered into a project finance facilities credit agreement, or the Finance Agreement, with Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A., or Centrobanca.

Pursuant to the Finance Agreement, Ellomay PV One received two lines of credit in the aggregate amount of Euro 4.65 million divided into:

(i) a Senior Loan, to be applied to the costs of construction of the PV Plants (up to 80% of the relevant amount), in the amount of Euro 4.1 million, accruing interest at the EURIBOR rate, increased by a margin of 200 basis points per annum, repaid semi-annually with a maturity date of December 31, 2027; and

(ii) a VAT Line, for payment of VAT due on the costs of construction in the amount of Euro 0.55 million, accruing interest at the EURIBOR rate, increased by 160 basis points per annum. As of December 31, 2013 the entire VAT Line was repaid.

The Finance Agreement provides for a defaults interest that will accrue upon the occurrence of certain events, including a delay in payments, acceleration, termination and withdrawal. The outstanding loans may be prepaid on predetermined dates, upon payment of a fee equal to 2% of the prepaid amount. The Finance Agreement also provides for mandatory prepayment upon the occurrence of certain events, including in the event the present value of cash flow available for debt services/debt outstanding (the Loan Life Coverage Ratio) is lower than a pre-determined ratio and in the event of a change of more than 49% of the ownership of Ellomay PV One (unless Centrobanca resolves to maintain the financing in force based on the identity and undertakings of the new shareholder). The Finance Agreement includes various customary representations, warranties and covenants, including covenants to maintain certain financial ratios.

No amount re-paid or pre-paid under the Finance Agreement may be re-borrowed by Ellomay PV One. Ellomay PV One may not transfer any of the credits or other rights or obligations under the Finance Agreement without the prior consent of Centrobanca.

In connection with the Finance Agreement, Ellomay PV One provided securities to Centrobanca, including a mortgage on the PV Plants and an assignment of receivables deriving from the project contracts (including the agreements with GSE) and VAT credits (to be used for repayment of the outstanding loans).

In connection with the Finance Agreement, Ellomay Luxemburg, our wholly-owned subsidiary and the parent company of Ellomay PV One (i) provided a pledge on the shares it holds in this company in favor of Centrobanca in order to guarantee the obligations of this company under the Finance Agreement and related documents, (ii) agreed to the subordination of any receivables it may be entitled to receive from these companies and (iii) entered into an equity contribution agreement with Ellomay PV One. In connection with the Finance Agreement and the foregoing undertakings by Ellomay Luxemburg, we undertook to Ellomay Luxemburg that for so long as we remain its sole shareholder and it remains the sole shareholder of the Ellomay PV One and if it does not have sufficient funds, we will provide it with sums necessary to enable Ellomay Luxembourg to contribute equity to Ellomay PV One in order to, *inter alia*, cover part of the costs of the PV Project and ensure that the Debt/Equity Ratio meets the requirements of the Finance Agreement.

As of December 31, 2013, all available funds under the Finance Agreement, amounting to approximately Euro 4.4 million, were utilized.

Unicredit

On December 20, 2011, Ellomay PV Two S.r.l., our wholly-owned Italian subsidiary that is the PV Principal for the Giaché and Massaccesi PV Plants, entered into a loan agreement, or the Loan Agreement, with Unicredit S.p.A., or Unicredit. Pursuant to the Loan Agreement, Ellomay PV Two received a line of credit up to an amount of Euro 5.047 million bearing interest at the EURIBOR 6 month rate plus a range of 5.15%-5.35% per annum, depending on the period in which interest is accrued during the term of the Loan Agreement. The principal and interest on the loan are repaid semi-annually. The final maturity date of this loan is December 31, 2029.

The Loan Agreement provides for a default interest that will accrue upon a delay in payments. The outstanding loans may be prepaid subject to the provision of a prepayment notice and the requirement for prepayment of amounts that are not less than certain thresholds set forth in the Loan Agreement. The Loan Agreement also provides for mandatory prepayment upon the occurrence of certain events, including in the event the borrower receives insurance or indemnity compensation and in the event of a change in control of the borrower without Unicredit's consent. The Loan Agreement includes various customary representations, warranties and covenants, including covenants to maintain certain financial ratios.

No amount re-paid or pre-paid under the Loan Agreement may be re-borrowed by Ellomay PV Two. Ellomay PV Two may not transfer any of the credits or other rights or obligations under the Loan Agreement.

In connection with the Loan Agreement, Ellomay PV Two provided securities to Unicredit, including a mortgage on the PV Plants and an assignment of receivables deriving from the project contracts (including the agreements with GSE, credits resulting from the EPC Contracts and O&M Agreements and insurances).

In connection with the Loan Agreement, Ellomay Luxemburg, our wholly-owned subsidiary and the parent company of Ellomay PV Two (i) provided a pledge on the shares it holds in this company in favor of Unicredit in order to guarantee the obligations of this company under the Loan Agreement and related documents and (ii) agreed to the subordination of any receivables it may be entitled to receive from Ellomay PV Two. In addition, we and Ellomay Luxemburg entered into an equity contribution agreement with Ellomay PV Two and Unicredit that provides for Ellomay Luxemburg's obligation to contribute funds to Ellomay PV Two and our obligation to cure Ellomay Luxemburg's failure to do so, both under limited circumstances (certain additional project costs and failure of Ellomay PV Two to deliver warranty bonds under the Loan Agreement) and for limited amounts.

As of December 31, 2013, all available funds under the Loan Agreement, amounting to approximately Euro 5 million, were utilized.

Discount Bank

Concurrently with the consummation of the Dori Investment, Dori Energy entered into an agreement with Israel Discount Bank Ltd., or Discount Bank and the Discount Bank Agreement, pursuant to which Discount Bank extended to Dorad, as per Dori Energy's request, a NIS 120 million (approximately $34 million) bank guarantee that was required to allow Dori Energy to extend its pro rata share of the equity required by Dorad for the power plant project. Ellomay Energy and we guaranteed, jointly and severally, 40% of the liabilities of Dori Energy towards Discount Bank under the Discount Bank Agreement. In addition, each of Ellomay Energy and U. Dori also pledged their holdings in Dori Energy in favor of Discount Bank as a security for the fulfillment of Dori Energy's obligations to Discount Bank under the Discount Bank Agreement. The term of this guarantee was extended twice, each time for one additional year, and in the agreement authorizing such extension, each of Ellomay Energy LP and the Dori Group undertook to Discount Bank, that in the event Dorad requires funding from Dori Energy for the construction of Dorad's power plant project pursuant to the agreement between Dorad and its shareholders, each of Ellomay Energy LP and the Dori Group shall extend to Dori Energy its pro rata share of such funding. Therefore, we may be required by Discount Bank to extend additional funding to Dori Energy in the future.

Other Financing Activities

Discount Bank Loan

On June 20, 2013 we entered into the Discount Loan Agreement. Pursuant to the Discount Loan Agreement, we received an amount of Euro 13.5 million (approximately $17.7 million) for a period of 18 months, bearing an interest at the EURO LIBOR 3 month rate plus 4.5%. The Discount Loan Agreement includes several pledges on our assets and undertakings, as are set forth in Note 9 of the financial statements included in this report. The Discount Loan Agreement permits early repayment without penalties. In January 2014, we repaid EUR 12.8 million and intend to repay the remaining EUR 0.7 million in April 2014 using part of the proceeds received from the offering of our Series A Debentures.

Series A Debentures

On January 13, 2014, we issued NIS 120 million (approximately $34.4 million, as of the issuance date) of unsecured non-convertible Series A Debentures through a public offering that was limited to residents of Israel. The Series A Debentures were issued with a price per unit (each unit comprised of NIS 1,000 par value) of NIS 973. The Series A Debentures are traded on the TASE and have been rated ilA-, on a local scale, by Standard & Poor’s Maalot Ltd.

The principal amount of Series A Debentures is repayable in ten equal annual installments on December 31 of each of the years 2014 through 2023 (inclusive) and is not linked to the CPI or otherwise. The Series A Debentures bear a fixed annual interest rate of 4.6%, payable semi-annually on June 30 and December 31 of each of the years 2014 through 2023 (inclusive). The gross offering proceeds were NIS 116.8 million (approximately $33.5 million, as of the issuance date), and, net of offering expenses, the proceeds were approximately NIS 114.7 million (approximately $32.9 million, as of the issuance date).

The Series A Deed of Trust includes customary provisions and also includes the following: (i) a negative pledge such that we may not place a floating charge on all of our assets, subject to certain exceptions, and (ii) an obligation to pay additional interest for certain security rating downgrades, up to an increase of 1% for a decrease of four rating levels compared to the rating at the time of issuance of the Series A Debentures. The Series A Deed of Trust does not restrict our ability to issue any new series of debt instruments, other than in certain specific circumstances, and enables us to expand the Series A Debentures subject to maintaining the rating assigned to the Series A Debentures and our continued compliance with the financial covenants included in the Series A Deed of Trust.

The Series A Deed of Trust further includes a number of customary causes for immediate repayment, including a default in connection with certain financial covenants for two consecutive financial quarters, which is not cured within the cure period set forth in the Series A Deed of Trust. The financial covenants are as follows:

1. The Company's equity, on a consolidated basis, shall not be less than $55 million;

2. The ratio of (a) the short-term and long-term debt from banks, in addition to the debt to holders of debentures issued by the Company and any other interest-bearing financial obligations, net of cash and cash equivalents and short-term investments and net of project finance, including hedging transactions in connection with such project finance, of the subsidiaries of the Company, or, together, the Net Financial Debt, to (b) the equity of the Company, on a consolidated basis, plus the Net Financial Debt, shall not exceed a rate of 65%. As of December 31, 2013 (prior to the issuance of the Series A Debentures and repayment of the Discount Bank loan), our Net Financial Debt was approximately $13.3 million (consisting of approximately $39.8 million of short-term and long-term debt from banks and other interest bearing financial obligations, net of approximately $7.2 million of cash, cash equivalents and short-term investments and net of approximately $19.3 million of project finance and related hedging transactions of our subsidiaries); and

3. The ratio of (a) the Company's equity, on a consolidated basis, to (b) the Company's balance sheet, on a consolidated basis, shall not be less than a rate of 20%.

The Series A Deed of Trust further provides that we may make distributions (as such term is defined in the Companies Law, e.g. dividends), to our shareholders, provided that: (a) our equity following such distribution will not be less than $75 million, (b) we meet the financial covenants set forth above prior to and following the distribution, (c) we will not distribute more than 75% of the distributable profit and (d) we will not distribute dividends based on profit due to revaluation (for the removal of doubt, negative goodwill will not be considered a revaluation profit).

For further information concerning the Series A Deed of Trust, see "Item 10.C: Material Contracts" and the Series A Deed of Trust included as exhibit 4.28 to this report.

Cash flows

The following table summarizes our cash flows for the periods presented:

	Year ended December 31, 2013	2012	2011
	(U.S. dollars in thousands)		
Net cash (used in) provided by operating activities	$ 6,389	$ 5,906	$ (3,042)
Net cash used in investing activities	(42,779)	(1,850)	(62,797)
Net cash provided by (used in) financing activities	9,874	(34)	21,021
Exchange differences on balances of cash and cash equivalents	462	353	(2,848)
Net (decrease) increase in cash and cash equivalents	(26,054)	4,375	(47,666)
Cash and cash equivalents at beginning of period	33,292	28,917	76,583
Cash and cash equivalents at end of period	7,238	33,292	28,917

Operating activities

In the year ended December 31, 2013, we had a net income of $10.1 million. Net cash provided by operating activities was approximately $6.4 million, primarily due to collection of revenue from the sale of electricity by our PV Plants, VAT refunds received in Italy and Spain and the enforcement of bonds received from one of our contractor's in Italy as part of its obligations under the EPC agreements.

In the year ended December 31, 2012, we had a net loss from continuing operations of $2.1 million. Net cash provided by operating activities was approximately $5.9 million, primarily due to collection of revenue from the sale of electricity by our PV Plants.

In the year ended December 31, 2011, we had a net loss from continuing operations of approximately $1 million. Net cash used in operating activities was approximately $3.1 million.

Investing activities

Net cash used in investing activities was approximately $42.8 million in the year ended December 31, 2013, primarily due to the acquisition of the Veneto PV Plants and our additional investments in Dori Energy via the extension of shareholder loans, net of proceeds from short-term deposits and restricted cash.

Net cash used in investing activities was approximately $1.8 million in the year ended December 31, 2012, primarily due to the acquisition of our Spanish PV Plant and our additional investments in Dori Energy via the extension of shareholder loans, net of proceeds from short-term deposits and restricted cash.

Net cash used in investing activities was approximately $62.8 million in the year ended December 31, 2011, primarily due to the purchase of property and equipment in connection with our PV Plants, the investment in Dori Energy and the investment in restricted cash and short term bank deposits.

Financing activities

Net cash provided by financing activities in the year ended December 31, 2013 was approximately $9.9 million, deriving primarily from the Discount Loan Agreement entered into in 2013, net of repayments of long term bank loans and financial lease obligations.

Net cash used in financing activities in the year ended December 31, 2012 was approximately $34,000, deriving primarily from the utilization of the Unicredit loan in January 2012, net of short term and long term loans repayments.

Net cash provided by financing activities in the year ended December 31, 2011 was approximately $21 million, deriving primarily from financing agreements entered in connection with the financing of our PV Plants.

For more information concerning hedging transactions undertaken in connection with financings granted at EURIBOR linked interest, the Series A Debentures, and in connection with our exposure to changes in fair value of our other loans and borrowings, as a result of changes in the interest rates, see “Item 11: Quantitative and Qualitative Disclosures About Market Risk.”

During 2013, we entered into the Discount Loan Agreement. As of December 31, 2013 we utilized approximately Euro 13.5 million out of the amount available under the Discount Loan Agreement. For more information concerning the Discount Loan Agreement see “Discount Bank Loan” under "Other Financing Activities" above and note 9 to the financial statements included in this report.

We did not enter into any financing agreement during 2012.

During 2011, we entered into the Loan Agreement with Unicredit in connection with the financing of two of our PV Plants, we entered into the Finance Agreement with Centrobanca in connection with the financing of two of our PV Plants and we entered into a short term financing agreement with Leumi USA. As of December 31, 2012 we utilized approximately Euro 6 million, Euro 5 million, Euro 4.4 million and Euro 4.5 million out of the aggregate amount available under the Leasing Agreements with Leasint, the Finance Agreement with Centrobanca, the Loan Agreement with Unicredit and the Leumi USA short term financing agreement (which was fully repaid in 2013), respectively. For more information concerning the terms of the financing agreements in connection with our PV Plants see “Project Finance” above and notes 9, 10 and 11 to the financial statements included in this report.

As of December 31, 2013 we were not in default of any financial covenants under the agreements with Unicredit, Centrobanca, Leasint, Leumi USA and Discount.

As of December 31, 2013, our total current assets amounted to approximately $22.5 million, out of which approximately $7.2 million was in cash and cash equivalents and $5.2 in short-term deposits, compared with total current liabilities of approximately $26.9 million. Our assets held in cash equivalents are held in money market accounts and short-term deposits, substantially all of which are highly liquid investments that are readily convertible to cash with original maturities of three months or less at the date acquired.

As of December 31, 2012, our total current assets amounted to approximately $51.2 million, out of which approximately $33.2 million was in cash and cash equivalents and $5.3 in short-term deposits, compared with total current liabilities of approximately $23.2 million. Our assets held in cash equivalents are held in money market accounts and short-term deposits, all of which are highly liquid investments that are readily convertible to cash with original maturities of three months or less at the date acquired.

As of December 31, 2011, our total current assets amounted to approximately $61.6 million, out of which approximately $28.9 million was in cash and cash equivalents and $10 million in short-term deposits, compared with total current liabilities of approximately $29.7 million. Our assets held in cash equivalents are held in money market accounts and short-term deposits, all of which are highly liquid investments that are readily convertible to cash with original maturities of three months or less at the date acquired.

The decrease in our cash and short-term deposits balance is mainly attributable to the amounts invested in new operations, repayment of loans and general and administrative expenses net of cash provided by financing activities and collected in connection with the sale of electricity.

C. Research and Development, Patents and Licenses, etc.

We have not conducted any research and development activities in the years ended December 31, 2011, 2012 and 2013.

D. Trend Information

We operate in the Italian and Spanish photovoltaic markets and in the Israeli energy market through our ownership of ten PV Plants in Italy, one PV Plant in Spain (85% owned by us) and 40% of the issued and outstanding shares of Dori Energy. Our PV Plants have been operational and connected to the Italian and Spanish national grids, as applicable, throughout 2013. However, as we acquired our Spanish PV Plant only during 2012 our results for 2012 do not reflect a full year of operations of such PV Plant, and as we acquired the Veneto PV Plants only during 2013 our results for 2013 do not reflect a full year of operations of such PV Plants. In addition, the power plant constructed by Dorad has not commenced operations as of December 31, 2013.

Our business and revenue growth from the transactions in the Italian and Spanish photovoltaic market depends, among other factors, on payments received in accordance with applicable regulation and on seasonality. Revenue tends to be lower in the winter, primarily because of adverse weather conditions. The growth of our solar business in Italy and Spain is affected significantly by government subsidies and economic incentives and recent amendments to the Italian and Spanish legislation may have an adverse impact on our future revenues and on our ability to locate attractive investments in the PV field in these countries. In addition, our ability to continue to leverage the investment in this market, may affect the profitability of the transactions. See "Item 3.D: Risk Factors - Risks Related to the PV Plants" and "Item 4.B: Business Overview."

E. Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements. In addition we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. Tabular Disclosure of Contractual Obligations

The following table of our material contractual obligations as of December 31, 2013, summarizes the aggregate effect that these obligations are expected to have on our cash flows in the periods indicated:

Payments due by period
(in thousands of U.S. dollars)

Contractual Obligations*	Total	Less than 1 year	1 – 3 years	3 – 5 years	more than 5 years
Loans and Borrowings (1)	18,836	18,836	-	-	-
Finance lease obligations (1)	8,953	351	666	1,998	5,938
Long-term loans (1)	16,633	977	981	4,398	10,277
Long-term rent obligations (2)	4,244	440	707	396	2,701
Other long-term liabilities (3)	2,520	472	720	579	749
Total	51,186	21,076	3,074	7,371	19,665

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* For contractual obligations related to our investment in the Italian and Spanish photovoltaic market, please refer to Item 4.

(1) These amounts include future payment of interest.

(2) Includes land lease agreements of our Italian subsidiaries. Rent until April 2016 of our offices in Tel Aviv is also included.

(3) Consists mainly of balance amounts relating to SWAP contracts.

ITEM 6: Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth certain information with respect to our directors and senior management, as of March 1, 2014:

Name	Age	Position with Ellomay
Shlomo Nehama(1)(2)	59	Chairman of the Board of Directors
Ran Fridrich(1)(2)(3)	61	Director and Chief Executive Officer
Hemi Raphael(1)(2)	62	Director
Anita Leviant(1)(3)(4)	59	Director
Oded Akselrod(4)(5)(6)	67	Director
Barry Ben Zeev(4)(5)(6)(7)	62	Director
Mordechai Bignitz(4)(5)(6)(7)	62	Director
Kalia Weintraub	35	Chief Financial Officer
Eran Zupnik	45	EVP of Business Development

(1) Elected pursuant to the Shareholders Agreement, dated as of March 24, 2008, between S. Nechama Investments (2008) Ltd. and Kanir Joint Investments (2005) Limited Partnership (See "Item 7.A: Major Shareholders").
(2) Provides management services to the Company pursuant to a Management Services Agreement (See "Item 6.B: Compensation").
(3) Member of our Advisory Committee.
(4) Independent Director pursuant to the NYSE MKT rules.
(5) Member of our Audit Committee.
(6) Member of our Compensation Committee.
(7) External Director and independent director pursuant to the Companies Law.

The address of each of our executive officers and directors is c/o Ellomay Capital Ltd., 9 Rothschild Boulevard, 2nd floor, Tel Aviv 6688112, Israel.

Shlomo Nehama has served as a director and Chairman of the Board of Ellomay since March 2008. From 1998 to 2007, Mr. Nehama served as the Chairman of the Board of Bank Hapoalim B.M., one of the largest Israeli banks. In 1997, together with the late Ted Arison, he organized a group of American and Israeli investors who purchased Bank Hapoalim from the State of Israel. From 1992 to 2006, Mr. Nehama served as the Chief Executive Officer of Arison Investments. From 1982 to 1992, Mr. Nehama was a partner and joint managing director of Eshed Engineers, a management consulting firm. He also serves as a director in several philanthropic academic institutions, on a voluntary basis. Mr. Nehama is a graduate of the Technion - Institute of Technology in Haifa, Israel, where he earned a degree in Industrial Management and Engineering. Mr. Nehama received an honorary doctorate from the Technion for his contribution to the strengthening of the Israeli economy.

Ran Fridrich has served as a director of Ellomay since March 2008, as our interim chief executive officer since January 2009, and as our chief executive officer since December 2009. Mr. Fridrich is the co-founder and executive director of Oristan, Investment Manager, an investment manager of CDO Equity and Mezzanine Funds and a Distress Fund, established in June 2004. In January 2001 Mr. Fridrich founded the Proprietary Investment Advisory, an entity focused on fixed income securities, CDO investments and credit default swap transactions, and served as its investment advisor through January 2004. Prior to that, Mr. Fridrich served as the chief executive officer of two packaging and printing Israeli companies, Lito Ziv, a public company, from 1999 until 2001 and Mirkam Packaging Ltd. from 1983 until 1999. Mr. Fridrich also serves as a director of Cargal Ltd. since September 2002 and since 2007 as a director in Plastosac. Mr. Fridrich is a graduate of the Senior Executive Program of Tel Aviv University.

Hemi Raphael has served as a director of Ellomay since June 2006. Mr. Raphael is an entrepreneur and a businessman involved in various real estate and financial investments. Mr. Raphael also serves as a director of Cargal Ltd. since May 2004 and of Dorad Energy Ltd. Prior thereto, from 1984 to 1994, Mr. Raphael was an active lawyer and later partner at the law firm of Goldberg Raphael & Co. Mr. Raphael holds an LLB degree from the School of Law at the Hebrew University of Jerusalem and he is a member of the Israeli Bar Association and the California Bar Association.

Anita Leviant has served as a director of Ellomay since March 2008. Ms. Leviant heads LA Global Consulting, a practice specializing in representing and consulting global oriented companies in the public offering process. LAGC represents and consults investors and corporations on business and regulatory issues, in cross border and financial transactions, banking and capital markets. For a period of twenty years, until 2006, Ms. Leviant held several senior positions with Hapoalim Banking group including EVP Deputy Head of Hapoalim Europe and Global Private Banking and EVP General Global Counsel of the group, and served as a director in the overseas subsidiaries of Bank Hapoalim. Prior to that, Ms. Leviant was an associate in GAFNI & CO. Law Offices in Tel Aviv where she specialized in Liquidation, Receivership and Commercial Law and was also a Research Assistant to the Law School Dean in the Tel Aviv University specialized in Private International Law. Ms. Leviant holds a LL.B degree from Tel Aviv University Law School and is a member of both the Israeli and the New York State Bars. Ms. Leviant currently also serves as President of the Israel-British Chamber of Commerce, Council Member of the UK- Israel Tech Council, Board Member of the Federation of Bi-Lateral Chambers of Commerce and a Co-Founder of the Center for Arbitration and Dispute Resolutions Ltd. Ms. Leviant is a certified mediator.

Oded Akselrod has served as a director of Ellomay since February 2002. Mr. Akselrod serves as a business advisor to corporations and investment funds in Israel. Mr. Akselrod was the general manager of the Investment Corp. of United Mizrahi Bank Ltd., a wholly owned subsidiary of United Mizrahi Bank Ltd. that was merged into United Mizrahi Bank Ltd. on October 2004. Prior to joining the Investment Corp. of United Mizrahi Bank, from 1994 to 1997, Mr. Akselrod held the position of general manager of Apex-Leumi Partners Ltd. as well as Investment Advisor of Israel Growth Fund. Prior thereto, from 1991 to 1994, Mr. Akselrod served as general manager of Leumi & Co. Investment Bankers Ltd. Mr. Akselrod began his career in various managerial positions in the Bank Leumi Group including: member of the management team of Bank Leumi, deputy head of the international division, head of the commercial lending department of the banking division, member of all credit committees at the Bank, assistant to Bank Leumi’s CEO and head of the international lending division of Bank Leumi Trust Company of New York. Mr. Akselrod holds a Bachelor’s degree in Agriculture Economics from Hebrew University, Jerusalem and an MBA degree from Tel Aviv University. Mr. Akselrod is also a director of Gadish Global Ltd., Gadish Investments in Provident Funds Ltd. and Geva Dor Investments Ltd.

Barry Ben Zeev has served as an external director of Ellomay since December 30, 2009. Mr. Ben Zeev is a business strategic consultant. From 1978 to 2008, Mr. Ben Zeev served in various positions with Bank Hapoalim. During 2008, he served as the bank’s Deputy CEO and as its CFO, in charge of the financial division. From 2001 to 2007, he served as the bank’s Deputy CEO in charge first of the private international banking division and then of the client asset management division. Mr. Ben Zeev has served on the board of many companies, including as a director on the board of the Israeli Stock Exchange in 2006-2007. He currently serves as a director of Partner Communications Ltd. (NASDAQ and TASE: PTNR), Kali Ltd., Hiron-Trade Investments & Industries Buildings Ltd. (TASE: HRON) and Poalim Asset Management (UK) Ltd., a subsidiary of Bank Hapoalim B.M., as a director and chairman of the investment committee of Altshuler Shaham Provident Funds and Pension Ltd. and on the advisory board of the Bereishit Fund. Mr. Ben Zeev holds an MBA from Tel-Aviv University specializing in financing, and a BA in Economics from Tel-Aviv University.

Mordechai Bignitz has served as an external director of Ellomay since December 20, 2011. Mr. Bignitz is involved in economic and financial consulting and investment management and currently serves as the chairman of the investment committee of Migdal Capital Markets, one of Israel's largest investment houses. From 2009 to 2011, Mr. Bignitz served as CEO of Geffen Green Energy Ltd., an Israeli private company. From 2006 to 2010, Mr. Bignitz served as a director of Leader Capital Markets Ltd. (TASE: LDRC) and from 2007 to 2010 he served as a director of Leader Holdings & Investments Ltd. (TASE: LDER). From 2004 to 2007, Mr. Bignitz served as CEO of Advanced Paradigm Technology. From 1992 to 2004, Mr. Bignitz served as director and CFO of DS Capital Markets. From 1994 to 1996, Mr. Bignitz served as Managing Director of Dovrat, Shrem & Co. Trading Ltd. From 1991 to 1994 Mr. Bignitz served as Vice President and CFO of Dovrat Shrem & Co. and prior to that he served as Vice President of Clal Retail Chains (a subsidiary of the Clal Group) and Vice President & CFO of Clal Real Estate Ltd. Mr. Bignitz serves as a director of Israel Financial Levers (IFL) Ltd. (TASE: LVR) and of ARAD Investment and Industrial Development Ltd. (TASE: ARD). Mr. Bignitz is a CPA, holds a BA in Accounting and Economics from Tel-Aviv University and completed the Executive Program in Management and Strategy in Retail at Babson College in Boston. Mr. Bignitz qualifies as an external director according to the Companies Law.

Kalia Weintraub has served as our chief financial officer since January 2009. Prior to her appointment as our chief financial officer, Ms. Weintraub served as our corporate controller from January 2007 and was responsible, among her other duties, for the preparation of all financial reports. Prior to joining Ellomay, she worked as a certified public accountant in the AABS High-Tech practice division of the Israeli accounting firm of Kost Forer Gabbay & Kasierer, an affiliate of the international public accounting firm Ernst & Young, from 2005 through 2007 and in the audit division of the Israeli accounting firm of Brightman Almagor Zohar, an affiliate of the international public accounting firm Deloitte, from 2003 to 2004. Ms. Weintraub holds a B.A. in Economics and Accounting and an M.B.A. from the Tel Aviv University and is licensed as a CPA in Israel.

Eran Zupnik has served as our EVP of Business Development since November 2008. Prior to joining Ellomay, Eran was a mergers and acquisitions lawyer in New York with Skadden Arps Slate Meagher & Flom LLP, one of the world's leading law firms. At Skadden, Eran led and advised US and International clients in more than 150 cross-border merger and acquisition transactions as well as securities offerings. Prior to Skadden, Eran was a consultant with the business advisory services group of PricewaterhouseCoopers LLP in Boston. Eran received his LLB and BA in Business Administration from the College of Management in Israel. He was admitted to both the New York and Israeli bar and is also a certified public accountant.

There are no family relationships among any of the directors or members of senior management named above.

B. Compensation

General

Salaries, fees, commissions and bonuses paid or accrued with respect to all of our directors and senior management as a group in the fiscal year ended December 31, 2013 was approximately $0.5 million, including an amount of approximately $30,000 related to pension, retirement and other similar benefits. These figures do not include the compensation of Messrs. Shlomo Nehama, Ran Fridrich and Hemi Raphael, all of whom are members of our Board that are currently compensated pursuant to the Management Services Agreement (see "Item 10.C: Material Contracts") and have, in connection with such agreement, waived their right to receive the compensation, including options, paid to our directors. In addition, Mr. Fridrich, who first served as our Interim Chief Executive Officer and is now our Chief Executive Officer, serves as our Chief Executive Officer as part of the management services provided pursuant to the Management Services Agreement, and agreed not to receive any additional compensation or other benefits beyond the fees paid in connection with the Management Services Agreement.

Other than options granted to members of our Board of Directors and the grant of options to one of our senior employees, we did not grant any options to purchase ordinary shares during 2013. For more information see "Item 6.E: Share Ownership."

Management Services Agreement

In December 2008, following the approval of our Audit Committee, Board of Directors and shareholders, we entered into a management services agreement with Kanir and with Meisaf Blue & White Holdings Ltd., or Meisaf, a private company controlled by Shlomo Nehama, effective as of March 31, 2008, the date of appointment of Messrs. Fridrich and Nehama as members of our Board. In consideration for the performance of the management services and the board services under the terms of the management services agreement, we agreed to pay Kanir and Meisaf, in equal parts and quarterly, an aggregate annual services fee in the amount of $250,000 plus value added tax pursuant to applicable law. This annual amount was increased to $400,000 following approval by our Audit Committee, Compensation Committee, Board of Directors and by our shareholders at our annual shareholders meeting for 2013, or the 2013 Shareholders Meeting. Messrs. Nehama, Fridrich and Raphael waived any right to additional remuneration for their service as members of our board of directors. For more information see “Item 7.B: Related Party Transactions” and “Item 10.C: Material Contracts.”

Compensation of Non-Executive Directors

As approved by our shareholders, we pay our non-executive directors (Anita Leviant, Oded Akselrod, Barry Ben Zeev and Mordechai Bignitz) remuneration for their services as directors. During 2010 and thereafter, based on the approval by our shareholders at our annual general meeting of shareholders held on December 30, 2009 and on June 20, 2012, our current and future directors have been and would in the following years be paid the minimum fees permitted by the Companies Regulations (Rules for Compensation and Expenses of External Directors), 5760-2000, or the Compensation Regulations. The Compensation Regulations set forth a range of fees that may be paid by Israeli public companies to their external directors, depending upon each company’s equity based on the most recent financial statements. The current minimum cash amounts permitted to be paid to our external directors pursuant to the Compensation Regulations, are an annual fee of NIS 52,685 (equivalent to approximately $15,105, as of March 1, 2014) and an attendance fee of NIS 1,860 (equivalent to approximately $533) per meeting (board or committee). These amounts are updated twice a year based on increases in the Israeli Consumer Price Index. According to the Compensation Regulations, which we apply to all our non-executive directors, the directors are entitled to 60% of the meeting fee if they participated at the meeting by teleconference and not in person, and to 50% of the meeting fee if resolutions were approved in writing, without convening a meeting.

Each of these non-executive directors (Anita Leviant, Oded Akselrod, Barry Ben Zeev and Mordechai Bignitz) also receives an annual grant of options to purchase 1,000 ordinary shares under the terms and conditions set forth in our 1998 Share Option Plan for Non-Employee Directors, or the 1998 Plan. The 1998 Plan provides for grants of options to purchase ordinary shares to our non-employee directors. The 1998 Plan, as amended, is administered, subject to Board approval, by the Compensation Committee and our Board. An aggregate amount of not more than 75,000 ordinary shares is reserved for grants under the 1998 Plan. The original expiration date of the 1998 Plan pursuant to its terms was December 8, 2008 (10 years after its adoption). At the general meeting of our shareholders, held on January 31, 2008, the term of the 1998 Plan was extended and as a result it will expire on December 8, 2018, unless earlier terminated by our Board.

Under the 1998 Plan, each non-employee director that served on the 1998 "Grant Date," as defined below, automatically received an option to purchase 1,000 ordinary shares on such Grant Date and will receive an option to purchase an additional 1,000 ordinary shares on each subsequent Grant Date thereafter, provided that he or she is a non-employee director on the Grant Date and has remained a non-employee director for the entire period since the previous Grant Date. The "Grant Date" means, with respect to 1998, October 26, 1998, and with respect to each subsequent year, August 1 of such year. Directors first elected or appointed after the 1998 Grant Date, will automatically receive on such director's first day as a director an option to purchase up to 1,000 ordinary shares pro-rated based on the number of full months of service between the prior Grant Date and the next Grant Date. Each such non-employee director would also automatically receive, on each subsequent Grant Date, an option to purchase 1,000 ordinary shares provided that he or she is a non-employee director on the Grant Date and has served as a non-employee director for the entire period since his or her previous Grant Date.

The exercise price of the option shares under the 1998 Plan is 100% of the fair market of such ordinary shares at the applicable Grant Date. The fair market value means, as of any date, the average closing bid and sale prices of the ordinary shares for the date in question as furnished by the National Association of Securities Dealers, Inc. through Nasdaq or any similar organization if Nasdaq is no longer reporting such information, or such other market on which the ordinary shares are then traded, or if not then traded, as determined in good faith (using customary valuation methods) by resolution of the members of our Board of Directors, based on the best information available to it. The exercise price is required to be paid in cash.

The term of each option granted under the 1998 Plan is 10 years from the applicable date of grant and such options may be terminated earlier upon certain circumstances, such as the expiration of three months from the date of the director's termination of service on our Board (subject to extension pursuant to the terms of the 1998 Plan). Pursuant to the original terms of the 1998 Plan, all options granted under the 1998 Plan were fully vested immediately upon the date of grant. In connection with the adoption of our compensation policy in 2013, the 1998 Plan was amended to provide that options granted under the 1998 Plan will become exercisable based on the vesting schedule determined in the approvals of the option grant. At our 2013 Shareholders Meeting, our shareholders, following the approval of our compensation committee and Board of Directors, approved an amendment to the vesting terms of future option grants to our non-employee directors (currently Anita Leviant and Oded Akselrod) so that the options granted to these directors will vest in one installment on the first anniversary of the grant date of the options.

The options granted would be subject to restrictions on transfer, sale or hypothecation. All options and ordinary shares issuable upon the exercise of options granted to our non-employee directors could be withheld until the payment of taxes due (if any) with respect to the grant and exercise of such options.

For more information concerning our share option plans and options granted to directors and an executive officer see "Share Ownership" below.

Compensation Policy and Approval Process of Directors' and Officers' Terms of Service and Employment

On December 12, 2012, amendment no. 20 to the Companies Law, or Amendment No. 20, became effective. Amendment No. 20 revised the approval process of arrangements with "office holders" as to their terms of service or employment, including the grant of an exemption, insurance, undertaking to indemnify or indemnification, retirement bonuses and any other benefit, payment or undertaking to pay any such amounts, given due to service or employment, or together, Terms of Service and Employment. An "office holder" is defined under the Companies Law as a general manager, chief business manager, vice general manager, any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title, and a director, or manager directly subordinate to the general manager. Each person identified as a director or member of our senior management in the first table in the Item is an office holder.

Compensation Policy

Amendment No. 20 requires the board of directors of a public company to adopt a policy with respect to the Terms of Service and Employment of office holders, after taking into consideration the recommendations of the compensation committee. Amendment No. 20 further provides for the approval of the compensation policy by the company's shareholders with a "special majority" requirement, i.e. the affirmative vote of the holders of a majority of the shares present, in person or by proxy, and voting on the matter provided that at least one of the following conditions is met: (i) the shares voting in favor of the matter include at least a majority of the shares voted by shareholders who are not controlling shareholders and who do not have a personal interest in the approval of the compensation policy (or the transaction, as the case may be) or (ii) the total number of shares voted against the compensation policy by shareholders referenced under (i) does not exceed 2% of the company's outstanding voting rights.

A compensation policy for a period exceeding three years is required to go through the complete approval process once every three years. In addition, the board of directors is required to periodically examine the compensation policy and the need for adjustments based on the considerations in determining a compensation policy in the event of a material change in the circumstances prevailing during the adoption of the compensation policy or for other reasons.

At the 2013 Shareholders Meeting, our shareholders approved our compensation policy, or the Compensation Policy, following its approval by our Board of Directors and the recommendation of our Compensation Committee.

Our Compensation Policy is designed to support the achievement of our long term work plan goals and ensure that: (i) officer's interests are as closely as possible aligned with the interests of our shareholders; (ii) the correlation between pay and performance will be enhanced; (iii) we will be able to recruit and retain top level senior managers capable of leading us to further business success and facing the challenges ahead; (iv) officers will be motivated to achieve a high level of business performance without taking unreasonable risks; and (v) an appropriate balance will be established between different compensation elements – fixed vs. variable, short term vs. long term and cash payments vs. equity based compensation. Our Compensation Policy is filed by us as Exhibit 4.22 under Item 19.

Approval Process of Terms of Service and Employment of Office Holders

Amendment No. 20 provides that the process for approval of Terms of Service and Employment of office holders as follows:

- With respect to our chief executive officer, a controlling shareholder or a relative of a controlling shareholder, approval is required by the (i) compensation committee, (ii) board of directors and (iii) company's shareholders with the "special majority" described above (in that order). Subject to certain conditions, the Israeli Companies Law provides an exemption from the shareholder approval requirement in connection with the approval of the Terms of Service and Employment of a CEO candidate.

- With respect to a director, approval is required by the (i) compensation committee, (ii) board of directors and (iii) company's shareholders with a regular majority (in that order).

- With respect to any other office holder, approval is required by the compensation committee and the board of directors (in that order); however, in the event of an update of existing Terms of Service and Employment, which the Compensation Committee confirms is not material, the approval of the compensation committee is sufficient.

In the event the transaction with any office holder is not in accordance with the compensation policy, the approval of the company's shareholders, by "special majority," is also required. In the event the company's shareholders do not approve the compensation of the CEO or other office holders (who are not directors, controlling shareholders or relatives of the controlling shareholders), the Compensation Committee and board of directors may, in special situations, approve the transaction, subject to their providing detailed reasons and after discussion and examination of the rejection by the company's shareholders.

C. Board Practices

We are a "controlled company" as defined in Section 801 of the NYSE MKT Company Guide. As a result, we are exempt from certain of the NYSE MKT corporate governance requirements, including the requirement that a majority of the board of directors be independent, the requirement applicable to the nomination process of directors and the requirements applicable to the determination or recommendation of executive compensation by a committee comprised of independent directors or by a majority of the independent directors and the additional requirements approved by the SEC on January 11, 2013 concerning compensation committee independence, compensation advisor engagement and independence.

According to the provisions of our Second Amended and Restated Articles, or the Articles, and the Companies Law, our Board convenes in accordance with our requirements, and is required to convene at least once every three months. Furthermore, the Companies Law provides that the board of directors may also pass resolutions without actually convening, provided that all the directors entitled to participate in the discussion and vote on a matter that is brought for resolution agree not to convene for discussion of the matter.

Officers serve at the discretion of the Board or until their successors are appointed.

Terms of Directors

Our Board currently consists of seven members, including two external directors. Pursuant to our Articles, unless otherwise prescribed by resolution adopted at a general meeting of our shareholders, our Board shall consist of not less than four (4) nor more than eight (8) directors (including the external directors). Except for our two external directors, the members of our Board are elected annually at our annual shareholders' meeting and remain in office until the next annual shareholders' meeting, unless the director has previously resigned, vacated his office, or was removed in accordance with the Articles. The most recent annual meeting was held on June 18, 2013. In addition, the Board may elect additional members to the Board, to serve until the next shareholders' meeting, so long as the number of directors on the Board does not exceed the maximum number established according to our Articles.

The members of our Board do not receive any additional remuneration upon termination of their services as directors.

External Directors

We are subject to the provisions of the Companies Law, which requires that we, as a public company, have at least two external directors.

Under the Companies Law, a person may not be appointed as an external director if he or his relative, partner, employer or any entity under his control has or had during the two years preceding the date of appointment any affiliation with the company, any entity controlling the company or any entity controlled by the company or by this controlling entity or, in a company that does not have a controlling shareholder, in the event that he has affiliation, at the time of his appointment, to the chairman of the board, chief executive officer, a 5% shareholder or the highest ranking officer in the financial field. The term "affiliation" includes: an employment relationship, a business or professional relationship maintained on a regular basis, control, and service as an office holder. No person can serve as an external director if the person's position or other business creates, or may create, conflicts of interest with the person's responsibilities as an external director, or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. In addition, an individual may not be appointed as an external director if she or he, or her or his relative, partner, employer, supervisor, or an entity she or he controls, has other than negligible business or professional relations with any of the persons with which the external director may not be affiliated, even if such relations are not routine, or if she or he received any consideration, directly or indirectly, in addition to the remuneration to which she or he are entitled and to reimbursement of expenses, for acting as a director in the company. The Compensation Regulations set the range of compensation and the terms of other compensation that may be paid to statutory external directors.

Pursuant to the Companies Law, the election of an external director for the initial term requires the affirmative vote of a majority of the shares present, in person or by proxy, and voting on the matter, provided that either: (i) at least a majority of the shares of non-controlling shareholders and shareholders who do not have a personal interest in the resolution (excluding a personal interest that is not related to a relationship with the controlling shareholders) are voted in favor of the election of the external director, or (ii) the total number of shares of non-controlling shareholders and of shareholders who do not have a personal interest in the resolution (excluding a personal interest that is not related to a relationship with the controlling shareholders) voted against the election of the external director does not exceed two percent of the outstanding voting power in the company.

The initial term of an external director is three years. An external director may be re-elected to serve for two additional three-year terms in one of the two following methods: (i) the board of directors proposed the nomination of the external director for an additional term and her or his appointment is approved by the shareholders in the manner required to appoint external directors for an initial term as set forth above, or (ii) in the event a shareholder holding 1% or more of the voting rights nominates the external director for an additional term, the nomination is required to be approved by a majority of the votes cast by the shareholders of the company; provided that: (x) the votes of controlling shareholders, the votes of shareholders who have a personal interest in the approval of the appointment of the external director, other than a personal interest that is not as a result of such shareholder's connections to the controlling shareholder, and abstaining votes are excluded from the counting of votes and (y) the aggregate votes cast by shareholders in favor of the nomination that are counted for purposes of calculating the majority exceeds 2% of the voting rights in the company. The external director nominated by shareholders may not be a related or competing shareholder or a relative of such shareholder at the date of appointment and may not have an affiliation to a related or competing shareholder at the date of appointment or for the two year period prior to the appointment. A "related or competing shareholder" is defined by the Companies Law as the shareholder that proposed the nomination or a significant shareholder (a shareholder holding five percent or more of the outstanding shares of a company or of the voting rights in a company), provided that at the date of appointment of the external director such shareholder, its controlling shareholder or a corporation controlled by either of them, have business connections with the company or are competitors of the company. The term "affiliation" is defined as set forth above.

All of the external directors of a company must be members of its audit committee and compensation committee and at least one external director is required to serve on every committee authorized to exercise any of the powers of the board of directors. Our external directors are currently Barry Ben Zeev and Mordechai Bignitz.

Under the Companies Law an external director cannot be dismissed from office unless: (i) the board of directors determines that the external director no longer meets the statutory requirements for holding the office, or that the external director is in breach of the external director's fiduciary duties and the shareholders vote, by the same majority required for the appointment, to remove the external director after the external director has been given the opportunity to present his or her position; (ii) a court determines, upon a request of a director or a shareholder, that the external director no longer meets the statutory requirements of an external director or that the external director is in breach of his or her fiduciary duties to the company; or (iii) a court determines, upon a request of the company or a director, shareholder or creditor of the company, that the external director is unable to fulfill his or her duty or has been convicted of specified crimes. For a period of two years following the termination of services as an external director, the company, its controlling shareholder and any entity the controlling shareholder controls may not provide any benefit to such former external director, directly or indirectly. The prohibited benefits include the appointment as an office holder in the company or the controlled entity, employment of, or receipt of professional services from, the former external director for compensation, including through an entity such former external director controls. The same prohibition applies to the former external director's spouse and child for the same two-year period and to other relatives of the external director for a period of one year following the termination of services as an external director.

The Companies Law requires that at least one of the external directors have “Accounting and Financial Expertise” and the other external directors have “Professional Competence.” Under the applicable regulations, a director having accounting and financial expertise is a person who, due to his or her education, experience and talents is highly skilled in respect of, and understands, business-accounting matters and financial reports in a manner that enables him or her to understand in depth the company’s financial statements and to stimulate discussion regarding the manner in which the financial data is presented. Under the applicable regulations, a director having professional competence is a person who has an academic degree in either economics, business administration, accounting, law or public administration or an academic degree in an area relevant to the company’s business, or has at least five years' experience in a senior position in the business management of a corporation with a substantial scope of business, in a senior position in the public service or a senior position in the field of the company’s main business. Our Board determined that both Barry Ben Zeev and Mordechai Bignitz have the requisite accounting and financial expertise.

Our Board further determined that at least two directors out of the whole Board shall be required to have accounting and financial expertise pursuant to the requirements of the Companies Law and previously determined that Shlomo Nehama shall be designated as an additional accounting and financial expert.

Independent Directors Pursuant to the Companies Law

In addition to the external director, the Companies Law includes another category of directors, which is the “independent” director. An independent director is either an external director or a director appointed or classified as such who meets the same non-affiliation criteria as an external director, as determined by the company’s audit committee, and who has not served as a director of the company for more than nine consecutive years (subject to the right granted to certain companies, including companies whose shares are listed on the NYSE MKT, to permit independent directors to serve as such for periods exceeding nine years). For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director’s service. Our Audit Committee and Board of Directors determined that Oded Akselrod meets the criteria applicable to independent directors under the Companies Law and under the Israeli regulations that permit directors of certain companies whose shares are listed on foreign exchanges to serve as independent directors for periods exceeding nine years.

Pursuant to the Companies Law, we, as a public company, may include in our articles of association a provision providing that a specified number of our directors be independent directors or may adopt a standard provision providing that a majority of our directors be independent directors or, if there is a controlling shareholder or a 25% or more shareholder, that at least one-third of our directors be independent directors. We have not included a provision requiring that a certain percentage of the members of our Board be independent directors.

Independent Directors pursuant to the NYSE MKT Requirements

In general, the NYSE MKT Company Guide requires that a NYSE MKT-listed company have a majority of independent directors on its board of directors and its audit committee must consist solely of independent directors, as defined under the NYSE MKT Company Guide. Because we are a "controlled company" as defined in Section 801 of the NYSE MKT Company Guide, we are exempt from this requirement. If the "controlled company" exemption would cease to be available to us under the NYSE MKT Company Guide, we may instead elect to follow Israeli law.

Our Board determined that four of the members of our Board, Messrs. Akselrod, Ben Zeev and Bignitz and Ms. Leviant, are "independent" within the meaning of Section 803A of the NYSE MKT Company Guide.

Alternate Directors

Our Articles provide that, subject to the Board's approval, a director may appoint an individual, by written notice to us, to serve as an alternate director. The following persons may not be appointed nor serve as an alternate director: (i) a person not qualified to be appointed as a director, (ii) an actual director, or (iii) another alternate director. Any alternate director shall have all of the rights and obligations of the director appointing him or her, except the power to appoint an alternate (unless the instrument appointing him or her expressly provides otherwise). The alternate director may not act at any meeting at which the director appointing him or her is present. Unless the appointing director limits the time period or scope of any such appointment, such appointment is effective for all purposes and for an indefinite time, but will expire upon the expiration of the appointing director's term. There are currently no alternate directors.

Duties of Office Holders and Approval of Certain Actions and Transactions under the Companies Law

The Companies Law codifies the duty of care and fiduciary duties that an office holder has to our company.

The duty of care requires an office holder to act at a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to utilize reasonable means to obtain (i) information regarding the appropriateness of a given action brought for his or her approval or performed by the office holder by virtue of his or her position and (ii) all other information of importance pertaining to the foregoing actions.

The duty of loyalty includes avoiding any conflict of interest between the office holder's position in the company and his or her personal affairs or other positions, avoiding any competition with the company, avoiding exploiting any business opportunity of the company in order to receive personal gain for himself or herself or for others, and disclosing to the company any information or documents relating to the company's affairs which the office holder has received due to his or her position as such. A company can approve actions by an office holder that could be deemed to be in breach of his or her duty of loyalty provided that: (i) the office holder acted in good faith and the action or its approval do not prejudice the company's interests, and (ii) the office holder disclosed to the company, a reasonable time prior to the discussion of the approval, the nature of his or her personal interest in the action, including any material fact or document. The approval of such actions is obtained based on the requirements for approval of transactions in which an office holder has a personal interest. The Companies Law provides that for purposes of determining the approval process, "actions" (defined as any legal action or inaction) are treated as "transactions" and "material actions" (defined as an action that may materially affect the company's profitability, assets or liabilities) are treated as "extraordinary transactions." An "extraordinary transaction" is defined as a transaction that is not in the ordinary course of business, not on market terms, or that is likely to have a material impact on the company's profitability, assets or liabilities. One of the roles of the audit committee under the Companies Law is to determine whether a transaction is or is not an extraordinary transaction. The approval process of such transactions and extraordinary transactions is set forth below. The Companies Law requires that an office holder of a company promptly disclose to the company's board of directors any personal interest that he or she may have, and all related material information known to him or her in connection with any existing or proposed transaction by the company. This disclosure must be made by the office holder, whether orally or in writing, no later than the first meeting of the company's board of directors which discusses the particular transaction.

An office holder is deemed to have a "personal interest" if he has a personal interest in an act or transaction of a company, including a personal interest of his relative or of a corporation in which such office holder or his relative are a 5% or greater shareholder, but excluding a personal interest stemming from the fact of a shareholding in the company. The term "personal interest" also includes a personal interest of a person voting pursuant to a proxy provided to him from another person even if such other person does not have a personal interest and the vote of a person that received a proxy from a shareholder that has a personal interest is viewed as a vote of the shareholder with the personal interest, all whether the discretion with respect to the voting is held by the person voting or not.

Any transaction or action, whether material or extraordinary or not, cannot be approved unless they are not adverse to the company's interests. In the case of a transaction that is not an extraordinary transaction or an action that is not a material action, after the office holder complies with the above disclosure requirements, only board approval is required. In the case of an extraordinary transaction or a material action, the company's audit committee and board of directors, and, under certain circumstances, the shareholders of the company, must approve the action or transaction, in addition to any approval stipulated by the articles of the company.

For a discussion concerning the determination whether an action is material or not an whether a transaction is extraordinary or not and for a review on the approval process for the terms of services of officers, see "Committees of the Board of Directors – Audit Committee" below.

A director who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may not be present at this meeting or vote on this matter, provided that an office holder who has a personal interest may be present for the presentation of the transaction in the event the chairman of the audit committee or the chairman of the board, as the case may be, determine that she or he are required for the presentation of the transaction, unless a majority of the members of the board of directors or audit committee, as the case may be, have a personal interest in the matter, in which case they may all be present and vote. In the event a majority of the members of the board of directors have a personal interest in a matter, such matter must be also approved by the shareholders of the company.

Committees of the Board of Directors

Audit Committee

Under the Companies Law, we, as a public company, are required to have an audit committee. The Audit Committee must be comprised of at least three members of the Board, including all of the external directors. In addition, the Companies Law requires that the majority of the members of the audit committee be "independent" (as such term is defined under the Israeli Companies Law) and that the chairman of the audit committee be an external director. The Companies Law further provides that the following may not be members of the audit committee: (a) the chairman of the board of directors; (b) any director employed by or providing services on an ongoing basis to the company, to a controlling shareholder of the company or an entity controlled by a controlling shareholder of the company; (c) a director who derives most of its income from a controlling shareholder; and (d) a controlling shareholder or any relative of a controlling shareholder.

Our Audit Committee, acting pursuant to a written charter adopted based on the requirements of the Companies Law, the rules promulgated under the Exchange Act and the NYSE MKT Company Guide, currently consists of Barry Ben Zeev, who is also the chairman of the Audit Committee, Mordechai Bignitz and Oded Akselrod. The members of our Audit Committee satisfy the respective "independence" requirements of the Securities and Exchange Commission, NYSE MKT and Israeli law for audit committee members. During 2013, our Audit Committee met at least once each quarter.

The Companies Law provides that the roles of an audit committee are as follows: (i) monitoring deficiencies in the business management of a company, including by consulting with the internal auditor or independent accountants and suggesting methods of correction of such deficiencies to the board of directors, (ii) determining whether or not certain related party actions and transactions and actions taken by office holders that are "material actions" or "extraordinary transactions" in connection with their approval procedures as more fully described above, (iii) determining whether to approve actions and transactions that require audit committee approval under the Companies Law, (iv) assessing the company's internal audit system and the performance of its internal auditor and whether the internal auditor has the resources and tools required to it for the performance of its role, taking into account, among others, the special needs and size of the company, (v) examining the scope of work and compensation of the company's independent auditor and (vi) setting procedures in connection with the method of dealing with complaints of employees regarding defects in the management of the company's business and with the protection that will be provided to employees who have complained. In a recent amendment to the Companies Law, which became effective in January 2014, two additional roles were added to audit committees: (a) to determine in connection with transactions with the controlling shareholder or with a third party in which the controlling shareholder has a personal interest (event if they are not extraordinary transactions) and in connection with transactions with the controlling shareholder or its relative, directly or indirectly, for the receipt of services or in connection with terms of employment or service, a duty to conduct a competitive process, supervised by the audit committee or anyone else appointed by the audit committee and based on criteria determined by the audit committee, or to determine that other procedures determined by the audit committee will be conducted, prior to execution of such transactions, all based on the type of the transaction (the audit committee is permitted to determine criteria for this matter once a year in advance) and (b) to determine the method of approval of non-negligible transactions (i.e. transactions of a company with a controlling shareholder or with a third party in which the controlling shareholder has a personal interest that the audit committee determined are not extraordinary but are non-negligible), including to determine types of such transactions that will require the approval of the audit committee (the audit committee is permitted to determine a classification of transactions as non-negligible based on criteria determined once a year in advance).

The actions and transactions that require audit committee approval pursuant to the Companies Law are: (i) proposed extraordinary transactions to which we intend to be a party in which an office holder has a direct or indirect personal interest, (ii) actions or arrangements which may otherwise be deemed to constitute a breach of fiduciary duty or of the duty of care of an office holder to us, (iii) certain transactions and extraordinary transaction of the company in which a "controlling shareholder," that is, a shareholder holding the ability to direct the actions of the company, other than by virtue of being a director or holding a position with the company, including a shareholder holding twenty five percent or more of the voting rights of the company if there is no other shareholder holding over fifty percent of the voting rights of the company, has a personal interest, including certain transactions with a relative of the controlling shareholder and (iv) certain private placements of the company's shares. In certain circumstances, some of the matters referred to above may also require shareholder approval. For more information concerning the approvals required in connection with transactions in which a controlling shareholder has a personal interest, see "Item 10.B: Memorandum of Association and Second Amended and Restated Articles."

An audit committee may not approve an action or transaction with a controlling shareholder or with an office holder or in which they have a personal interest unless at the time of approval its composition is as required by the Companies Law.

Our Audit Committee provides assistance to our Board in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. Under the Sarbanes-Oxley Act of 2002, the Audit Committee is also responsible for the appointment, compensation, retention and oversight of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management. However, under the Companies Law the appointment of independent auditors requires the approval of our shareholders, accordingly, the appointment of the independent auditors is approved and recommended to the shareholders by our Audit Committee and Board and ratified by the shareholders. Furthermore, pursuant to our Articles, our shareholders have the authority to determine the compensation of the independent auditors (or empower the Board to establish their remuneration, as they have in the 2013 Shareholders Meeting) and such compensation is approved by our Board following a recommendation of the Audit Committee.

The Audit Committee discussed with the independent registered public accounting firm the matters covered by Statement on Auditing Standards No. 114, as well as their independence, and was satisfied as to the independent registered public accounting firm's compliance with said standards.

Compensation Committee

Amendment No. 20 requires the board of directors of a public company to appoint a compensation committee that shall consist of no less than three members, that will include all of external directors (which will constitute a majority of its members of the committee), and that the remainder of the members of the compensation committee be directors whose terms of service and employment were determined pursuant to the Compensation Regulations. In addition, Amendment No. 20 imposes the same restrictions on the actions and membership in the compensation committee as are discussed above under "Audit Committee" with respect to, among other things, the requirement that an external director serve as the chairman of the committee and the list of persons who may not serve on the committee. Our Compensation Committee currently consists of Barry Ben Zeev, Mordechai Bignitz and Oded Akselrod.

Amendment No. 20 sets forth the roles of the compensation committee as follows: (i) to recommend to the board on a compensation policy for Office Holders and to recommend to the board, once every three years, on the approval of the continued validity of the compensation policy for a period that was determined for a period exceeding three years; (ii) to recommend to the board to update the compensation policy from time to time and to examine its implementation; (iii) to determine whether to approve the Terms of Service and Employment of Office Holders that require the committee's approval; and (iv) to exempt a transaction from the requirement for shareholders approval (as more fully described below).

Our Compensation Committee replaced our former Stock Option and Compensation Committee that was established to administer and oversee the allocation and distribution of stock options under our stock option plans.

Advisory Committee

Our Advisory Committee is responsible for, among other things, reviewing developments in corporate governance requirements and practices and other regulatory developments and recommending guidelines and policies to our Board in such areas and evaluating and providing recommendations to our Board with respect to such matters as are requested by our Board from time to time. The Advisory Committee is presently composed of two members: Ran Fridrich and Anita Leviant.

Indemnification, Exemption and Insurance of Executive Officers and Directors

Consistent with and subject to the provisions of the Companies Law, our Articles permit us to procure insurance coverage for our office holders, exempt them from certain liabilities and indemnify them, to the fullest extent permitted by law.

A recent amendment to the Israeli Securities Law, 5728-1968, or the Securities Law, and a corresponding amendment to the Companies Law, authorize the Israeli Securities Authority to impose administrative sanctions against companies and their office holders for certain violations of the Israeli Securities Law or the Companies Law.

These sanctions include monetary sanctions and certain restrictions on serving as a director or senior officer of a public company for certain periods of time. The maximum amount of the monetary sanctions that could be imposed upon individuals is a fine of NIS 1,000,000 (equivalent to approximately US$286,697, as of March 1, 2014), plus payments to persons who suffered damages as a result of the violation in an amount equal to the higher of: (i) compensation for damages suffered by all injured persons, up to 20% of the fine imposed on the violator, or (ii) the amount of profits earned or losses avoided by the violator as a result of the violation, up to the amount of the applicable monetary sanction.

The aforementioned amendments to the Companies Law and the Securities Law generally provide that a company cannot indemnify or provide liability insurance to cover monetary sanctions. However, these amendments do permit reimbursement by indemnification and insurance of specific liabilities. Specifically, legal expenses (including attorneys' fees) incurred by an individual in the applicable administrative enforcement proceeding and any compensation payable to injured parties for damages suffered by them as described in clause (i) of the immediately preceding paragraph are permitted to be reimbursed via indemnification or insurance, provided that such reimbursements are permitted by the company's articles of association. At our shareholders meeting held on June 20, 2012, our shareholders approved amendments to our Articles to permit us to indemnify and insure the liability of our office holder to the fullest extent permitted by the new amendments to the Companies Law and the Securities Law.

Indemnification

As permitted by the Companies Law, our Articles provide that we may indemnify an office holder in respect of a liability or expense which is imposed on him or incurred by him as a result of an action taken in his capacity as an office holder of the Company in connection with the following: (a) monetary liability imposed on him in favor of a third party by a judgment, including a settlement or a decision of an arbitrator which is given the force of a judgment by court order, (b) reasonable litigation expenses, including legal fees, incurred by the office holder as a result of an investigation or proceeding instituted against such office holder by a competent authority, which investigation or proceeding has ended without the filing of an indictment or in the imposition of financial liability in lieu of a criminal proceeding, or has ended in the imposition of a financial obligation in lieu of a criminal proceeding for an offence that does not require proof of criminal intent 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 office holder in favor of an injured party as set forth in Section 52[54](a)(1)(a) of the Securities Law, and expenses that the office holder 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), and (c) reasonable litigation expenses, including legal fees, which the office holder has incurred or is obliged to pay by the court in proceedings commenced against him by the Company or in its name or by any other person, or pursuant to criminal charges of which he is acquitted or criminal charges pursuant to which he is convicted of an offence which does not require proof of criminal intent. Our Articles authorize us, from time to time and subject to any provision of the law, to undertake in advance to indemnify an office holder for any of the following: (i) any liability as set out in (a) above, provided that the undertaking to indemnify is limited to the classes of events which in the opinion of our Board can be anticipated in light of our activities at the time of giving the indemnification undertaking, and for an amount and/or criteria which our Board has determined are reasonable in the circumstances and, the events and the amounts or criteria that our Board deem reasonable in the circumstances at the time of giving of the undertaking are stated in the undertaking; or (ii) any liability stated in (b) or (c) above. Our Articles also authorize us to indemnify an office holder after the occurrence of the event which is the subject of the indemnity and with respect to any matter permitted by applicable law.

At the annual shareholders meeting held on June 20, 2012, our shareholders authorized us to revise the indemnification and insurance provisions of our Articles to reflect recent amendments to the Companies Law and Securities Law and further authorized us, following the approval of our Audit Committee and Board, to provide indemnification undertakings to each of our current and future directors and officers that reflect the revisions to the Articles. Such approval also included the requisite majority required to approve the provision of indemnification undertakings to our Board members who are also deemed to be "controlling shareholders," Messrs. Nehama, Fridrich and Raphael.

The indemnification undertaking is limited to certain categories of events and the aggregate indemnification amount that we shall pay (in addition to sums payable by insurance companies) for monetary liabilities imposed on, or incurred by, the director or officer pursuant to all the indemnification undertakings issued by us to our directors and officers, may not exceed an amount equal to the higher of: (i) fifty percent (50%) of our net equity at the time of indemnification, as reflected on our most recent financial statements at such time, or (ii) our annual revenue in the year prior to the time of indemnification.

In such indemnification agreements, we also, among other things, undertake to (i) produce collateral, security, bond or any other guarantee that the director or officer may be required to produce as a result of any interim legal procedure (other than criminal procedures involving the proof of criminal thought), all up to the maximum indemnification amount set forth above; and (ii) maintain a liability insurance policy with a reputable insurer to the extent permitted by the Companies Law, for all of our directors and officers, in a total amount of not less than $10 million during the period the recipient of the indemnity undertaking serves as a member of our board of directors or as an officer and for a period of seven years thereafter.

Based on the approvals of our Audit Committee, Board and shareholders, any of our future directors shall also receive such indemnification agreement.

Exemption

Under the Companies Law, an Israeli company may not exempt an office holder from liability for a breach of his duty of loyalty, but may exempt in advance an office holder from his liability to the company, in whole or in part, for a breach of his duty of care, provided that in no event shall a director be exempt from any liability for damages caused as a result of a breach of his duty of care to the company in the event of a “distribution” (as defined in the Companies Law). Our Articles authorize us to, subject to the provisions of the Companies Law, exempt an office holder from all or part of such office holder’s responsibility or liability for damages caused to us due to any breach of such office holder’s duty of care towards us.

At the annual shareholders meeting held on October 27, 2004, our shareholders authorized us to exempt our directors and officers in advance from liability to us, in whole or in part, for a breach of the duty of care. The form of exemption letter was approved at the annual shareholders meeting held on October 27, 2005 and amendments were approved at the annual shareholders meeting held on December 30, 2009. We have extended such exemption letters to all our directors and some officers. With respect to our directors, Shlomo Nehama, Ran Fridrich and Hemi Raphael, special shareholder approval was sought and received, as they are deemed to be "controlling shareholders" and further approval and ratification of the exemption to such directors was received in our annual shareholder meeting held on June 20, 2012. Based on the approvals of our Audit Committee, Board and shareholders, any of our future directors shall also receive such exemption letter.

Insurance

As permitted by the Companies Law, our Articles provide that we may enter into an agreement for the insurance of the liability of an office holder, in whole or in part, with respect to any liability which may imposed upon such office holder as a result of an act performed by same office holder in his capacity as an office holder of the Company, for any of the following: (a) a breach of a cautionary duty toward the Company or toward another person; (b) a breach of a fiduciary duty toward the Company, provided the office holder acted in good faith and has had reasonable ground to assume that the act would not be detrimental to the Company; (c) a monetary liability imposed upon an office holder toward another; and (d) reasonable litigation expenses, including attorney fees, incurred by the office holder 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 office holder in favor of an injured party as set forth in Section 52[54](a)(1)(a) of the Securities Law and expenses that the office holder 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). Our Articles further permit us to enter into such an agreement with respect to any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of an office holder in the Company.

As stated above, in the indemnification undertakings approved by our Audit Committee, Board and shareholders and provided to our directors and officers, we have undertaken to maintain a liability insurance policy with a reputable insurer to the fullest extent currently permitted by the Companies Law and our Articles, for all of our directors and officers, in a total amount of not less than $10 million during the period the recipient of the indemnity undertaking serves as a member of our board of directors or as an officer, and for a period of seven years thereafter. Based on such undertaking as approved by our Audit Committee, Board and shareholders, we have obtained directors' and officers' liability insurance covering our directors and officers.

Limitations on Indemnification, Exemption and Insurance

The Companies Law provides that a company may not exempt or indemnify an office holder nor enter into an insurance contract which would provide coverage for liability incurred as a result of any of the following: (a) a breach by the office holder of his or her duty of loyalty (however, a company may insure and indemnify against such breach if the office acted in good faith and had reasonable cause to assume that his act would not prejudice the company's interests); (b) a breach by the office holder of his or her duty of care if the breach was done intentionally or recklessly, unless made in negligence only; (c) any act of omission done with the intent to derive an illegal personal benefit; or (d) any fine, civil fine, monetary sanction or penalty levied against the office holder. According to the Securities Law, a company cannot insure or indemnify an office holder for an Administrative Enforcement procedure, regarding payments to victims of the infringement or for expenses expended by the officer with respect to certain proceedings held concerning him or her, including reasonable litigation expenses and legal fees.

Internal Auditor

Under the Companies Law, our Board 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 activities comply with the law and orderly business procedure. The internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of our independent auditor firm. The Companies Law defines the term "interested party" to include a person who holds 5% or more of the company's outstanding share capital or voting rights, a person who has the right to appoint one or more directors or the general manager, or any person who serves as a director or as the general manager. Pursuant to our Articles, our Audit Committee reviews and approval the work program of our internal auditor. Mr. Doron Cohen of Fahn, Kanne & Co., an Israeli accounting firm, serves as our internal auditor.

D. Employees

As of December 31, 2013, we had ten (10) employees and independent contractors compared to eleven (11) employees and independent contractors as of December 31, 2012 and ten (10) employees and independent contractors as of December 31, 2011. All of our employees and independent contractors, as of December 31, 2013, were in management, finance and administration and all, other than one independent contractor located in Italy, were located in Israel.

All of our employees who have access to confidential information are required to sign a non-disclosure agreement covering all of our confidential information that they might possess or to which they might have access.

We believe our relations with employees are satisfactory. We have never experienced a strike or work stoppage. We believe our future success will depend, in part, on our ability to continue to attract, retain, motivate and develop highly qualified personnel.

Israeli labor laws and regulations are applicable to our employees located in Israel. Israeli labor laws govern, among other things, the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, annual leave and sick days. In addition, the Israeli Severance Pay Law, 1963, or the Severance Pay Law, generally requires the payment of severance pay equal to one month's salary, based on the most recent salary, for each year of employment or a pro rated portion thereof upon the termination of employment of an employee. Unless otherwise indicated in the employment agreement or otherwise required by applicable law and labor orders, the employee is not entitled to severance pay in the event she or he willingly resigns. In order to fund, or partially fund as hereinafter explained, any future liability in connection with severance pay, we make payments equal to 8.33% of the employee's salary every month, to various managers' insurance policies or similar financial instruments.

In the event the employment agreement with an employee provides that the provisions of Section 14 of the Severance Pay Law will apply, our contributions for severance pay are in lieu of our severance liability and the employee is entitled to receive such contributions whether her or his employment is terminated by us or she or he resigns. Therefore, upon fulfillment of our obligation to make a monthly contribution to the managers' insurance policies or similar financial instruments in the amount of 8.33% of the employee's monthly salary and of the other terms of the relevant permit with respect to this arrangement, no additional payments must later be made to the employee on account of severance pay upon termination of the employment relationship. As required by Israeli law, our employees are also provided with a contribution toward their retirement that amounts to 10% of wages, of which the employee and the employer each contribute half. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration, and additional sums towards compulsory health insurance.

E. Share Ownership

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of March 1, 2014, of (i) each of our directors and (ii) each member of our senior management. All of the information with respect to beneficial ownership of the ordinary shares is given to the best of our knowledge and has been furnished in part by the respective directors and members of senior management. All exercise prices and amounts are adjusted to account for the Reverse Split.

Name of Beneficial Owner	Number of Shares Beneficially Held (1)	Percent of Class
Shlomo Nehama(2)(5)	4,016,842	37.6%
Hemi Raphael(3)(5)	3,240,921	30.3%
Ran Fridrich(4)(5)	2,903,184	27.2%
Anita Leviant(6)	*	*
Oded Akselrod(6)	*	*
Barry Ben Zeev(6)	*	*
Mordechai Bignitz(6)	*	*
Eran Zupnik(7)	132,217	1.2%
Kalia Weintraub	-	-

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* Less than one percent of the outstanding ordinary shares. See additional details below.

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 1, 2014 through the exercise of any option or warrant. Ordinary shares subject to options or warrants that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options or warrants, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based upon 10,692,371 ordinary shares outstanding as of March 1, 2014. This number of outstanding ordinary shares does not include a total of 85,655 ordinary shares held at that date as treasury shares under Israeli law, all of which were repurchased by us. For so long as such treasury shares are owned by us they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to our shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of our shareholders.

(2) According to information provided by the holders, the 4,016,842 ordinary shares beneficially owned by Mr. Nehama consist of: (i) 3,551,869 ordinary shares held by Nechama Investments, an Israeli company, which constitute approximately 33.2% of our outstanding ordinary shares, and (ii) 464,973 ordinary shares held directly by Mr. Nehama, which constitute approximately 4.4% of our outstanding ordinary shares. Mr. Nehama, as the sole officer, director and shareholder of Nechama Investments, may be deemed to indirectly beneficially own any ordinary shares beneficially owned by Nechama Investments, which constitute (together with the shares held directly by him) approximately 37.6% of our outstanding ordinary shares.

(3) The 3,240,921 ordinary shares beneficially owned by Mr. Raphael consist of: (i) 2,786,397 ordinary shares held by Kanir, which constitute approximately 26.1% of our outstanding share capital, (ii) 314,514 ordinary shares held by a BVI private company wholly-owned by Mr. Raphael, which constitute approximately 2.9% of our outstanding shares and (iii) 140,010 ordinary shares held directly by Mr. Raphael, which constitute approximately 1.3% of our outstanding shares. Mr. Raphael, by virtue of his position as a director and majority shareholder of Kanir Investments Ltd., or Kanir Ltd., the general partner in Kanir, and his position as a limited partner in Kanir, may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir. Mr. Raphael disclaims beneficial ownership of the shares held by Kanir, except to the extent of his pecuniary interest therein, if any. In addition, Mr. Raphael, as the sole officer, director and shareholder of such private company, may be deemed to indirectly beneficially own any ordinary shares beneficially owned by the BVI private company.

(4) The 2,903,184 ordinary shares beneficially owned by Mr. Fridrich consist of: (i) 2,786,397 ordinary shares held by Kanir, which constitute approximately 26.1% of our outstanding share capital and (ii) 116,787 ordinary shares held directly by Mr. Fridrich, which constitute approximately 1.1% of our outstanding shares. Mr. Fridrich, by virtue of his position as a director of Kanir Ltd. and his position as a limited partner in Kanir, may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir. Mr. Fridrich disclaims beneficial ownership of the shares held by Kanir, except to the extent of his pecuniary interest therein, if any.

(5) By virtue of the 2008 Shareholders Agreement between Nechama Investments and Kanir (see "Item 7.A: Major Shareholders"), Mr. Nehama, Nechama Investments, Kanir and Messrs. Raphael and Fridrich may be deemed to be members of a group that holds shared voting power with respect to 6,338,266 ordinary shares, which together constitute approximately 59.3% of our outstanding ordinary shares, and holds shared dispositive power with respect to 5,356,878 ordinary shares, which constitute 50.1% of our outstanding ordinary shares. Accordingly, taking into account the shares directly held by Messrs. Nehama, Raphael (taking into account also shares held by the private company wholly-owned by him) and Fridrich, they may be deemed to beneficially own approximately 63.6%, 63.5% and 60.4%, respectively, of the outstanding ordinary shares. Mr. Nehama and Nechama Investments both disclaim beneficial ownership of the ordinary shares beneficially owned by Kanir and Kanir Ltd., Kanir and Messrs. Raphael and Fridrich all disclaim beneficial ownership of the shares held by Nechama Investments.

(6) Our directors who are not subject to Management Services Agreement currently hold, in the aggregate, options currently exercisable into 21,502 ordinary shares.

(7) Consists of options currently exercisable or that will become exercisable within 60 days from March 1, 2014.

Our directors currently hold, in the aggregate, options exercisable into 23,502 ordinary shares. The 23,502 options have a weighted average exercise price of approximately $6.25 per share and have expiration dates until 2023. Under the 1998 Plan, Oded Akselrod, one of the members of our Board, was granted options to purchase 1,000 ordinary shares on December 30, 2004 and on August 1 of each of the years 2005-2013. Anita Leviant, one of the members of our Board, was granted options to purchase 1,333 shares on August 1, 2008 and was also granted options to purchase 1,000 shares on August 1 of each of the years 2009-2013. Barry Ben Zeev, an external director who was appointed on December 30, 2009, was granted 586 options on the date of his appointment and was also granted options to purchase 1,000 ordinary shares on August 1 of each of the years 2010-2013. Mordechai Bignitz, our external director appointed on December 20, 2011 was granted 583 options on the date of his appointment and was also granted options to purchase 1,000 ordinary shares on August 1 of each of the years 2012-2013. The exercise price for the underlying shares of such options is the "Fair Market Value" (as defined in the 1998 Plan) of our ordinary shares at the date of grant. The options expire ten years after their grant date. The options granted to directors under the 1998 Plan have an exercise price ranging from $3.1 to $9.2 per share, with various expiration dates. As described above under "Compensation - Compensation of Non-Executive Directors", commencing 2013 the options granted to our non-executive directors who are not external directors vest on the first anniversary of the grant date. Of the 23,502 options held by our directors, 21,502 are currently exercisable and an additional 2,000 will become exercisable on August 1, 2014.

Only one of our officers currently holds options to purchase our ordinary shares. On January 4, 2009, Eran Zupnik, EVP of Business Development, was granted options to purchase 132,053 ordinary shares, at an adjusted exercise price of $8.5 per ordinary share. 16.67% of these options vested 6 months after the grant date, with a further 8.33% vesting at the end of every three-month period thereafter. As of March 1, 2014 all of these options have vested. Additionally, such officer was granted the entitlement to receive 1.125% of any securities (shares, warrants or options, other than shares underlying securities that existed at the time of execution of his employment agreement) we issue under the same terms and conditions of the issuance (however, the vesting schedule of the additional options shall in any event be 1/12 at the end of every three month period for an aggregate vesting period of 36 months). As a result of the issuance of options to directors during 2009 (as detailed above), Eran Zupnik received options to purchase 45 ordinary shares on August 1, 2009 and options to purchase seven (7) ordinary shares on December 30, 2009, at an exercise price identical to that of the directors ($4.7 and $6.3, respectively). As a result of the issuance of options to directors in 2010 (as detailed above), Eran Zupnik received additional options to purchase 45 ordinary shares on August 1, 2010, at an exercise price identical to that of the directors ($5.9). As a result of issuances of options to directors during 2011 (as detailed above), Eran Zupnik received additional options to purchase 45 ordinary shares on August 1, 2011 and options to purchase seven (7) ordinary shares on January 3, 2012, at an exercise price identical to that of the directors ($7 and $5.55, respectively). As a result of issuances of options to directors during 2012 and 2013 (as detailed above), Eran Zupnik received additional options to purchase 45 ordinary shares on August 1, 2012 and on August 1, 2013 at an exercise price identical to that of the directors ($5.24 and $8.48, respectively). All of the options granted to Mr. Zupnik were granted under our 2000 Stock Option Plan and expire ten years after their grant date.

Outstanding Options

1998 Share Option Plan for Non-Employee Directors

For more information concerning our 1998 Share Option Plan for Non-Employee Directors see “Item 6.B: Compensation.”

As of January 1, 2013, December 31, 2013 and March 1, 2014, there were 47,081, 43,081 and 43,081 ordinary shares, respectively, available for future grants under the 1998 Plan.

2000 Stock Option Plan

In 2000, we adopted the 2000 Stock Option Plan, or the 2000 Plan, to provide for grants of service and non-employee options to purchase ordinary shares to our officers, employees, directors and consultants. The 2000 Plan provides that it may be administered by the Board, or by a committee appointed by the Board, and is currently administered by our Board.

At the annual shareholders meetings held on November 18, 2003 and October 27, 2004, our shareholders approved increases in the number of ordinary shares authorized for issuance under the 2000 Plan (as amended) to 299,759. At the annual shareholders meeting held on October 27, 2005, our shareholders approved an additional increase in the number of ordinary shares authorized for issuance under the 2000 Plan (as amended) by 1,450,000, from 299,759 to 1,749,759 and by the number of ordinary shares underlying options surrendered (except in the case of surrender for the exercise into shares) or which cease to be exercisable under our 1995 Israeli Stock Option Plan and 1997 Stock Option Plan, together, the 1995 and 1997 Plans. The additional number of ordinary shares underlying options cancelled under the 1995 and 1997 Plans increased the number of ordinary shares authorized for issuance under the 2000 Plan by 22,700 from 1,749,759 to 1,772,459. Section 12 of the 2000 Plan provided originally that the 2000 Plan will expire on August 31, 2008, unless previously terminated or extended by the Board. At our Board meeting held on June 23, 2008, our Board resolved to amend Section 12 of the 2000 Plan to extend its term until August 31, 2018.

Our Board has broad discretion to determine the persons entitled to receive options under the 2000 Plan, the terms and conditions on which options are granted, and the number of ordinary shares subject thereto. Our Board delegated to our management its authority to issue ordinary shares issuable upon exercise of options under the 2000 Plan. The exercise price of the options under the 2000 Plan is determined by our Stock Option and Compensation Committee, provided, however, that the exercise price of any option granted shall not be less than eighty percent (80%) of the stock value at the date of grant of such options. The stock value at any time is equal to the then current fair market value of our ordinary shares. For purposes of the 2000 Plan (as amended), the fair market value means, as of any date, the last reported closing price of the ordinary shares on such principal securities exchange on the most recent prior date on which a sale of the ordinary shares took place.

Our Board determines the term of each option granted under the 2000 Plan, including the vesting period; provided, however, that the term of an option shall not be for more than 10 years. Unless otherwise agreed by the parties, upon termination of employment, all unvested options lapse, and generally within three months from such termination all vested but not-exercised options shall lapse.

The options granted are subject to restrictions on transfer, sale or hypothecation. Options and ordinary shares issuable upon the exercise of options granted to our Israeli employees are held in a trust until the payment of all taxes due with respect to the grant and exercise (if any) of such options.

We have elected the benefits available under the “capital gains” alternative of Section 102 of the Israeli Tax Ordinance. Pursuant to this election, capital gains derived by employees arising from the sale of shares acquired as a result of the exercise of options granted to them under Section 102, will be subject to a flat capital gains tax rate of 25% (instead of the gains being taxed as salary income at the employee’s marginal tax rate). However, as a result of this election, we will no longer be allowed to claim as an expense for tax purposes the amounts credited to such employees as a benefit when the related capital gains tax is payable by them, as we were previously entitled to do. We may change the election from time to time, as permitted by the Tax Ordinance. There are various conditions that must be met in order to qualify for these benefits, including registration of the options in the name of a trustee, or the Trustee, for each of the employees who is granted options. Each option, and any ordinary shares acquired upon the exercise of the option, must be held by the Trustee for a period commencing on the date of grant and ending no earlier than 24 months after the date of grant.

As of March 1, 2014, there are 132,285 outstanding options under the 2000 Plan. As a result of the repurchase and cancellation or expiration of all outstanding options under the 2000 Plan following the consummation of the HP Transaction and the reduction in the number of shares reserved for issuance under such plan as a result of such cancellation or expiration, the number of additional ordinary shares available for issuance under the 2000 Plan, as of January 1, 2013, December 31, 2013 and March 1, 2014, was 594,964, 594,919 and 594,919, respectively.

ITEM 7: Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 1, 2013, by each person known by us to be the beneficial owner of 5.0% or more of our ordinary shares. Each of our shareholders has identical voting rights with respect to its shares. All of the information with respect to beneficial ownership of the ordinary shares is given to the best of our knowledge based on public filings by the shareholders (the most recent is a Schedule 13D/A filed on September 3, 2013) and on information provided by them.

	Ordinary Shares Beneficially Owned(1)	Percentage of Ordinary Shares Beneficially Owned
Shlomo Nehama (2)(5)	4,016,842	37.6%
Kanir Joint Investments (2005) Limited Partnership (3)(4)(5)(6)	2,786,397	26.1%

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* Represents beneficial ownership of less than 1% of ordinary shares.

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security as determined pursuant to Rule 13d-3 promulgated under the U.S. Securities Exchange Act of 1934, as amended. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 1, 2014 through the exercise of any option or warrant. Ordinary shares subject to options or warrants that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options or warrants, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based on a total of 10,692,371 ordinary shares outstanding as of March 1, 2014. This number of outstanding ordinary shares does not include a total of 85,655 ordinary shares held at that date as treasury shares under Israeli law, all of which were repurchased by us. For so long as such treasury shares are owned by us they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to our shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of our shareholders.

(2) The 4,016,842 ordinary shares beneficially owned by Mr. Nehama consist of: (i) 3,551,869 ordinary shares held by Nechama Investments, which constitute approximately 33.2% of our outstanding ordinary shares and (ii) 464,973 ordinary shares and held directly by Mr. Nehama, which constitute approximately 4.4% of our outstanding ordinary shares. Mr. Nehama, as the sole officer, director and shareholder of Nechama Investments, may be deemed to indirectly beneficially own any ordinary shares owned by Nechama Investments, which constitute (together with his shares) approximately 37.6% of our outstanding ordinary shares.

(3) Kanir is an Israeli limited partnership. Kanir Ltd., in its capacity as the general partner of Kanir, has the voting and dispositive power over the ordinary shares directly beneficially owned by Kanir. As a result, Kanir Ltd. may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir. Messrs. Hemi Raphael and Ran Fridrich, who are members of our Board of Directors, are the sole directors of Kanir Ltd. and Mr. Raphael is a majority shareholder of Kanir Ltd. As a result, Messrs. Raphael and Fridrich may be deemed to indirectly beneficially own the ordinary shares beneficially owned by Kanir, which constitute, together with their holdings as set forth in footnote (4), 30.3% and 27.2%, respectively, of our outstanding ordinary shares. Kanir Ltd. and Messrs. Raphael and Fridrich disclaim beneficial ownership of such ordinary shares except to the extent of their respective pecuniary interest therein, if any.

(4) Mr. Raphael beneficially owns 454,524 ordinary shares, consisting of: (i) 314,514 ordinary shares held by a BVI private company wholly-owned by Mr. Raphael, which constitute approximately 2.9% of our outstanding shares and (ii) 140,010 ordinary shares held directly by Mr. Raphael, which constitute approximately 1.3% of our outstanding shares. Mr. Raphael, as the sole officer, director and shareholder of such private company, may be deemed to indirectly beneficially own any ordinary shares beneficially owned by such private company, which constitute (together with the shares held directly by him) approximately 4.3% of our outstanding ordinary shares. Mr. Fridrich directly owns 116,787 ordinary shares, which constitute approximately 1.1% of our outstanding shares.

(5) By virtue of the 2008 Shareholders Agreement, Mr. Nehama, Nechama Investments, Kanir, Kanir Ltd., and Messrs. Raphael and Fridrich may be deemed to be members of a group that holds shared voting power with respect to 6,338,266 ordinary shares, which constitute approximately 59.3% of our outstanding ordinary shares, and holds shared dispositive power with respect to 5,356,878 ordinary shares, which constitute 50.1% of the outstanding ordinary shares. Accordingly, taking into account the shares directly held by Messrs. Nehama, Raphael (taking into account also shares held by the private company wholly-owned by him) and Fridrich, they may be deemed to beneficially own approximately 63.6%, 63.5% and 60.4%, respectively, of our outstanding ordinary shares. Each of Mr. Nehama and Nechama Investments disclaims beneficial ownership of the ordinary shares beneficially owned by Kanir. Each of Kanir, Kanir Ltd. and Messrs. Raphael and Fridrich disclaims beneficial ownership of the ordinary shares beneficially owned by Nechama Investments. A copy of the 2008 Shareholders Agreement was filed with the Securities and Exchange Commission, or the SEC, on March 31, 2008 as Exhibit 14 to an amendment to a Schedule 13D and is not incorporated by reference herein.

(6) Bonstar Investments Ltd., or Bonstar, an Israeli company, holds 233,258 ordinary shares, which constitute approximately 2.2% of the outstanding ordinary shares. Bonstar is a limited partner of Kanir and assisted Kanir in the financing of the purchase of some of its ordinary shares. Accordingly, Bonstar may be deemed to be a member of a group with Kanir and its affiliates, although there are no agreements between Bonstar and either of such persons and entities with respect to the ordinary shares beneficially owned by each of them. Mr. Joseph Mor and Mr. Ishay Mor are the sole shareholders of Bonstar and Mr. Joseph Mor serves as the sole director of Bonstar. Messrs. Joseph Mor and Ishay Mor also hold, through a company jointly held by them, 175,000 ordinary shares, which constitute approximately 1.6% of the outstanding ordinary shares. By virtue of their control over Bonstar and the other company, Messrs. Joseph Mor and Ishay Mor may be deemed to indirectly beneficially own the 408,258 ordinary shares beneficially owned by Bonstar and by the other company, which constitute approximately 3.8% of the ordinary shares. Each of Bonstar and Messrs. Joseph Mor and Ishay Mor disclaims beneficial ownership of the ordinary shares beneficially owned by Kanir and Nechama Investments, except to the extent of their respective pecuniary interest therein, if any.

Significant Changes in the Ownership of Major Shareholders

In February 2012, Kanir transferred an aggregate of 751,658 ordinary shares to Hemi Raphael, a company controlled by Hemi Raphael, Ran Fridrich and Bonstar. As a result of such transfers, the beneficial ownership of Kanir decreased to 26.6%.

In May 2013 Kanir transferred 55,043 ordinary shares to Ran Fridrich. As a result of such transfer, the beneficial ownership of Kanir decreased to 26.1%.

On August 5, 2013, Ron Senator, Sphera Funds Management Ltd. and Sphera Capital Ltd. jointly filed a Schedule 13G reporting ownership of 622,300, or 5.82%, of our ordinary shares. On August 15, 2013, these reporting persons filed an amendment to their Schedule 13G with the SEC, noting that their holdings in our ordinary shares decreased below 5.0%

On July 23, 2013, we entered into a transaction with Mr. Zohar Zisapel, who at the time held approximately 8% of our outstanding shares, in an effort to increase the "public float" of our outstanding shares in connection with the possible listing of our shares on the Tel Aviv Stock Exchange. Pursuant to the transaction, Mr. Zisapel agreed to hold no more than 4.99% of our outstanding shares for a period of one year in consideration for the issuance of a warrant to purchase the amount of shares sold by Mr. Zisapel in order to reduce his holdings to less than 5.0%. On August 9, 2013, we issued Mr. Zisapel a warrant to purchase 308,427 ordinary shares at an exercise price of $7.97 per share, or the Warrant. On August 12, 2013 Mr. Zisapel filed an amendment to his Schedule 13G with the SEC, noting that his holdings in our ordinary shares decreased below 5.0%. The Warrant includes a contractual provision that prohibits Mr. Zisapel from exercising the Warrant during a 12 month period following the effective date of the Warrant if such exercise would result in the Mr. Zisapel beneficially owning more than 4.99% of our ordinary shares. In addition, the Warrant may only be exercised via cashless exercise methods described in the Warrant. Mr. Zisapel was also provided with certain registration rights in the event Rule 144 is not available for the resale of the shares underlying the Warrant following a certain holding period of the Warrant and/or the shares underlying the Warrant, with an indemnification undertaking from us (subject to certain conditions) and with reimbursement of expenses related to the transaction.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of March 1, 2014, there were 55* record holders of ordinary shares, of which 24 represented United States* record holders holding approximately 31.3%] of our outstanding ordinary shares (including approximately 30.7% of our outstanding ordinary shares held by the Depository Trust Company). This does not reflect persons or entities that hold ordinary shares in nominee or "street name" through various brokerage firms.

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* Including the Depository Trust Company

2008 Shareholders Agreement

Pursuant to public filings made and information provided by Kanir and Nechama Investments and their affiliates, on March 24, 2008, Kanir and Nechama Investments entered into a shareholders agreement, or the 2008 Shareholders Agreement, with respect to their holdings of our ordinary shares. The following summary is based on public filings made by the parties to the 2008 Shareholders Agreement, which include a more detailed description of the 2008 Shareholders Agreement and a copy of such agreement and that are not incorporated by reference herein.

The parties to the 2008 Shareholders Agreement agreed to vote all our ordinary shares held by them as provided in the 2008 Shareholders Agreement. Where the 2008 Shareholders Agreement is silent as to a matter brought before our shareholders, the parties will agree in advance as to how they will vote. In the event that the parties do not reach an agreement regarding any such matter, they will vote all of their ordinary shares against such matter. In addition, the parties agreed to use their best efforts to amend our articles to require that, if so requested by at least two of our directors, certain matters, such as related party transactions and any material change in the scope of our business, will require the approval of a simple majority of the outstanding ordinary shares. At our annual shareholders meeting held on December 30, 2008, our shareholders approved the adoption of our Second Amended and Restated Articles, as requested by Kanir and Nechama Investments and that includes, among other things, the revisions contemplated in the 2008 Shareholders Agreement. For more information, see "Item 10.B: Memorandum of Association and Second Amended and Restated Articles."

The parties to the 2008 Shareholders Agreement further agreed to use their best efforts to ensure that the composition of our Board will be in accordance with the agreements set forth therein.

The 2008 Shareholders Agreement also contains certain agreements with respect to the ordinary shares held by each party that constitute, from time to time, 25.05% of the outstanding ordinary shares and, in the aggregate, 50.1% of the outstanding ordinary shares (these shares are defined in the 2008 Shareholders Agreement as the Restricted Shares), including a lock-up period, right of first refusal, tag along and a buy/sell notice mechanism.

The parties to the 2008 Shareholders Agreement agreed not to enter into any additional voting or similar agreements with any of our other shareholders during the term of the 2008 Shareholders Agreement, which will be in effect so long as (i) the parties hold more than 50% of our outstanding ordinary shares or (ii) each of the parties holds all of its Restricted Shares (unless the lending bank of the parties to the 2008 Shareholders Agreement forecloses on its pledge on the Restricted Shares of either party, causing the immediate termination of the 2008 Shareholders Agreement).

Encumbrances Placed on our Securities

Pursuant to public filings made and information provided by Kanir and Nechama Investments and their affiliates, on March 27, 2008, each of Kanir and Nechama Investments entered into a separate five-year loan agreement with Israel Discount Bank Ltd. in order to finance the purchase of our ordinary shares and warrants to purchase our ordinary shares. As collateral for the loans, Israel Discount Bank Ltd. received a first-priority pledge over 2,692,892 ordinary shares, or 25.2% of the outstanding ordinary shares, held by Kanir and over 2,692,893 ordinary shares, or 25.2% of the outstanding ordinary shares, held by Nechama Investments. A default of either of Kanir and Nechama Investments under their agreements with Israel Discount Bank Ltd. could cause a foreclosure with respect to our ordinary shares subject to the pledge to such bank, which could result in a change of control of Ellomay. A summary of the loan agreement was filed by Kanir and Nechama Investments with the SEC on March 31, 2008 as Exhibit 17 to an amendment to a Schedule 13D and is not incorporated by reference herein.

Registration Rights

We previously executed various registration rights agreements with certain entities and individuals, including former controlling shareholders, in connection with private placements of our securities. Registration rights with respect to a majority of the ordinary shares held by our controlling shareholders were assigned by certain holders of such registration rights to our controlling shareholders, subject to the undertaking of the assignees to be bound by and subject to the terms and conditions of the registration rights agreement. We recently received an indication from our controlling shareholders that they intend to demand that we register the registrable shares held by them. The substantial majority of the shares held by our controlling shareholders were included in a registration statement on Form F-3 that became effective in 2007. The registration of the registrable shares will enable our controlling shareholders to sell a significant portion of our ordinary shares without restrictions, which could result in a change of control of Ellomay or in us ceasing to be a "controlled company" for purposes of the NYSE MKT rules. For more information see "Item 16G: Corporate Governance."

B. Related Party Transactions

On December 30, 2008, following the approval of our Audit Committee, Board of Directors and shareholders, we entered into a management services agreement with Kanir and Meisaf, effective as of March 31, 2008, the date of appointment of Messrs. Fridrich and Nehama as members of our Board. In consideration of the performance of the management services and the board services under the terms of the management services agreement we agreed to pay Kanir and Meisaf, in equal parts in and quarterly payments, an aggregate annual services fee in the amount of $250,000 plus value added tax pursuant to applicable law. This annual amount was increased to $400,000 following approval by our Audit Committee, Compensation Committee, Board of Directors and by our shareholders at the 2013 Shareholders Meeting. The management services agreement was initially in effect until the earlier of: (i) the second anniversary of the effective date of the Agreement (March 31, 2010) or (ii) the termination of service of either of the Kanir and Nechama Investments affiliates on our Board of Directors. The term of the management services agreement was extended for one-year periods at our annual meetings of shareholders held on December 30, 2009 and December 22, 2010. A further three-year extension was approved by our Audit Committee, Board and our shareholders at our annual meeting of shareholders held on December 20, 2011. At our 2013 Shareholders Meeting, following the approval of our Audit Committee, Compensation Committee and Board, our shareholders approved a further extension of the term of the Management Services Agreement and the revision of its termination provision, so that it shall remain in effect until the earlier of: (i) June 17, 2016, (ii) the termination of service of either of the Kanir and Nechama Investments affiliates on our Board of Directors, or (iii) a date that is six (6) months following the delivery of a written termination notice by Meisaf and Kanir to the Company or by the Company to Meisaf and Kanir.

For a further discussion of transactions and balances with related parties see "Item 6.B: Compensation," "Item 6.C: Board Practices" under "Indemnification, Exemption and Insurance of Executive Officers and Directors," "Item 10.C: Material Contracts" and Note 14 to our consolidated financial statements, which are included as a part of this report and the disclosure concerning the possible registration of shares held by our controlling shareholders set forth under "Item 7.A: Major Shareholders" above.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8: Financial Information

A. Consolidated Statements and Other Financial Information.

Consolidated Statements

Our consolidated financial statements are set forth in Item 18.

Legal Proceedings

The U.S. dollar amounts presented below are based on applicable conversion rates in effect as of December 31, 2013.

In December 2003, Imagens Digitais Ltda., a client of NUR Do Brazil Ltda., filed a suit against NUR Do Brazil Ltda. and NUR America in Brazil, alleging that a machine purchased by it failed to perform. Imagens was seeking reimbursement of the purchase price paid by it in the amount of approximately $0.4 million. During 2006 we filed a counterclaim for the collection of unpaid invoices, which was settled between the parties in May 2010. In January 2010 the court dismissed the client's suit and in June 2010 the client filed an appeal. In October 2010, following a motion filed by the defendant, the court decided to increase the amount of the claim (as legal expenses are determined based on the original amount of the claim) and an appeal filed by the customer in connection with this decision is currently pending. Based on management's estimation and the assessment of our legal counsel, no provision was recorded with respect to the client's claim.

In February 2007 a claim was filed against us and one of our former officers by a person claiming to have been an agent of the company in West Africa for commissions on sales of printers. The claim is for NIS 3 million ($0.864 million). We filed a statement of defense denying all claims, both with respect to the causes of action and with respect to the factual allegations in the claim. The plaintiff filed a motion with the Court to strike our Statement of Defense, which was rejected. The plaintiff filed an appeal to the Supreme Court. That motion was rejected in July 2010. In October 2012, the district court rendered its ruling and rejected the plaintiff's claims in their entirety. In November 2012 an appeal was filed in the Supreme Court by the plaintiff. Written summaries will be submitted by the plaintiffs and by the defendants by September 2013 and November 4, 2013, respectively, and the plaintiffs may submit a response to the defendants' summaries by December 2013. On March 5, 2014 an appeal hearing was held at the Israeli Supreme Court. In accordance with the court's recommendation, the parties agreed to end all their disputes on a settlement for the amount of $0.085 million in favor of the plaintiff. This amount was paid to the plaintiff during March 2014.

We may from time to time become a party to various legal proceedings in the ordinary course of our business.

Dividends

We currently do not have a dividend policy but expect to adopt a dividend distribution policy. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including contractual undertakings limiting our ability to pay dividends, future earnings, capital requirements, financial condition and future prospects and other factors the board of directors may deem relevant. The terms of the deed of trust governing our Series A Debentures restrict our ability to distribute dividends (for more information see "Item 5:B. Liquidity and Capital Resources").

Under Israeli law, the payment of dividends is generally made from accumulated retained earnings or retained earnings accrued over a period of the last two years (after deducting prior dividends to the extent not already deducted from retained earnings), and in either case, provided there is no reasonable concern that the dividend will prevent the company from satisfying current or foreseeable obligations as they become due. Notwithstanding the foregoing, dividends may be paid with the approval of a court, provided that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

B. Significant Changes

Except as otherwise disclosed in this report, no significant changes have occurred since December 31, 2013.

ITEM 9: The Offer and Listing

A. Offer and Listing Details

Stock Price History

The prices set forth below are high and low closing market prices for our ordinary shares as reported by OTC Markets, Inc., the NYSE MKT and the Tel Aviv Stock Exchange, as applicable, for the fiscal year ended December 31 of each year indicated below, for each fiscal quarter indicated below, and for each month for the last six-month period. Such quotations reflect inter-dealer prices, without retail markup, markdown, or commission and may not necessarily represent actual transactions. Our ordinary shares were listed on the NYSE MKT under the symbol "ELLO" on August 22, 2011 and until such date were quoted in the over-the-counter market in the OTCQB market under the symbol "EMYCF.PK." On October 27, 2013, our ordinary shares were listed for trading on the Tel Aviv Stock Exchange under the symbol "ELOM" and the TASE closing prices set forth below are commencing such date.

All share prices have been retroactively adjusted to reflect the one-for-ten reverse share split effected on June 9, 2011.

	NYSE MKT		**Tel Aviv Stock Exchange**	
Year	**High (US$)**	**Low (US$)**	**High (NIS)**	**Low (NIS)**
2009	6.6	4.5	--	--
2010	7.5	5.1	--	--
2011	8.00	5.41	--	--
2012	7.7	4.25	--	--
2013	11.37	6.1	40.69	31.39

	NYSE MKT		**Tel Aviv Stock Exchange**	
2012	**High (US$)**	**Low (US$)**	**High (NIS)**	**Low (NIS)**
First Quarter	6.55	5.37	--	--
Second Quarter	7.70	5.64	--	--
Third Quarter	6.00	4.25	--	--
Fourth Quarter	6.00	4.95	--	--

2013	NYSE MKT High (US$)	NYSE MKT Low (US$)	Tel Aviv Stock Exchange High (NIS)	Tel Aviv Stock Exchange Low (NIS)
First Quarter	7.47	6.1	--	--
Second Quarter	7.73	7.1	--	--
Third Quarter	9	7.7	--	--
Fourth Quarter	11.37	8.39	40.69	31.39

2014	NYSE MKT High (US$)	NYSE MKT Low (US$)	Tel Aviv Stock Exchange High (NIS)	Tel Aviv Stock Exchange Low (NIS)
First Quarter (through March 20, 2014)	10.59	9.3	37.13	33.12

Most Recent Six Months	NYSE MKT High (US$)	NYSE MKT Low (US$)	Tel Aviv Stock Exchange High (NIS)	Tel Aviv Stock Exchange Low (NIS)
September 2013	9	8.32	--	--
October 2013	11.37	8.39	40.69	37.64
November 2013	10.96	9.05	38.60	31.99
December 2013	9.74	9.16	33.45	31.39
January 2014	10.59	9.85	37.13	33.69
February 2014	9.96	9.3	35.39	33.12

Due to the limited period since the listing of our ordinary shares on the NYSE MKT and the TASE, our ordinary shares are not yet regularly covered by securities analysts and the media and the liquidity of our ordinary shares is very limited. Such limited liquidity could result in lower prices for our ordinary shares than might otherwise prevail and in larger spreads between the bid and asked prices for our ordinary shares.

B. Plan of Distribution

Not Applicable.

C. Markets

Our ordinary shares were listed on the NYSE MKT on August 22, 2011. Our trading symbol is “ELLO.” On October 27, 2013, our ordinary shares were listed for trading on the Tel Aviv Stock Exchange under the symbol “ELOM.”

Our ordinary shares were traded on The NASDAQ National Market between October 1995 and July 2003, traded on The NASDAQ Capital Market between July 2003 and May 2005 and quoted on the over the counter market in OTCQB market, operated by OTC Markets, Inc. until August 19, 2011.

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 of Association and Second Amended and Restated Articles

Set forth below is a brief description of certain provisions contained in the Memorandum of Association, the Second Amended and Restated Articles, adopted by our shareholders at our general meeting held on December 30, 2008, as amended, as well as certain statutory provisions of Israeli law. The Memorandum of Association and the Articles are incorporated by reference herein. The description of certain provisions does not purport to be a complete summary of these provisions and is qualified in its entirety by reference to such exhibits and to Israeli law.

Authorized Share Capital

Our authorized share capital is one hundred seventy million (170,000,000) New Israeli Shekels, divided into seventeen million (17,000,000) ordinary shares, NIS 10.00 par value per share.

Due to the fact that we were incorporated prior to 1999, the year the Companies Law was enacted, a special majority of 75% of the shares voting on the matter is generally required in order to amend our Memorandum, however, pursuant to our Memorandum, changes to our capital structure, such as an increase in our authorized capital, only require the vote of a majority of the shares voting on the matter.

As approved at our annual general meeting held on December 22, 2010, following the approval of our Board of Directors, we effected a ten-for-one reverse share split of our ordinary shares on June 9, 2011. All fractional shares resulting from such reverse split which were one-half share or more were increased to the next higher whole number of shares and all fractional shares which were less than one-half share were decreased to the next lower whole number of shares. The purpose of the reverse share split was to increase the price of our ordinary shares in order to enable us to meet the minimum bid price initial listing requirements of the NYSE MKT.

Purpose and Objective

We are a public company registered under the Companies Law as Ellomay Capital Ltd., registration number 52-003986-8. Pursuant to Article 3.1 of our Articles, our objective is to undertake any lawful activity, including any objective set forth in our Memorandum of Association. Pursuant to Article 3.2 of our Articles, our purpose is to operate in accordance with commercial considerations with the intentions of generating profits. In addition, we may contribute reasonable amounts for any suitable purpose even if such contributions do not fall within our business considerations. The Board may determine the amounts of the contributions, the purpose for which the contribution is to be made, and the recipients of any such contribution.

Board of Directors

Under the Companies Law, our Board is authorized to determine our strategy and supervise the performance of the duties and actions of our chief executive officer. Our Board may not delegate to a committee of the Board or the chief executive officer the right to decide on certain of the authorities vested in it, including determination of our strategy, distributions, certain issuances of securities and approval of financial reports. The powers conferred upon the Board are vested in the Board as a collective body and not in each one or more of the directors individually. Unless otherwise set forth in a resolution of the shareholders, our Articles provide that our Board shall consist of not less than four (4) nor more than eight (8) directors (including any external directors whose appointment is mandated under the Companies Law).

Pursuant to the Companies Law, publicly traded companies must appoint at least two external directors to serve on their board of directors and audit committee. For further information concerning external directors see “Item 6.C: Board Practices.”

The Companies Law codifies the fiduciary duties that an office holder has to a company. An office holder’s fiduciary duties consist of a duty of loyalty and a duty of care. For more information concerning these duties, the approval process of certain transactions and other board practices see “Item 6.C: Board Practices.”

Our directors cannot vote approve compensation to themselves or any members of their body without the approval of our compensation committee and our shareholders. For more details concerning the approval process of Terms of Service and Employment of office holders see “Item 6.C: Board Practices” under “Compensation Committee.” Borrowing powers exercisable by the directors are not specifically outlined in our Articles.

No person shall be disqualified to serve as a director by reason of his not holding our shares in. Additionally, our Articles do not provide for an age in which directors are required to retire.

Rights of Shareholders

No preemptive rights are granted to holders of our ordinary shares under the Articles or the Companies Law. Each ordinary share is entitled to one vote on all matters to be voted on by shareholders, including the election of directors.

The directors are elected annually at a general meeting of shareholders and remain in office until the next annual meeting at which time they retire, unless their office is previously vacated as provided in the Articles. A retiring director may be reelected. If no directors are elected at the annual meeting, all of the retiring directors remain in office pending their replacement at a general meeting. Holders of the ordinary shares do not have cumulative voting rights in the election of directors. Consequently, the holders of ordinary shares in the aggregate conferring more than 50% of the voting power, represented in person or by proxy, will have the power to elect all the directors. On March 24, 2008, in connection with the purchase of a controlling interest of our ordinary shares, Nechama Investments and Kanir entered into the 2008 Shareholders Agreement. Under the 2008 Shareholders Agreement, both parties agreed to vote all of our shares held by them as provided in the agreement and, where the agreement is silent, as the parties shall agree prior to any meeting of our shareholders. In addition, the 2008 Shareholders Agreement provides that in the event the parties do not reach an agreement regarding certain resolution proposed to our shareholders meeting, the parties shall vote all of their shares against such proposed resolution. For further information with respect to the 2008 Shareholders Agreement, see “Item 7.A: Major Shareholders” under the caption “2008 Shareholders Agreement.”

Following the adoption of the Articles at our general meeting of shareholders held on December 30, 2008, Article 25.5 provides that for so long as the 2008 Shareholders Agreement is in effect, at the written request of any two directors with respect to any proposed action or transaction (including certain related party transactions, any amendments to our Memorandum of Association or Articles, any merger or consolidation of the Company, any material change in the scope of our business, the voluntary liquidation or dissolution of the Company, approval of annual budget or business plan and material deviations therefrom and any change in signatory rights on behalf of the Company), such action or transaction shall require the approval of our general meeting by a resolution supported by members present, in person or by proxy, vested with at least 50.1% of our outstanding shares, or by such higher approval threshold as may be required by Israeli law.

Chairman of the Board

Our Articles provide that our Chairman of the Board shall have no casting vote, unless (i) the Chairman of the Board is then Mr. Shlomo Nehama and (ii) Nechama Investments, together with any Affiliates (as defined in our Articles) thereof, then holds at least 25.05% of our outstanding shares. Our Articles further provide that, notwithstanding the foregoing, in case Mr. Shlomo Nehama elects to exercise his casting vote in respect of a specific resolution brought before our Board, or the Triggering Resolution, then (a) prior to such exercise, Nechama Investments shall be required to trigger the “Buy Me Buy You” mechanism set forth in the 2008 Shareholders Agreement as an Offering Party (as defined in the 2008 Shareholders Agreement), whereby the Triggering Resolution will be pending until the consummation of the sale of the Restricted Shares (as defined in the 2008 Shareholders Agreement) of one party to the 2008 Shareholders Agreement to the other party of the 2008 Shareholders Agreement in accordance with such “Buy Me Buy You” mechanism; and (b) in the event that three (3) of the members of our Board so require, the Triggering Resolution shall be conditioned upon the approval of our General Meeting pursuant to Article 25.1 of the Articles (requiring a special majority of 50.1% of our outstanding shares). Upon a transfer of the Restricted Shares by Kanir to third party in accordance with the terms of the 2008 Shareholders Agreement, the casting vote of the Chairman of the Board shall expire.

Dividends and Liquidation Rights

Our Board of Directors is authorized to declare dividends, subject to applicable law. Dividends may be paid only out of profits and other surplus, as defined in the Companies Law, as of the end of the most recent financial statements or as accrued over a period of two years, whichever is higher. Alternatively, if we do not have sufficient profits or other surplus, then permission to effect a distribution can be granted by order of an Israeli court. In any event, a distribution is permitted only if there is no reasonable concern that the distribution will prevent us from satisfying our existing and foreseeable obligations as they become due.

Upon recommendation by the Board, dividends may be paid, in whole or in part, by the distribution of certain of our specific assets, of our shares or debentures, or shares or debentures of any other company, or in any combination of such manners. Subject to special or restricted rights conferred upon the holders of shares as to dividends, if any, the dividends shall be distributed in accordance with our paid-up capital attributable to the shares for which the dividend has been declared. Our obligation to pay dividends or any other amount in respect of shares may be set-off against any indebtedness, however arising, liquidated or non-liquidated, of the person entitled to receive the dividend. Any dividend unclaimed within the period of seven years from the date stipulated for its payment shall be forfeited and returned to us, unless otherwise directed by our Board. In the event of the winding up of Ellomay, then, after satisfaction of liabilities to creditors and subject to provisions of any applicable law and to any special or restricted rights attached to a share, our assets in excess of our liabilities will be distributed among the shareholders in proportion to the paid-up capital attributable to the shares in respect of which the distribution is being made. Dividend and liquidation right may be affected by the grant of preferential dividends or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Redemption Provisions

We may, subject to any applicable law, issue redeemable securities and then redeem them.

Liability to Capital Calls

The liability of our shareholders for the indebtedness of the Company is limited to payment of the nominal value of the shares held by them.

Certain Transactions with Controlling Persons

No provision in the Articles discriminates against an existing or prospective holder of securities, as a result of such shareholder owning a substantial amount of shares. However, the Companies Law extends the disclosure requirements applicable to office holders as described in "Item 6.C: Board Practices," to a controlling shareholder in a public company. For purposes of the issues described in these paragraphs, the Companies Law defines a controlling shareholder a shareholder who can direct the activities of the company, including a person who holds 25% or more of the voting rights at the company's general meeting, provided there is no other person that holds more than 50% of the voting rights in such company. If two or more shareholders are interested parties in the same transaction, their shareholdings are combined for the purposes of calculating the percentages held by them. If two or more shareholders are parties to a voting agreement, their interests are also generally combined for the purposes of calculating percentages.

“Extraordinary Transactions” (as such term is defined by the Companies Law and as set forth in “Item 6.C: Board Practices”) of a public company with its controlling shareholder or with another person if the controlling shareholder has a personal interest in such transaction, including certain private offering of securities in which the controlling shareholder has a personal interest, a transaction between a company and a controlling shareholder or her or his relative, directly or indirectly, including through a company controlled by her or him, relating to the receipt by the company of services from her or him, and, if such controlling shareholder or her or his relative are office holders, a transaction in connection with their Terms of Service and Employment or, if he or she is an employee of the company and not an office holder, a transaction of the company with such person in connection with his or her employment by the company, all require the approval of the audit committee, the board of directors and the shareholders. The shareholders' approval of such a transaction requires a simple majority approval and the fulfillment of one of the following conditions: (i) at least a majority of the votes cast by shareholders who have no personal interest in the transaction and who vote on the matter are voted in favor of the transaction, or (ii) the votes cast by shareholders who have no personal interest in the transaction voted against the transaction do not represent more than two percent of the voting rights in the company. In addition, any such transaction with a term that exceeds three years requires approval as described above every three years, unless (with respect only to extraordinary transactions and not to other transactions that require the special approval process) the audit committee approves that a longer term is reasonable under the circumstances. For more information concerning the roles of the audit committee in connection with related party transactions, including a recent amendment to the Companies Law, see “Item 6.C: Board Practices” under “Audit Committee.” For more information concerning the approval process and requirements in connection with the Terms of Service and Employment of controlling shareholders and their relatives see “Item 6.B: Compensation.”

Pursuant to the Companies Regulations (Relief from Related Party Transactions), 2000, promulgated under the Companies Law, or the Relief Regulations, certain extraordinary transactions between a company and its controlling shareholder(s), certain undertakings of a company to its directors in connection with their terms of service and certain transactions between a company and its controlling shareholder(s) or their relatives in their capacity as office holders or employees of the company may be approved, if the conditions set forth in such regulations are met, without the requirement to obtain shareholder approval. The Relief Regulations require that the company’s audit committee and board of directors determine that the conditions set forth in the Relief Regulations are met. One of the alternative conditions for approving an extraordinary transaction with a controlling shareholder is that such transaction only benefits the company. Another available condition is that the transaction is in the ordinary course of business, on market terms, and does not harm the company. The relief provided by the Relief Regulations will not be available if one or more shareholders holding at least 1% of the issued and outstanding share capital of the company or of the company’s voting rights objects to the use by the company of such relief, provided that such objection is submitted to the company in writing not later than fourteen (14) days from the date in which the company reported the adoption of the resolution pursuant to the Relief Regulations to its shareholders. If such objection is duly and timely submitted, then the transaction or compensation arrangement will require shareholders’ approval as detailed above.

Changing Rights Attached to Shares

According to our Articles, in order to change the rights attached to any class of shares, unless otherwise provided by the terms of the class, such change must be adopted by a general meeting of the shareholders and by a separate general meeting of the holders of the affected class by the majority that is generally required for the amendment of the Articles or, if higher, the Memorandum. The provisions of the Articles relating to General Meetings of our shareholders shall apply, mutatis mutandis, to any separate General Meeting of the holders of the shares of a specific class; provided, however, that the requisite quorum at any such separate General Meeting shall be one or more members present in person or by proxy and holding not less than thirty three and one third percent (33 1/3%) of the issued shares of such class.

Pursuant to the Companies Law, the quorum requirement for General Meetings and for separate General Meetings for holders of a specific class may be satisfied with the presence of at least two members present in person or by proxy and holding not less than 25% of the outstanding shares, or the shares of such class, as the case may be.

Annual and Extraordinary Meetings of our Shareholders

Pursuant to the Companies Law, an annual meeting of shareholders must be held once in every calendar year at such time (within a period of not more than fifteen months after the preceding annual meeting) and at such place as may be determined by the board of directors. The board of directors may, at any time, convene extraordinary general meetings of shareholders, and shall be obligated to do so upon receipt of a requisition in writing from any of the following: (i) two directors or one quarter of the directors holding office; (ii) one or more shareholders holding at least 5% of the issued capital and at least 1% of the voting rights in the Company; or (iii) one or more shareholders holding at least 5% of the voting rights in the Company. A requisition must detail the objects for which the meeting must be convened and shall be signed by the persons requisitioning it and sent to the Company's registered office. When the board of directors is required to convene a special meeting, it shall do so within 21 days of the requisition being submitted. In the event the board of directors does not convene the extraordinary meeting despite the receipt of a valid requisition, the persons requisitioning the meeting may convene the meeting themselves, provided that such meeting shall not be held more than three months following the delivery of the requisition and will be convened, to the extent possible, in the same manner as general meetings are convened by the board of directors.

Prior to any general meeting a written notice thereof shall be made public as required by Israeli law. The Articles provide that we shall not be required to deliver notice to each shareholder, except as may be specifically required by Israeli law. The Articles further provide that a notice by us of a general meeting that is published in one international wire service shall be deemed to have been duly given on the date of such publication.

Two or more members present in person or by proxy and holding shares conferring in the aggregate more than 25% of the total voting power attached to our shares shall constitute a quorum at general meetings. If a meeting is adjourned due to the lack of a quorum, any two shareholders, present in person or by proxy at the subsequent adjourned meeting, will constitute a quorum. Unless provided otherwise by the terms of issue of the shares, no member shall be entitled to be present or vote at a general meeting (or to be counted as part of the quorum) unless all amounts due as of the date designated for same general meeting with respect to his shares were paid. A resolution shall be deemed adopted if the requisite quorum is present and the resolution is supported by members present, in person or by proxy, vested with more than fifty percent (50%) of the total voting power attached to the shares whose holders were present, in person or by proxy, at such meeting and voted thereon, or such other percentage required by law or set forth in the Articles from time to time.

Limitations on the Rights to Own Securities in Our Company

Our Memorandum of Association and Articles and the laws of the State of Israel do not restrict in any way the ownership or voting of ordinary shares by non-residents, except that shares held by citizens of countries which are in a state of war with Israel will not confer any rights to their holders unless the Ministry of Finance consents otherwise.

Anti-takeover Provisions; Mergers and Acquisitions under Israeli Law

The Companies Law permits merger transactions with the approval of each party’s board of directors and generally requires shareholder approval as well. A merger with a wholly owned subsidiary does not require approval of the target company’s shareholders. A merger does not require approval of the surviving company’s shareholders if: (i) the merger does not require the adoption of amendments to the surviving company’s memorandum of association or articles and (ii) the surviving company does not issue more than 20% of its voting power in connection with the merger and as a result of the issuance no shareholder would become a controlling shareholder (for this purpose any securities convertible into shares of the surviving company that such person holds or that are issued to him in the course of the merger are deemed to have been converted or exercised). Shareholder approval of the surviving company would nevertheless be required if the other party to the merger, or a person holding more than 25% of the outstanding voting shares or means of appointing the board of directors of the other party to the merger, holds any shares of the surviving company. In accordance with the Companies Law, our Articles provide that a merger may be approved at a shareholders meeting by a majority of the voting power represented at the meeting, in person or by proxy, and voting on that resolution. The Companies Law provides that in determining whether the required majority has approved the merger, shares held by the other party to the merger, any person holding at least 25% of the outstanding voting shares or means of appointing the board of directors of the other party to the merger, or the relatives or companies controlled by these persons, are excluded from the vote. As described above, our Articles currently provide, under certain circumstances, including a merger of the Company, that two directors may require that, in addition to the majority prescribed by the Companies Law, a merger be approved by a resolution supported by shareholders present, in person or by proxy, vested with at least 50.1% of our outstanding shares. For additional voting requirements that may apply to us pursuant to Article 25.5 of our Articles in connection with a proposed merger see “Rights of Shareholders” above.

Under the Companies Law, a merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that a merger proposal was filed with the Israeli Registrar of Companies and 30 days have passed from the shareholder approval of the merger in each merging company.

The Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 25% or greater shareholder of the company. This rule does not apply if there is already another 25% or greater shareholder of the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would hold greater than a 45% interest in the company, unless there is another shareholder holding more than a 45% interest in the company. These requirements do not apply if, in general, the acquisition: (1) was made in a private placement that received shareholder approval as a private placement and was meant to grant the purchaser 25% or more of the voting rights of a company in which no other shareholder holds 25% or more of the voting rights, or to grant the purchaser more than 45% of the voting rights of a company in which no other shareholder holds more than 45% of the voting rights, (2) was from a 25% or greater shareholder of the company which resulted in the acquiror becoming a 25% or greater shareholder of the company, or (3) was from a shareholder holding more than a 45% interest in the company which resulted in the acquiror becoming a holder of more than a 45% interest in the company.

If, as a result of an acquisition of shares, the acquiror will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares, or a full tender offer. A full tender offer is accepted if either: (i) holders of less than 5% of the outstanding shares do not accept the tender offer and more than half of the offerees who do not have a personal interest in accepting the tender offer accepted it, or (ii) holders of less than 2% of the outstanding shares do not accept the tender offer. If the full tender offer is not accepted, then the acquiror may not acquire shares in the tender offer that will cause his shareholding to exceed 90% of the outstanding shares.

The Companies Law provides for appraisal rights in the event a full tender offer is accepted if the shareholder files a request with the court within six months following the consummation of a full tender offer. The acquirer may provide in the tender offer documents that any shareholder that accepted the offer and tendered his shares will not be entitled to appraisal rights.

Duties of Shareholders and of Controlling Shareholders

Under the Companies Law, a shareholder has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his or her power in the company including, among other things, when voting in a general meeting of shareholders or in a class meeting on the following matters:

- any amendment to the articles;
- an increase in the company's authorized share capital;
- a merger; or
- approval of related party transactions that require shareholder approval.

A shareholder also has a general duty to refrain from depriving any other shareholders of their rights as shareholders.

In addition, a duty to act with fairness towards the company is imposed on: (i) anyone who controls a company, i.e. a person that has the ability to direct the activity of a company, excluding an ability deriving merely from holding an officer or director or another office in the company (a person shall be presumed to control a corporation if he or she holds half or more of certain means of control, i.e. rights to vote at a general meeting and the right to appoint directors or general manager), (ii) any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and (iii) any shareholder who has the power to appoint or prevent the appointment of an office holder in the company. The Companies Law does not describe the substance of this duty of fairness.

C. Material Contracts

Management Services Agreement with Kanir and Meisaf

At the annual shareholders meeting held on December 30, 2008, our shareholders approved the terms of a management services agreement among us, Kanir and Meisaf, effective as of March 31, 2008, or the Management Services Agreement.

The Management Services Agreement provides, among other things, that Meisaf and Kanir, through their employees, officers and directors, will assist us in connection with the process of identifying and evaluating opportunities to acquire operations, otherwise provide us with management services and advise and provide assistance to our management concerning our affairs and business. It is further agreed that the management services will be provided primarily by Messrs. Nehama, Fridrich and Raphael.

In addition, the Management Services Agreement notes that Kanir's and Meisaf's representatives on our Board of Directors, Messrs. Nehama, Fridrich and Raphael, or other affiliates of such entities, serve and will continue to serve on our Board of Directors. In providing the Board services, the directors and the Chairman of the Board will be subject to any and all fiduciary and other duties applicable to them under law and under our Articles and they are required to dedicate as much time as reasonably necessary for the proper performance of such services.

In consideration of the performance of the management services and the Board services, we have agreed to pay to Meisaf and Kanir, in equal parts, an aggregate annual fee in the amount of $250,000, to be paid on a quarterly basis. Such annual fee was increased to $400,000 at the 2013 Shareholders Meeting. Meisaf and Kanir will also be entitled to receive reimbursement for reasonable out-of-pocket business expenses borne by them in connection with the provision of the services, as customary in the Company. In connection with the Management Services Agreement, the Board representatives of Kanir and Mr. Nehama waived any director fees and options to purchase our ordinary shares they may be entitled to as a result of their service on our Board. In addition, Mr. Fridrich, who first served as our Interim Chief Executive Officer and is now our Chief Executive Officer, serves as our Chief Executive Officer since January 2009 as part of the management services provided pursuant to the Management Services Agreement, and agreed not to receive any additional compensation or other benefits beyond the fees paid in connection with the Management Services Agreement.

The Management Services Agreement was initially in effect until the earlier of: (i) the second anniversary of the effective date of the Agreement (March 31, 2010) or (ii) the termination of service of either of the Kanir and Nechama Investments affiliates on our Board of Directors. However, our Audit Committee, Board of Directors and finally our shareholders, at the annual meetings of shareholders held on December 30, 2009 and on December 22, 2010, approved a one-year extension to the Management Services Agreement. A further three-year extension was approved by our Audit Committee, Board and our shareholders at our annual meeting of shareholders held on December 20, 2011. At our 2013 Shareholders Meeting, following the approval of our Audit Committee, Compensation Committee and Board, our shareholders approved a further extension of the term of the Management Services Agreement and the revision of its termination provision, so that it shall remain in effect until the earlier of: (i) June 17, 2016, (ii) the termination of service of either of the Kanir and Nechama Investments affiliates on our Board of Directors, or (iii) a date that is six (6) months following the delivery of a written termination notice by Meisaf and Kanir to the Company or by the Company to Meisaf and Kanir. Any revision or amendment of the Management Services Agreement, or extension of its term, will require the approvals set forth under applicable law and our Articles.

The foregoing description of the Management Agreement is only a summary and does not purport to be complete and is qualified by reference to the full text of the Management Agreement filed by us as Exhibit 4.6 and the amendment to the Management Agreement filed by us as Exhibit 4.23 under Item 19.

Agreements in connection with the Investment in Dori Energy

Summaries of the material agreements executed in connection with our investment in Dori Energy are included as Exhibits 4.15, 4.16 and 4.17 under Item 19, a summary of the Dori Addendum is included in "Item 4.B: Business Overview" and updates in connection with the Discount Agreement are included in "Item 5.B: Liquidity and Capital Resources."

Series A Deed of Trust

For a description of our debt agreements, including the Series A Deed of Trust governing our Series A Debentures, see "Item 5.B Operating and Financial Review and Prospects – Liquidity and Capital Resources."

The descriptions of the Series A Deed of Trust is only a summary and does not purport to be complete and is qualified by reference to the convenience translation of the Series A Deed of Trust filed by us as Exhibit 4.28 under Item 19.

D. Exchange Controls

Dividends, if any, paid by us to the holders of our ordinary shares, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our ordinary shares to an Israeli resident, may be paid in non-Israeli currency. If these amounts are paid in Israeli currency, they may be converted into U.S. dollars at the rate of exchange prevailing at the time of conversion. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The State of Israel does not restrict in any way the ownership or voting of ordinary shares of Israeli entities by non-residents of Israel, except with respect to subjects of countries that are in a state of war with Israel. In addition, there are currently no limitations on our ability to import and export capital.

E. Taxation

Israeli Taxation

The following is a summary of the material Israeli tax consequences and Israeli foreign exchange regulations as they relate to our shareholders and us. To the extent that the discussion is based on new tax or other legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax or other authorities in question. **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.**

General Corporate Tax Structure

On July 14, 2009, the Knesset passed the Economic Efficiency Law (Legislation Amendments for Implementation of the 2009 and 2010 Economic Plan) – 2009, which provided, inter alia, a gradual reduction in the company tax rate to 18% as from the 2016 tax year. In accordance with the aforementioned amendments, the company tax rate in 2010 and 2011 was 25% and 24%, respectively.

On December 5, 2011 the Knesset approved the Law to Change the Tax Burden (Legislative Amendments) – 2011. According to the law the tax reduction that was provided in the Economic Efficiency Law, as aforementioned, was cancelled and the company tax rate will be 25% as from 2012.

On August 5, 2013 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.

Capital Gains Tax on Sales of Our Ordinary Shares

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder’s country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain, which is equivalent to the increase of the relevant asset’s purchase price, which is attributable to the increase in the Israeli consumer price index 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.

Taxation of Israeli Residents

The tax rate applicable to capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain will generally be taxed at a rate of 30%. Additionally, if such shareholder is considered a “significant shareholder” at any time during the 12-month period preceding such sale (i.e., such shareholder holds directly or indirectly, including jointly with others, at least 10% of any means of control in the company) the tax rate will be 30%. Israeli companies are subject to the corporate tax rate on capital gains derived from the sale of shares, unless such companies were not subject to the Adjustments Law (or certain regulations) at the time of publication of the aforementioned amendment to the Tax Ordinance, in which case the applicable tax rate is 25%. However, different tax rates may apply to dealers in securities and shareholders who acquired their shares prior to an initial public offering.

Taxation of Non-Israeli Residents

Non-Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock market outside of Israel, provided such shareholders did not acquire their shares prior to the issuer's initial public offering and that the gains did not derive from a permanent establishment of such shareholders in Israel and that such shareholders are not subject to the Inflationary Adjustments Law. However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding ordinary shares as a capital asset is also exempt from Israeli capital gains tax under the U.S.-Israel Tax Treaty unless either (i) the shareholder holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the shareholder located in Israel. If the above conditions are not met, the U.S. resident would be subject to Israeli tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, the gain would be treated as foreign source income for United States foreign tax credit purposes and such U.S. resident would be permitted to claim a credit for such taxes against the United States income tax imposed on such sale, exchange or disposition, subject to the limitations under the United States federal income tax laws applicable to foreign tax credits.

U.S. Tax Considerations Regarding Ordinary Shares

The following is a general summary of the material United States federal income tax consequences relating to the acquisition, ownership and disposition of our ordinary shares by an investor that holds those shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. The summary is based on the tax laws of the United States, and existing final, temporary and proposed Treasury Regulations, Revenue Rulings and judicial decisions, as in effect on the date hereof, all of which are subject to prospective and retroactive changes, and to differing interpretations. The summary does not purport to address all federal income tax consequences that may be relevant to particular investors, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks and financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, investors liable for alternative minimum tax, investors that own or are treated as owning 10% or more of our voting stock, investors that hold ordinary shares as part of a straddle, hedge, conversion transaction or other integrated transaction, U.S. expatriates and investors whose functional currency is not the U.S. dollar) may be subject to special tax rules. ACCORDINGLY, PERSONS CONSIDERING THE PURCHASE OF ORDINARY SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF UNITED STATES FEDERAL INCOME TAX LAWS, AS WELL AS THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION, TO THEIR PARTICULAR SITUATIONS.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of shares of our ordinary shares that, for U.S. federal income tax purposes, is:

(1) an individual citizen or resident of the United States,

(2) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes organized in or under the laws of the United States or any political subdivision thereof,

(3) an estate the income of which is subject to U.S. federal income tax without regard to its source, or

(4) a trust, if such trust was in existence on August 20, 1996 and has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, or if (a) a court within the U.S. can exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. tax purposes) is a beneficial owner of shares of our ordinary shares, the U.S. tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of shares of our ordinary shares that is a partnership and partners in such partnership should consult their individual tax advisors about the U.S. federal income tax consequences of holding and disposing of shares of our ordinary shares.

A “Non-U.S. Holder” is any beneficial owner of our ordinary shares that is not a U.S. Holder and is not a partnership (or its partners).

Taxation of U.S. Holders

Distributions on Ordinary Shares. Subject to the discussion in “Passive Foreign Investment Companies” below, distributions made by us with respect to ordinary shares generally will constitute dividends for federal income tax purposes and will be taxable to a U.S. Holder as a dividend to the extent of our undistributed current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of our current and accumulated earnings and profits will be treated first as a nontaxable return of capital reducing the U.S. Holder’s tax basis in the ordinary shares, thus increasing the amount of any gain (or reducing the amount of any loss) which might be realized by such Holder upon the sale or exchange of such ordinary shares. Any such distributions in excess of the U.S. Holder’s tax basis in the ordinary shares will be treated as capital gain to the U.S. Holder and will be either long term or short term capital gain depending upon the U.S. Holder’s federal income tax holding period for the ordinary shares. Dividends paid by us generally will not be eligible for the dividends received deduction available to certain United States corporate shareholders under Code Sections 243 and 245. If you are a noncorporate U.S. Holder, dividends paid to you will be taxable to you at a maximum rate of 20% provided that you hold ordinary shares for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date and meet other holding period requirements.

A dividend paid in New Israeli Shekel will be included in gross income in a U.S. dollar amount based on the Israeli NIS/U.S. dollar exchange rate in effect on the date the dividend is included in the income of the U.S. Holder, regardless of whether the payment, in fact, is converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S. source ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income.

Subject to certain conditions and limitations, any Israeli withholding tax imposed upon distributions which constitute dividends under United States income tax law will be eligible for credit against a U.S. Holder's federal income tax liability. Alternatively, a U.S. Holder may claim a deduction for such amount, but only for a year in which a U.S. Holder elects to do so with respect to all foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed with respect to our ordinary shares will generally constitute "passive income."

Sale or Exchange of Ordinary Shares. Subject to the discussion in "Passive Foreign Investment Companies" below, a U.S. Holder of ordinary shares generally will recognize capital gain or loss upon the sale or exchange of the ordinary shares measured by the difference between the amount realized and the U.S. Holder's tax basis in the ordinary shares. Gain or loss will be computed separately for each block of shares sold (shares acquired separately at different times and prices). The deductibility of capital losses is restricted and generally may only be used to reduce capital gains to the extent thereof. However, individual taxpayers generally may deduct annually $3,000 of capital losses in excess of their capital gains.

Medicare Contribution. Beginning after December 31, 2012, high-income individuals, estates and trusts generally will be subject to a 3.8% Medicare tax (in addition to otherwise applicable federal income tax) on their investment income and gain, with limited exceptions. You should consult with your tax advisor regarding the effect, if any, of this tax on your ownership and disposition of our ordinary shares.

Passive Foreign Investment Company. A foreign corporation generally will be treated as a "passive foreign investment company," or PFIC, if, after applying certain "look-through" rules, either (i) 75% or more of its gross income is passive income or (ii) 50% or more of the average value of its assets is attributable to assets that produce or are held to produce passive income. Passive income for this purpose generally includes dividends, interest, rents, royalties and gains from securities and commodities transactions. The look-through rules require a foreign corporation that owns at least 25%, by value, of the stock of another corporation to treat a proportionate amount of assets and income as held or received directly by the foreign corporation. We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. The determination of whether or not we are a PFIC depends on the composition of our income and assets, including goodwill, from time to time.

Based on our income and/or assets, we believe that we were a PFIC from 2008 through 2012. Since PFIC shares are subject to the PFIC rules even in future years in which we are no longer a PFIC, our ordinary shares will be PFIC shares with respect to any U.S. shareholder that held our shares in 2008 through 2012. Based on our income and assets, we do not believe that we were a PFIC for 2013. However, because the determination of whether we are, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to various interpretations, there is a risk that the the Internal Revenue Service may disagree with our determinations regarding our prior or present PFIC status. In addition, depending on future events, we could become a PFIC in future years.

U.S. Holders who own our ordinary shares during the taxable year in which we are a PFIC generally will be subject to increased U.S. tax liabilities and reporting requirements for that taxable year and all succeeding years, regardless of whether we continue to meet the income or asset test for PFIC status, although shareholder elections may apply in certain circumstances. U.S. Holders should consult their own tax advisors regarding our status as a PFIC and the consequences of investment in a PFIC.

If we are a PFIC for any taxable year during which you hold ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ordinary shares will be treated as an excess distribution. Under these special tax rules:

(1) the excess distribution or gain will be allocated ratably over your holding period for the ordinary shares,

(2) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and

(3) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of the ordinary shares cannot be treated as capital, even if you hold the ordinary shares as capital assets.

You may not avoid taxation under the rules described above by making a "qualified electing fund" election to include your share of our income on a current basis because we do not presently intend to prepare or provide information necessary to make such election.

Alternatively, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election for stock of a PFIC to elect out of the tax treatment discussed three paragraphs above. If you make a mark-to-market election for the ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ordinary shares as of the close of your taxable year over your adjusted basis in such ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ordinary shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the stock included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ordinary shares, as well as to any loss realized on the actual sale or disposition of the ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ordinary shares. Your basis in the ordinary shares will be adjusted to reflect any such income or loss amounts. The tax rules that apply to distributions by corporations which are not passive foreign investment companies generally would apply to distributions by us.

The mark-to-market election is available only for stock which is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on Nasdaq, or an exchange or market that the U.S. Secretary of the Treasury determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Please consult your tax advisor as to the availability of the mark-to-market election, based on the exchange on which we trade and the amount of trading of our shares, and the tax ramifications of such election (including the special rules that may apply to the gain realized in the year of the election).

Please consult your tax advisor as to the availability of the mark-to-market election, and the tax ramifications of such election (including the special rules that may apply to the gain realized in the year of the election).

Dividends paid by a PFIC (or by a company that was a PFIC in the year preceding the dividend) are not "qualified dividend income" for purposes of the preferential tax rate on dividends discussed above.

Special limitations may apply to use of foreign tax credits arising in connection with distributions on PFIC shares as to which you should consult your tax advisor.

If you hold ordinary shares in any year in which we are a PFIC, you would be required to file Internal Revenue Service Form 8621 regarding distributions received on the ordinary shares and any gain realized on the disposition of the ordinary shares as well as under certain other circumstances.

Annual reporting will be required by every PFIC shareholder when Treasury regulations are published. Please consult your tax advisor regarding your PFIC shareholder reporting obligation in connection with your investment.

United States return disclosure obligations (and related penalties) are imposed on U.S. individuals who hold certain specified foreign financial assets in excess of certain dollar thresholds. The definition of specified foreign financial assets would include our ordinary shares, unless they are held in an account at a domestic financial institution. Please consult with your tax advisor regarding the requirements of filing IRS Form 8938 under these rules.

Taxation of Non-U.S. Holders

Distributions on Ordinary Shares. Distributions made with respect to our ordinary shares to non-U.S. Holders who are not engaged in the conduct of a trade or business within the United States generally will not be subject to United States withholding tax.

Sale or Exchange of Ordinary Shares. A non-U.S. Holder will not be subject to United States federal income tax on any gain realized upon the sale or exchange of ordinary shares unless (i) the gain is effectively connected with a trade or business in the United States of the non-U.S. Holder, or (ii) the non-U.S. Holder is an individual who was present in the United States for 183 days or more in the taxable year of the disposition and other conditions exist.

United States Business. Dividends and gains that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States generally will be subject to tax in the same manner as they would be for U.S. Holder. Effectively connected dividends and gains received by a corporate Non-U.S. Holder may also be subject to an additional branch profits tax at a 30% rate or a lower tax treaty rate.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of our ordinary shares or the proceeds received on the sale, exchange or redemption of our ordinary shares paid within the United States (and in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients, such as corporations, and backup withholding tax may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number or to report interest and dividends required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as credit against the U.S. Holder's U.S. federal income tax liability provided that the appropriate returns are filed.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status to the payor, under penalties of perjury, on IRS Form W-8BEN.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We are subject to certain of the reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Exchange Act, as applicable to "foreign private issuers" as defined in Rule 3b-4 under the Exchange Act. As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act, and transactions in our equity securities by our officers and directors are exempt from reporting and the "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 as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We also submit to the Securities and Exchange Commission reports on Form 6-K containing (among other things) press releases and unaudited financial information. We post our annual report on Form 20-F on our website (http://www.ellomay.com) promptly following the filing of our annual report with the Securities and Exchange Commission. The information on our website is not incorporated by reference into this annual report.

Any statement in this report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this report or any of our annual reports or to a registration statement or other documents filed by us, the contract or document is deemed to modify the description contained in this report. You must review the exhibits themselves for a complete description of the contract or document. In the event any of the documents that are filed as exhibits to our annual reports are not in English, the original language version is on file in our offices and is available upon request.

You may review a copy of our filings with the SEC, including exhibits and schedules, and obtain copies of such materials at the SEC's public reference room at Room 1580, 100 F Street, N.E, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that we file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services. Our filings commencing October 2013 may also be found at the TASE's website at http://maya.tase.co.il and at the Israeli Securities Authority's website at http://www.magna.isa.gov.il.

I. Subsidiary Information

Not applicable.

ITEM 11: Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of risks, including foreign currency fluctuations and changes in interest rates. We regularly assess currency and interest rate risks to minimize any adverse effects on our business as a result of those factors and periodically use hedging transactions in order to attempt to limit the impact of such changes.

We hold cash and cash equivalents, restricted cash and short-term deposits in various currencies, including US$, Euro and NIS. Our investments in the Italian and Spanish PV Plants and in Dori Energy are denominated in Euro and NIS and the financing we have obtained in connection with six of our PV Plants bears interest that is based on EURIBOR rate.

Inflation and Fluctuation of Currencies

As the functional currency of our investment in the Italian and Spanish PV Plants is EUR, in order to manage the foreign exchange risk resulting from our PV operations we executed several forward transactions, three of which were realized during 2012 - one of approximately 1 million Euro with the exchange rate of 1.332 EUR/USD, another of approximately 1.9 million Euro with the exchange rate of 1.328 EUR/USD and another of approximately 5 million Euro with the exchange rate of 1.26 EUR/USD. These forward transactions were closed as of December 31, 2012 and resulted in a gain of approximately $ 0.1 million. During August and September 2012 we executed several additional forward transactions in the aggregate of approximately 2.5 million Euro with the exchange rates ranging 1.256 – 1.289 EUR/USD. These forward transactions expired in February 2013 and resulted in a loss of approximately $0.17 million. For more information see "Item 5.A: Impact of Inflation and Fluctuation of Currencies."

Interest Rate

As noted under "Item 4.B: Business Overview," we entered into the Leasing Agreements with Leasint on December 30, 2010 , the Finance Agreement with Centrobanca on February 17, 2011, the Loan Agreement with Unicredit on December 20, 2011 and the financing agreement with Israel Discount Bank Ltd on June 20, 2011. The amounts received in connection with these Agreements are based on EURIBOR rate and therefore we may be affected by adverse movements in interest rates.

In order to manage and limit the interest-rate risk resulting from financing secured or about to be secured from local financing institutions in Italy for our PV operations, we executed the following swap transactions:

A Euro 8 million interest swap transaction with a decreasing notional principle amount based on the amortization table. The interest swap transaction is for a period of 17 years, amortized semi-annually (Euro 250,000) every payment date commencing on March 7, 2011, whereby we are the fixed rate payer (the fixed rate is set at 2.67%) and the financing institute is the floating rate payer.

A Euro 10 million interest swap transaction with a decreasing notional principle amount based on the amortization table. The interest swap transaction is for a period of 17 years, amortized quarterly (Euro 149,253.73) every payment date commencing on October 3, 2011, whereby we are the fixed rate payer (the fixed rate is set at 3.595%) and the financing institute is the floating rate payer.

A Euro 3.75 million interest swap transaction. The interest swap transaction is for a period of 15 years, semi-annually. Every payment date commencing on June 30, 2012, whereby we are the fixed rate payer (the fixed rate is set at 2.53%).

In February 2012, a Euro 5.046 million interest swap transaction, with a decreasing notional principle amount based on the amortization table. The interest swap transaction is for a period of 18 years, semi-annually. Every payment date commencing on June 30, 2012 and until December 31, 2016, whereby we are the fixed rate payer (the fixed rate is set at 1.723%). Every payment date commencing on December 31, 2016 and until December 31, 2029, whereby we are the fixed rate payer (the fixed rate is set at 3.353%).

Sensitivity analysis

A change as of December 31, 2013 in the exchange rates of the following Euro against the USD, as indicated below would have increased (decreased) profit or loss and equity by the amounts shown below (after tax). This analysis is based on foreign currency exchange rate that we considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2013	
	Increase	Decrease
	Profit or loss	Profit or loss
	US$ thousands	
Change in the exchange rate of:		
5% in the Euro	(1,209)	1,209
5% in NIS	873	(873)

A change in interest rate would have increased (decreased) profit or loss by the amounts shown below:

	December 31, 2013	December 31, 2012	December 31, 2011
	Profit or loss	Profit or loss	Profit or loss
	US$ thousands	US$ thousands	US$ thousands
Increase of 1%	280	198	99
Increase of 3%	849	749	298
Decrease of 1%	(292)	(344)	(99)
Decrease of 3%	(861)	(653)	(239)

The goal of our hedging transactions as detailed above is to limit the impact of exchange rate and interest rate fluctuations on our transactions denominated in U.S. dollars, Euros or NIS. We do not hold derivative financial instruments for trading purposes. Nevertheless, under IFRS, we are required to treat our hedges as though they were speculative investments. As a result, we are required to value these hedge positions at the end of each fiscal period and record a gain or loss equal to the difference in their market value from the last balance sheet date. Accordingly, these differences could result in significant fluctuations in our reported net income. We will consider executing further hedging transactions in the future.

We do not otherwise believe the disclosure required by Item 11 of this report to be material to us.

ITEM 12: Description of Securities Other Than Equity Securities

Not Applicable.

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

Not Applicable.

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

ITEM 15: Controls and Procedures

(a) Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report, have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that the information required in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, our management used the criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2013, our internal control over financial reporting is effective based on those criteria.

(c) Attestation Report of the Registered Public Accounting Firm

Not Applicable.

(d) 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, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16: [Reserved]

ITEM 16A: Audit Committee Financial Expert

In February 2010, our Board determined that it has at least one Audit Committee financial expert, as defined in Item 16A of Form 20-F, serving on the Audit Committee. Barry Ben Zeev has been designated as the Audit Committee financial expert and was also determined to be "independent" under the applicable SEC and NYSE MKT regulations.

ITEM 16B: Code of Ethics

We adopted a code of business conduct and ethics which is applicable to all of our officers, directors and employees, including our principal executive, financial and accounting officers and persons performing similar functions, or the Code of Ethics.

The Code of Ethics, in its current form, is posted on our website at the following web address: http://www.ellomay.com/files/company/code_of_conduct.pdf. We will provide a copy of the Code of Ethics to any person, without charge, upon written request addressed to our Chief Financial Officer at our office in Tel Aviv, Israel.

ITEM 16C: Principal Accountant Fees and Services

Fees paid to the Independent Registered Public Accounting Firm

Somekh Chaikin, an independent registered public accounting firm and a member of KPMG International, served as our principal independent registered public accounting firm since December 2011.

The following table sets forth, for each of the years indicated, the aggregate fees paid for professional audit services and other services rendered by our principal independent registered public accounting firms.

	2013	2012
	(US$ in thousands)	
Audit Fees(1)	$ 207	$ 87
Audit-Related Fees(2)	$ 32	--
Tax Fees(3)	$ 23	$ 32
All Other Fees	-	--
Total	$ 239	$ 119

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(1) Professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements or services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements.
(2) Professional services related to due diligence investigations.
(3) Professional services rendered by our independent registered public accounting firm for international and local tax compliance, tax advice services and tax planning.

Audit Committee's pre-approval policies and procedures

Our Audit Committee nominates and engages our registered public accounting firm to audit our financial statements. See also the description under the heading in "Item 6.C: Board Practices." In July 2003, our Audit Committee also adopted a policy requiring management to obtain the Audit Committee's approval before engaging our independent auditors worldwide to provide any other audit or permitted non-audit services to us. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the Audit Committee pre-approves all specific audit and non-audit services and related fees in the categories audit service, audit-related service and tax services that may be performed by our independent auditors worldwide.

ITEM 16D: Exemptions from the Listing Standards for Audit Committees

Not Applicable.

ITEM 16E: Purchase of Equity Securities by the Company and Affiliated Purchasers

Not Applicable.

ITEM 16F: Change in Registrant's Certifying Accountants

Not Applicable.

ITEM 16G: Corporate Governance

NYSE MKT Company Guide and Home Country Laws

Section 110 of the NYSE MKT Company Guide provides that the NYSE MKT will consider the laws, customs and practices of an issuer's country of domicile, to the extent not contrary to the federal securities laws, regarding such matters as: (i) the election and composition of the board of directors; (ii) the issuance of quarterly earnings statements; (iii) shareholder approval requirements; and (iv) quorum requirements for shareholder meetings. If we wish to seek relief under these provisions we are required to provide written certification from independent local counsel that the non-complying practice is not prohibited by our home country law.

Our corporate governance practices currently differ from those followed by U.S. companies listed on the NYSE MKT in connection with the quorum required for shareholders meetings. While the NYSE MKT Company Guide requires a quorum for shareholder meetings of at least 33-1/3% of our outstanding ordinary shares, our Articles, as permitted by the Companies Law, provide for a quorum of two or more shareholders holding more than 25% of the total voting power attached to our shares and for a quorum of any two shareholders, present in person or by proxy at the subsequent adjourned meeting. For more information concerning the quorum requirements for shareholders meetings and adjourned shareholders meetings see "Item 10.B: Memorandum of Association and Second Amended and Restated Articles."

In addition, under the Companies Law we may not be required to obtain shareholder approval for certain issuances of shares in excess of 20% of our outstanding shares, as would be required in certain circumstances by the NYSE MKT Company Guide. At this time, we do not have any intention to enter into any such transaction; however, we may in the future do so and opt to comply with the Companies Law, which may not require shareholder approval. Any such determination to follow the Companies Law's requirements rather than the standards applicable to U.S. companies listed on NYSE MKT will be made by us based on the circumstances existing at the time approval is required.

Controlled Company

By virtue of the 2008 Shareholders Agreement, we are a "controlled company" as defined in Section 801 of the NYSE MKT Company Guide. As a result, we are exempt from certain of the NYSE MKT corporate governance requirements, including the requirement that a majority of the board of directors be independent, the requirement applicable to the nomination process of directors and the requirements applicable to the determination or recommendation of executive compensation by a committee comprised of independent directors or by a majority of the independent directors. We follow the requirements of the Companies Law with respect to these issues, including the requirement that we appoint two external directors, all as more fully described in "Item 6.B: Compensation" and "Item 6.C: Board Practices."

If the "controlled company" exemptions would cease to be available to us under the NYSE MKT Company Guide, we may elect to follow "home country laws" (i.e. Israeli law) instead of some or all of the applicable NYSE MKT Company Guide requirements as described above.

ITEM 16H: Mine Safety Disclosure

Not Applicable.

PART III

ITEM 17: Financial Statements

Not Applicable.

ITEM 18: Financial Statements

See Financial Statements included at the end of this report.

ITEM 19: Exhibits

Number	Description
1.1	Memorandum of Association of the Registrant (translated from Hebrew), reflecting amendments through June 9, 2011*(1)
1.2	Second Amended and Restated Articles of the Registrant, reflecting amendments through June 20, 2012(1)
2.1	Specimen Certificate for ordinary shares(2)
4.1	1998 Share Option Plan for Non-Employee Directors(1)
4.2	2000 Stock Option Plan(1)
4.3	Form of Indemnification Agreement between the Registrant and its officers and directors(1)
4.4	Form of Exemption Letter between the Registrant and its officers and directors(1)
4.5	Form of Registration Rights Agreement, dated September 12, 2005, among the Registrant, certain investors, Bank Hapoalim, Bank Leumi and Israel Discount Bank(3)
4.6	Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., effective as of March 31, 2008(4)
4.7	Engineering Procurement & Construction Contract for the Construction of a Photovoltaic System in Cingoli, between Ellomay PV One S.R.L. and Ecoware S.p.A., dated March 4, 2010 (portions translated from Italian)(5)*
4.8	Engineering Procurement & Construction Contract for the Construction of a Photovoltaic System in Senigallia, between Ellomay PV One S.R.L. and Ecoware S.p.A., dated March 4, 2010 (portions translated from Italian)(5)*
4.9	Side Agreement, between Ellomay PV One S.R.L. and Ecoware S.p.A., dated March 5, 2010(6)
4.10	Giaché Building Right Agreement (summary of Italian version)(7)*
4.11	Massaccesi Building Right Agreement (summary of Italian version)(7)*
4.12	Settlement Agreement and Release, dated July 27, 2010, between Ellomay Capital Limited and Hewlett-Packard Company(7)
4.13	Troia 8 Building Right Agreement (summary of Italian version)(7)*
4.14	Troia 9 Building Right Agreement (summary of Italian version)(7)*
4.15	Investment Agreement, among U. Dori Group Ltd., U. Dori Energy Infrastructures Ltd. and Ellomay Clean Energy Ltd. , dated November 25, 2010 (summary of Hebrew version)(7)*
4.16	Shareholders Agreement, among U. Dori Group Ltd., Ellomay Clean Energy Ltd. and U. Dori Energy Infrastructures Ltd., dated November 25, 2010 (summary of Hebrew version)(7)*
4.17	Agreement, between U. Dori Energy Infrastructures Ltd. and Israel Discount Bank Ltd., dated January 26, 2011 (summary of Hebrew version)(7)*

Number	Description
4.18	Engineering Procurement & Construction Contract for the Construction of a Photovoltaic Plant, between Urbe Techno S.r.l. and Pedale S.r.l., dated March 25, 2011 (portions translated or summarized from Italian)(includes a summary of the Building Rights Agreement)(7)*
4.19	Acquafresca Building Right Agreement (summary of Italian version)(2)*
4.20	D'Angella Building Right Agreement (summary of Italian version)(2)*
4.21	Rinconada II Building Right Agreement (summary of Spanish version)(2)*
4.22	Directors and Officers Compensation Policy, adopted June 2013(8)
4.23	Amendment No. 1 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., dated June 18, 2013
4.24	Veneto PV Plants Framework Acquisition Agreement, dated March 28, 2013, as amended on May 2, 2013 (summary of German version)*
4.25	Soleco Building Right Agreement (summary of Italian version)*
4.26	Tecnoenergy Building Right Agreement (summary of Italian version)*
4.27	Warrant issued to Mr. Zohar Zisapel, dated August 7, 2013
4.28	Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., dated December 30, 2013 (translation of Hebrew version)*
8	List of Subsidiaries of the Registrant
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
13	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certification)
15.1	Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm
15.2	Consent of BDO

* The original language version is on file with the Registrant and is available upon request.

(1) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2012 and incorporated by reference herein.
(2) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2011 and incorporated by reference herein.
(3) Included in the Registrant's Form 6-K dated October 14, 2005 and incorporated by reference herein.
(4) Included in the Registrant's Form 6-K dated December 1, 2008 and incorporated by reference herein.
(5) Previously filed with Amendment No. 2 to the Registrant's Form 20-F for the year ended December 31, 2009 and incorporated by reference herein.
(6) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2009 and incorporated by reference herein.
(7) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2010 and incorporated by reference herein.
(8) Included in Exhibit 2 of the Registrant's Form 6-K dated May 13, 2013 and incorporated by reference herein.

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 sign this annual report on its behalf.

Ellomay Capital Ltd.

By: /s/ *Ran Fridrich*

Ran Fridrich
Chief Executive Officer and Director

Dated: March 31, 2014

Ellomay Capital Ltd. and its Subsidiaries

Consolidated Financial Statements
As at December 31, 2013

Consolidated Financial Statements as at December 31, 2013

Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Ellomay Capital Ltd.

We have audited the accompanying consolidated statements of financial position of Ellomay Capital Ltd. and its subsidiaries (hereinafter the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We did not audit the financial statements of a consolidated subsidiary which statements reflect total assets constituting 10 percent and, 8 percent and total revenues constituting 5 percent and, 6 percent in 2013 and 2012, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such company, is based solely on the report of the other auditors.

We conducted our audits 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

/s/ Somekh Chaikin

Somekh Chaikin
Certified Public Accountants (Isr.)
Member firm of KPMG International

Tel-Aviv, Israel
March 31, 2014

[BDO Auditores S.L. letterhead]

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Ellomay Capital Ltd.

We have audited the accompanying consolidated statement of financial position of Ellomay Spain, S.L. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statement of profit or loss and other comprehensive income (loss), consolidated changes in equity and consolidated cash flows for the year ended as of December 31, 2013 and for the six month period ended December 31, 2012. These consolidated financial statements are the responsibility of the Ellomay Spain, S.L. management. Our responsibility is to express an opinion on this consolidated financial statement 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 nor 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. An audit also includes 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 provide a reasonable basis for our opinion.

In our opinion the consolidated financial statement referred to above present fairly, in all material respects, the consolidated financial position of Ellomay Spain, S.L. and subsidiaries as of December 31, 2013 and 2012 and the consolidated results of its operations and its cash flow for the year ended as of December 31, 2013 and for the six month period ended December 31, 2012, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

/s/ BDO Auditores S.L.
BDO Auditores S.L.

Madrid, (Spain)
March 31, 2014

Consolidated Statements of Financial Position as at

	Note	December 31 2013	December 31 2012
		US$ in thousands	
Assets			
Current assets:			
Cash and cash equivalents	3	**7,238**	33,292
Short-term deposits		**5,153**	5,290
Restricted cash	4	**5,653**	8,085
Trade receivables		**134**	95
Other receivables and prepaid expenses	5	**4,357**	4,436
		22,535	51,198
Non-current assets			
Investment in equity accounted investee	6	**24,601**	19,198
Financial asset	6	**389**	485
Property, plant and equipment, net	7	**93,671**	53,860
Restricted cash and deposits	4	**4,315**	3,253
Other assets		**1,419**	746
		124,395	77,542
Total assets		**146,930**	128,740
Liabilities and Equity			
Current liabilities			
Loans and borrowings	9	**19,454**	7,044
Accounts payable		**2,154**	1,926
Accrued expenses and other payables	8	**5,311**	14,251
		26,919	23,221
Non-current liabilities			
Finance lease obligations	10	**6,814**	6,898
Long-term loans	11	**11,050**	11,680
Other long-term liabilities	12	**2,386**	3,827
		20,250	22,405
Total liabilities		**47,169**	45,626
Equity			
Share capital		**26,180**	26,180
Share premium		**76,932**	76,410
Treasury shares		**(522)**	(522)
Reserves		**4,154**	(1,884)
Accumulated deficit		**(7,011)**	(17,079)
Total equity attributed to shareholders of the Company		**99,733**	83,105
Non-Controlling Interest		**28**	9
Total equity		**99,761**	83,114
Total liabilities and equity		**146,930**	128,740

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Loss)

	Note	For the year ended December 31		
		2013	2012	2011
		US$ in thousands (except per share data)		
Revenues		**12,982**	8,890	6,114
Operating expenses	**17B**	**(2,381)**	(1,954)	(1,391)
Depreciation expenses	**17B**	**(4,021)**	(2,717)	(1,777)
Gross profit		**6,580**	4,219	2,946
General and administrative expenses	**17C**	**(3,449)**	(3,110)	(3,102)
Gain on bargain purchase	**6**	**10,237**	-	-
Capital loss, net		-	(394)	-
Operating Profit (Loss)		**13,368**	715	(156)
Financing income	**17A**	**204**	550	1,820
Financing income (expenses) in connection with derivatives, net	**17A**	**1,501**	(2,131)	(2,406)
Financing expenses	**17A**	**(4,201)**	(2,046)	(652)
Financing expenses, net		**(2,496)**	(3,627)	(1,238)
Company’s share of losses of investee accounted for at equity		**(540)**	(232)	(596)
Profit (loss) before taxes on income		**10,332**	(3,144)	(1,990)
Tax benefit (taxes on income)	**18**	**(245)**	1,011	1,018
Net income (loss) for the year		**10,087**	(2,133)	(972)
Income (Loss) attributable to:				
Shareholders of the Company		**10,068**	(2,110)	(972)
Non-controlling interests		**19**	(23)	-
Net income (loss) for the year		**10,087**	(2,133)	(972)
Other comprehensive income (loss)				
Items that are or may be reclassified to profit or loss:				
Foreign currency translation adjustments		**6,038**	1,620	(3,698)
Total other comprehensive income (loss)		**6,038**	1,620	(3,698)
Total comprehensive income (loss)		**16,125**	(513)	(4,670)
Basic and Diluted net earnings (loss) per share	**19**	**0.94**	(0.20)	(0.09)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company						Non-controlling interests	Total Equity
	Share capital	Share premium	Accumulated deficit	Treasury shares	Translation reserve from Foreign Operations	Total		
	US$ in thousands							
Balance as at January 1, 2013	**26,180**	**76,410**	**(17,079)**	**(522)**	**(1,884)**	**83,105**	**9**	**83,114**
Profit for the year	**-**	**-**	**10,068**	**-**	**-**	**10,068**	**19**	**10,087**
Other comprehensive income	**-**	**-**	**-**	**-**	**6,038**	**6,038**	*****	**6,038**
Total comprehensive income	**-**	**-**	**10,068**	**-**	**6,038**	**16,106**	**19**	**16,125**
Transactions with owners of the Company, recognized directly in equity:								
Cost of share-based payments	**-**	**522**	**-**	**-**	**-**	**522**	**-**	**522**
Balance as at December 31, 2013	**26,180**	**76,932**	**(7,011)**	**(522)**	**4,154**	**99,733**	**28**	**99,761**
Balance as at January 1, 2012	26,180	76,403	(14,969)	(49)	(3,504)	84,061	-	84,061
Loss for the year	-	-	(2,110)	-	-	(2,110)	(23)	(2,133)
Other comprehensive income	-	-	-	-	1,620	1,620	*	1,620
Total comprehensive income	-	-	(2,110)	-	1,620	(490)	(23)	(513)
Transactions with owners of the Company, recognized directly in equity:								
Treasury shares	-	-	-	(473)	-	(473)	-	(473)
Cost of share-based payments	-	7	-	-	-	7	-	7
Non-controlling interests in respect of business combination	-	-	-	-	-	-	32	32
Balance as at December 31, 2012	26,180	76,410	(17,079)	(522)	(1,884)	83,105	9	83,114
Balance as at January 1, 2011	26,103	76,266	(13,997)	-	194	88,566	-	88,566
Loss for the year	-	-	(972)	-	-	(972)	-	(972)
Other comprehensive loss	-	-	-	-	(3,698)	(3,698)	-	(3,698)
Total comprehensive loss	-	-	(972)	-	(3,698)	(4,670)	-	(4,670)
Transactions with owners of the Company, recognized directly in equity:								
Treasury shares	-	-	-	(49)	-	(49)	-	(49)
Exercise of warrants	77	105	-	-	-	182	-	182
Cost of share-based payments	-	32	-	-	-	32	-	32
Balance as at December 31, 2011	26,180	76,403	(14,969)	(49)	(3,504)	84,061	-	84,061

* Less than $1 thousand

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2013	**2012**	**2011**
		US$ in thousands	
Cash flows from operating activities			
Net income (loss)	**10,087**	(2,133)	(972)
Adjustments for:			
Financing expenses, net	**2,496**	3,627	1,238
Gain on bargain purchase	**(10,237)**	-	-
Capital loss	**-**	394	-
Depreciation	**4,021**	2,717	1,777
Loss from disposal of property and equipment, net of insurance income	**-**	338	-
Cost of share-based payment	**522**	7	32
Company's share of losses of investees accounted for at equity	**540**	232	596
Decrease (increase) in trade receivables	**218**	(1)	(95)
Decrease (increase) in other receivables and prepaid expenses	**1,783**	4,404	(6,285)
Decrease (increase) in other assets	**12**	(11)	345
Increase in accrued severance pay, net	**22**	6	17
Increase (decrease) in accounts payable	**376**	(122)	(35)
Increase (decrease) in other payables and accrued expenses	**(1,450)**	(1,639)	1,462
Taxes on income (Tax benefit)	**245**	(1,011)	(1,018)
Taxes on income paid	**(458)**	(55)	-
Interest received	**137**	427	436
Interest paid	**(1,925)**	(1,274)	(652)
	(3,698)	8,039	(2,182)
Net cash provided by (used in) operating activities from continuing operations	**6,389**	5,906	(3,154)
Net cash provided by operating activities from discontinued operations	**-**	-	112
Net cash provided by (used in) operating activities	**6,389**	5,906	(3,042)

The accompanying notes are an integral part of the consolidated financial statements.

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the year ended December 31		
	2013	**2012**	**2011**
		US$ in thousands	
Cash flows from investing activities:			
Purchase of property and equipment	**(9,152)**	(1,212)	(24,937)
Acquisition of subsidiary, net of cash acquired (see note 6F)	**(30,742)**	(6,472)	-
Investment in equity accounted investees	**(4,372)**	(6,481)	(10,765)
Disposal of an investee accounted for at equity method	**-**	114	-
Proceeds from (Investment in) deposits, net	**137**	4,710	(10,000)
Settlement of forward contract	**(169)**	112	465
Deposit (proceeds) from restricted cash, net	**1,519**	7,379	(17,560)
Net cash used in investing activities	**(42,779)**	(1,850)	(62,797)
Cash flows from financing activities:			
Short-term loans, net		(5,821)	12,914
Repayment of long-term loans and financial lease obligation	**(7,818)**	(1,286)	-
Treasury shares	**-**	(473)	(49)
Proceeds from financial lease obligation	**-**	1,086	2,166
Proceeds from long term loans	**17,692**	6,460	5,808
Proceeds from warrants exercised	**-**	-	182
Net cash provided by (used in) financing activities	**9,874**	(34)	21,021
Exchange differences on balances of cash and cash equivalents	**462**	353	(2,848)
Increase (decrease) in cash and cash equivalents	**(26,054)**	4,375	(47,666)
Cash and cash equivalents at the beginning of year	**33,292**	28,917	76,583
Cash and cash equivalents at the end of the year	**7,238**	33,292	28,917

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – General

A. Ellomay Capital Ltd. (hereinafter - the "Company"), is an Israeli Company in the business of energy and infrastructure and its operations currently mainly include production of renewable and clean energy. The Company owns thirteen photovoltaic plants that are connected to their respective national grids and operating as follows: (i) twelve photovoltaic plants in Italy with an aggregate nominal capacity of approximately 22.6 MWp and (ii) 85% of one photovoltaic plant in Spain with a nominal capacity of approximately 2.3 MWp. In addition, the Company indirectly owns 7.5% of Dorad Energy Ltd. (and an option to increase its indirect holdings in Dorad under certain conditions to 9.375%).

The securities of the Company are listed on the NYSE MKT (under the symbol "ELLO") and on the Tel Aviv Stock Exchange (under the symbol "ELOM"). The address of the Company's registered office is 9 Rothschild Blvd., Tel Aviv, Israel.

B. Definitions:

In these financial statements:

IFRS - Standards and interpretations that were adopted by the International Accounting Standards Board ("IASB") and which include International Financial Reporting Standards and International Accounting Standards ("IAS") along with the interpretations to these standards of the International Financial Reporting Interpretations Committee ("IFRIC") or interpretations of the Standing Interpretations Committee ("SIC"), respectively.

Subsidiaries – Companies, including a partnership, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.

Investee companies – Subsidiaries and companies, including a partnership, the Company's investment in which is stated, directly or indirectly, on the equity basis.

Related party - Within its meaning in IAS 24 (2009), "Related Party Disclosures".

Unless otherwise noted, all references to "dollars" and "$" are to United States dollars and all references to "NIS" are to New Israeli Shekels.

Note 2 – Significant Accounting Policies

A. Basis of preparation of the financial statements

1. The consolidated financial statements of the Company as of December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB.

   The consolidated financial statements were authorized for issue on March 31, 2014.

2. Consistent accounting policies

   The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. Measurement basis

   The consolidated financial statements have been prepared on the historical cost basis, except for the following:

   (i) Investment in investee accounted for using the equity method;

   (ii) Derivative financial instruments measured at fair value through profit or loss; and

   (iii) Provision for tax uncertainties and deferred tax.

B. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. The changes in accounting estimates are recognized in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates computed by the Company that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Note 2 – Significant Accounting Policies (cont'd)

B. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements (cont'd)

Legal claims

When assessing the possible outcomes of legal claims that were filed against the Company and its subsidiaries, the Company relied on the assessments of legal counsel. The assessments of legal counsel are based on the best of their professional judgment, and take into consideration the current stage of the proceedings and the legal experience accumulated with respect to the various matters. As the results of the claims will ultimately be determined by the courts, they may be different from such estimates. See Note 13D.

Classification of leases:

In order to determine whether to classify a lease as finance or operating lease, the Company evaluates whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, the Company evaluates such criteria as the existence of a "bargain" purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset. See Note 10.

Uncertain tax positions:

The Company recognizes a provision for tax uncertainties. In determining the amount of the provision, assumptions and estimates are made in relation to the probability that the position will be sustained upon examination and the amount that is likely to be realized upon settlement, using the facts, circumstances, and information available at the reporting date. The Company records an additional tax charge in a period in which it determines that a recorded tax liability is less than it expects ultimate assessment to be. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evaluation of regulations and court rulings. Therefore, the actual tax liability may be materially different from the Company's estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

Purchase price allocation:

The Company is required to allocate the purchase price of investment in an investee to the assets and liabilities of this investee, on the basis of its estimated fair value. This valuation requires management to use significant estimates and assumptions. The intangible assets that were recognized include the customer portfolio. Critical estimates that were used to value certain assets include, inter alia, the cash flows expected from the customer portfolio. Management's assessments regarding the fair value and useful life are based on assumptions management considered reasonable, but involve uncertainty, therefore actual results may be different. See Note 6A(1) and 6F.

Fair value measurement of non-trading derivatives

Within the scope of the valuation of derivatives not traded on an active market, management makes assumptions about unobserved data using valuation models. For information on a sensitivity analysis of level 3 financial instruments carried at fair value see Note 20F (5) regarding financial instruments.

Note 2 – Significant Accounting Policies (cont'd)

C. Functional and presentation currency

1. These consolidated financial statements are presented in US dollar which is the Company's functional currency, and have been rounded to the nearest thousand. The US dollar is the currency that represents the principal economic environment in which the Company operates.

2. The functional currency is examined for the Company and for each of the subsidiaries separately. The functional currency of the Company's Italian and Spanish subsidiaries' was determined to be the EURO and for the equity investment it was determined to be the NIS.

   When a company's functional currency differs from parent's functional currency, that entity represents a foreign operation whose financial statements are translated so that they can be included in the consolidated financial statements as follows:

   a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

   b) Income and expenses for each period presented in the statement of profit or loss and other comprehensive income (loss) are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.

   c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of issuance.

   d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the period are translated as described in b) and c) above.

   e) All resulting translation differences are recognized as a separate component of other comprehensive income (loss) in equity "foreign currency translation adjustments".

   On a total or partial disposal of a foreign operation, the relevant part of the other comprehensive income (loss) is recognized in the statement of comprehensive income (loss).

   Intergroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising on these loans are recognized in the same component of equity as discussed in e) above.

3. Transactions, assets and liabilities in foreign currency:

   Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Note 2 – Significant Accounting Policies (cont'd)

D. Basis of consolidation and equity method accounting

1. *Subsidiaries*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2013 and 2012. The Company holds 100% of all subsidiaries, except for Ellomay Spain which is held at 85%. See Note 6.

2. *Transactions eliminated upon consolidation*

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Company's interest in these investments. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. *Investment in associates (equity accounted investees)*

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Company's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form a part thereof, is reduced to zero. When the Company's share of long-term interests that form a part of the investment in the investee is different from its share in the investee's equity, the Company continues to recognize its share of the investee's losses, after the equity investment was reduced to zero, according to its economic interest in the long-term interests. The recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

4. *Business combinations*

The Company implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Company is exposed, or has rights; to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Company and others are taken into account when assessing control.

Note 2 – Significant Accounting Policies (cont'd)

D. Basis of consolidation and equity method accounting (cont'd)

The Company recognizes goodwill on acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of rights that do not confer control in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Company in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

If the Company pays a bargain price for the acquisition (including negative goodwill), it recognizes the resulting gain in profit or loss on the acquisition date. Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Company. In a step acquisition, the difference between the acquisition date fair value of the Company's pre-existing equity rights in the acquiree and the carrying amount at that date is recognized in profit or loss under other income or expenses.

Costs associated with the acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

5. *Non-controlling interests*

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

<u>Measurement of non-controlling interests on the date of the business combination</u>:

Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (for example: ordinary shares), are measured at the date of the business combination at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

<u>Allocation of comprehensive income to the shareholders</u>:

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Note 2 – Significant Accounting Policies (cont'd)

E. Cash and cash equivalents

Cash and cash equivalents are comprised of cash at hand, and unrestricted short-term deposits with original maturity of three months or less from the date of acquisition, that are redeemable on demand without penalty and that form part of the Company's cash management. Cash and cash equivalents value is as provided by bank statements and due to the short maturity approximates the fair value.

F. Short term deposits

Short-term bank deposits are deposits with an original maturity of more than three months but less than one year from the date of deposit.

G. Property, plant and equipment

(1) Recognition and measurement

Property, plant and equipment items are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Project licenses are included in the cost of photovoltaic plants.

(2) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance lease agreements including lands are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives per annum are as follows:

	%	Mainly %
Office furniture and equipment	6-33	33
Photovoltaic plants in Spain	4	4
Photovoltaic plants in Italy	5	5
Leasehold improvements	Over the shorter of the lease period or the life of the asset	7

Depreciation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

Note 2 – Significant Accounting Policies (cont'd)

G. Property, plant and equipment (cont'd)

The estimated useful life of the project licenses of photovoltaic plants that are carried at cost is 20 years for the Italian subsidiaries and 25 years for the Spanish subsidiary.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted if appropriate.

H. Financial instruments

<u>Non-derivative Financial assets</u>:

The Company's financial assets include cash and cash equivalents, short-term and long-term deposits, short-term and long-term, restricted cash, trade receivables and other receivables and prepaid expenses.

The Company initially recognizes loans and receivables and deposits on the date that they are created. Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

Note 2 - Significant Accounting Policies (cont'd)

H. Financial instruments (cont'd)

Financial liabilities:

The Company has the following financial liabilities: loans and borrowings, accounts payables, accrued expenses and other payables, finance lease obligation, long-term loans and other long-term liabilities.

All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value minus any directly attributable transaction costs (such as loan raising costs). Subsequent to initial recognition, interest-bearing loans and borrowings are measured based on their terms at amortized cost using the effective interest method, taking into account directly attributed transaction costs. Short-term borrowings (such as other payables) are measured based on their terms, normally at face value. Financial liabilities are derecognized when the obligation of the Company, as specified in the agreement, expires or when it is discharged or cancelled.

Derivative financial instruments

The Company holds derivative financial instruments to economically hedge its interest rate risk exposures, and an option to acquire additional shares in an investee.

Economic hedges:

Hedge accounting is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss under financing income or expenses.

Share capital:

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

Treasury shares

When share capital recognized as equity is repurchased by the Company, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

Note 2 - Significant Accounting Policies (cont'd)

I. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

J. Share-based payment transactions

The Company's employees and directors are entitled to remuneration in the form of equity-settled share-based payment transactions. The Company applies the provisions of IFRS 2, "*Share-Based Payme*nt".

The cost of equity-settled transactions with employees and directors is measured at the fair value of the equity instruments at the date on which they are granted. The fair value is determined by using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the instruments were granted, additional details are included in Note 16.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in share premium, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Note 2 - Significant Accounting Policies (cont'd)

K. Employees benefits

1. Short-term employee benefits:

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plan or as defined benefit plan.

The Company has defined contribution plans pursuant to Section 14 to the Israeli Severance Pay Law, 5723-1963 (the "Severance Pay Law") under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all severance-related employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

The Company also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Severance Pay Law, employees are entitled to severance pay upon dismissal or retirement.

The Company makes current deposits in respect of severance pay obligation to pay compensation to certain of its employees in its pension funds and insurance companies (the "plan assets"). Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

The liability for employee benefits presented in the statement of financial position presents the present value of the defined benefit obligation less the fair value of the plan assets, less past service costs.

L. Leases

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and classification is made at the inception of the lease.

<u>Operating leases:</u>

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset.

Payments made under operating leases are recognized in the statement of comprehensive income (loss) on a straight-line basis over the term of the lease, including the option period, when on the date of the transaction it was reasonably certain that the option will be exercised.

Note 2 - Significant Accounting Policies (cont'd)

L. Leases (cont'd)

Finance leases:

Finance leases transfer to the Company substantially all the risks and benefits incident to ownership of the leased asset. The leased assets are presented in the statement of financial position. The liability for lease payments is presented at its present value and the lease payments are apportioned between finance charges and a reduction of the lease obligation using the effective interest method.

M. Revenue recognition

Revenue is measured according to the fair value of the consideration that was received and/or the consideration the Company is entitled to receive from the sale of electricity in the ordinary course of business.

Revenues from the sale of electricity are recognized when the units of power produced are transferred to the power company at connection points on the basis of a counter reading. Revenues in respect of power produced and transferred to the power company in the period between the most recent meter reading and the date of the statement of financial position, are included based on an estimate.

Seasonality:
Solar power production has a seasonal cycle due to its dependency on the direct and indirect sunlight and the effect the amount of sunlight has on the output of energy produced. Thus, low radiation levels during the winter months decrease power production.

N. Income tax

Income tax comprises of current and deferred taxes. The tax results in respect of current or deferred taxes are recognized in the statement of comprehensive income (loss) except to the extent that the tax arises from items which are recognized directly in equity. In such cases, the tax effect is also recognized in the relevant item in equity.

Deferred income taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes, except for a limited number of exceptions.

Temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable. Any resulting reduction or reversal is recognized in the line item, "tax benefit (taxes on income)".

Deferred tax balances are measured at the tax rates that are expected to apply to the period when the taxes are reversed in profit or loss, comprehensive income or equity, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Note 2 - Significant Accounting Policies (cont'd)

O. Earnings (loss) per share

The earnings (loss) per share are computed by dividing the net income attributable to the Company's shareholders by the weighted-average number of shares outstanding during the period. Calculation of the basic earnings (loss) per share includes only shares actually outstanding during the period. Potential ordinary shares (convertible securities such as warrants and employee options) are included in calculation of the diluted earnings (loss) per share only if their impact dilutes the earnings (loss) per share in that their conversion reduces the earnings per share or increases the loss per share from continuing operations. In addition, potential ordinary shares converted during the period are included in calculation of the diluted earnings (loss) per share only up to the conversion date, and from this date forward they are included in calculation of the basic earnings (loss) per share. Earnings (loss) per share have been retroactively restated in comparative period to reflect the reverse split (see Note 15D).

P. Financial income and expenses

Financial income includes interest income on bank deposits, an increase in the fair value of financial instruments recognized at fair value through profit or loss and exchange rate differences. Interest income is recognized as it accrues in profit or loss.

Financial expenses include bank charges and exchange rate differences.

Gains and losses on exchange rate differences are reported on a net basis.

Q. Provisions

A provision in accordance with IAS 37 is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

Legal claims:

A provision for claims is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Company to settle the obligation and a reliable estimate can be made of the amount of the obligation. For further details, refer to Note 13D.

Note 2 - Significant Accounting Policies (cont'd)

R. Standards issued but not yet effective:

(1). Amendment to IAS 32 Financial Instruments: Presentation (hereinafter – "the IAS 32 Amendment")

The IAS 32 Amendment clarifies that an entity currently has a legally enforceable right to set-off amounts that were recognized if that right is not contingent on a future event; and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all its counterparties. The IAS 32 Amendment is applicable retrospectively for annual periods beginning on or after January 1, 2014. Early application of the IAS 32 Amendment is permitted subject to the concurrent application of the amendment to IFRS 7.

(2). IFRS 9 (2010), ***Financial Instruments*** **(hereinafter – "IFRS 9 (2010)")**

IFRS 9 (2010) is one of the stages in a comprehensive project to replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") and it replace the requirements included in IAS 39 regarding the classification and measurement of financial assets and financial liabilities.

In accordance with IFRS 9 (2010), there are two principal categories for measuring financial assets: amortized cost and fair value, with the basis of classification for debt instruments being the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 (2010) is effective for annual periods beginning on or after January 1, 2015 but may be applied earlier. The Company is examining the effects of applying IFRS 9 (2010) on the financial statements and has no plans for early application.

(3). IFRS 9 (2013), Financial Instruments, amendments to IFRS 9 (2010), IFRS 7 and IAS 39 (hereinafter – "IFRS 9 (2013)")

IFRS 9 (2013) amends IFRS 9 (2010), IFRS 7 and IAS 39 on general hedge accounting. Under IFRS 9 (2013), additional hedging strategies that are used for risk management will qualify for hedge accounting (such as risk components of non-financial items or groups of items that constitute net positions). IFRS 9 (2013) replaces the present 80%-125% test for determining hedge effectiveness, with the requirement that there be an economic relationship between the hedged item and the hedging instrument, with no quantitative threshold. In addition, IFRS 9 (2013) introduces new models that are alternatives to hedge accounting as regards exposures and certain contracts outside the scope of IFRS 9 (2013). IFRS 9 (2013) sets new principles for accounting for hedging instruments, for example allowing cash instruments to be hedging instruments in more cases and adding the possibility to defer or amortize the "cost of hedging" (such as the time value of purchased options). In addition, IFRS 9 (2013) provides new disclosure requirements. The mandatory effective date of IFRS 9 (2013) has not yet been determined. Early application is permitted subject to the conditions specified in IFRS 9 (2013).

Note 3 - Cash and Cash Equivalents

	December 31	
	2013	2012
	US$ in thousands	
Cash available for immediate withdrawal	**4,909**	9,386
Cash equivalents bank deposits (*)	**2,329**	23,906
	7,238	33,292

(*) The annual interest rate for deposits as of December 31, 2013 is 0.42%-0.87% (0.15%-1.2% as of December 31, 2012).

Note 4 - Restricted Cash and Deposits

	December 31	
	2013	2012
	US$ in thousands	
Short-term restricted cash (1)	**5,653**	8,085
Deposits (2)	**1,011**	1,003
Long-term bank deposits (3)	**3,304**	2,250
Long-term restricted deposits	**4,315**	3,253

(1) Bank deposits securing the Company's short term bank loans (see Note 9). The annual interest rate as of December 31, 2013 is 0.6%- 0.7%.
(2) These deposits were used to secure obligations towards the land owners and to secure obligations under financial leasing agreements of two of the Company's photovoltaic plants.
(3) Bank deposits securing the Company's swap contracts (see Notes 10 and 11). The annual interest rate as of December 31, 2013 is 0.65% - 0.95%.

Note 5 - Other Receivables and Prepaid Expenses

	December 31	
	2013	2012
	US$ in thousands	
Government authorities	**2,000**	3,132
Income receivable	**1,269**	492
Interest receivable	**67**	8
Advance tax payment and tax provision	**199**	-
Prepaid expenses and other	**822**	804
	4,357	4,436

The Company's exposure to credit and currency risks is disclosed in Note 20.

Note 6 - Investee Companies

Equity accounted investees

A. Information about investee companies and other investments

1. U. Dori Energy Infrastructures Ltd. (“Dori Energy”) –

On November 25, 2010, the Company through its wholly owned subsidiary, Ellomay Clean Energy Ltd. ("Ellomay Energy") entered into an Investment Agreement (the "Dori Investment Agreement") with Dori Group Ltd. ("Dori Group"), and Dori Energy, with respect to an investment in Dori Energy. Dori Energy holds 18.75% of the share capital of Dorad Energy Ltd. ("Dorad"), which is in the final stages of the construction of an approximate 800 MWp bi-fuel operated power plant in the vicinity of Ashkelon, Israel (the "power plant"). The Dori Investment Agreement sets forth that subject to the fulfillment of certain conditions precedent, Ellomay Energy shall invest a total amount of NIS 50,000 thousand (approximately $14,000 thousand) in Dori Energy, and receive 40% of in Dori Energy's share capital (the "Dori Investment"). The conditions precedents were fulfilled on January 27, 2011 (the “Dori Closing Date”).

Concurrently with the execution of the Dori Investment Agreement, Ellomay Energy, Dori Energy and Dori Group have also entered into the Dori Shareholders Agreement ("Dori SHA") that became effective upon the consummation of the Dori Investment. The Dori SHA provides that each of Dori Group and Ellomay Energy is entitled to nominate two directors (out of a total of four directors) in Dori Energy. The Dori SHA also grants each of Dori Group and Ellomay Energy with equal rights to nominate directors in Dorad, provided that in the event Dori Energy is entitled to nominate only one director in Dorad, such director shall be nominated by Ellomay Energy for so long as Ellomay Energy holds at least 30% of Dori Energy. The Dori SHA further includes customary provisions with respect to restrictions on transfer of shares, a reciprocal right of first refusal, tag along, principles for the implementation of a BMBY separation mechanism, special majority rights, etc.

Following the consummation of the Dori Investment, the holdings of Ellomay Energy in Dori Energy were transferred to Ellomay Clean Energy Limited Partnership (“Ellomay Energy LP”), an Israeli limited partnership whose general partner is Ellomay Energy and whose sole limited partner is the Company. Ellomay Energy LP replaced Ellomay Energy with respect to the Dori Investment Agreement and the Dori SHA.

Concurrently with the consummation of the Dori Investment, Dori Energy entered into an agreement with Israel Discount Bank ("Discount Bank") pursuant to which Discount Bank extended to Dorad, as per Dori Energy's request, a NIS 120,000 thousand (approximately $ 34,570 thousand) bank guarantee that was required to allow Dori Energy to extend its pro rata share of the equity required by Dorad in connection with Dorad’s power plant project. The Company is committed to provide 40% of the funds of Dori Energy towards Discount Bank under the agreement with Discount Bank. The term of this commitment was extended twice, each time for one additional year and, in the agreement authorizing such extension, each of Ellomay Energy LP and the Dori Group undertook to Discount Bank, that in the event Dorad requires funding from Dori Energy, for the construction of Dorad’s power plant project, pursuant to the agreement between Dorad and its shareholders, each of Ellomay Energy LP and the Dori Group shall extend to Dori Energy its pro rata share of such funding. In addition, each of Ellomay Energy and Dori Group pledged their holdings in Dori Energy in favor of Discount Bank as a security for the fulfillment of Dori Energy's obligations to Discount Bank under the agreement with Discount Bank.

Note 6 - Investee Companies (cont'd)

A. Information about investee companies and other investments (cont'd)

1. U. Dori Energy Infrastructures Ltd. (“Dori Energy”) (cont'd)–

Following the balance sheet date Dori Energy invested its remaining pro rata share of the equity required by Dorad to establish the power plant, amounting to approximately NIS 33,716 thousand (approximately $ 9,714 thousand), by way of interest bearing shareholder loans it received from the Company and the Dori Group. Upon completion of provision of Dori Energy's share in equity required by Dorad, the Discount Bank guarantee provided to secure the injection of its share of the equity to Dorad was cancelled.

The Dori Investment Agreement also grants Ellomay Energy an option to acquire additional shares of Dori Energy that, if exercised, will increase Ellomay Energy's percentage holding in Dori Energy to 49% ("first option") and, subject to the obtainment of certain regulatory approvals to 50% ("second option"). According to the original terms, the first option exercisable starting from issuance date was to expire within six months following the earliest between the commercial operations of the power plant, the operation of at least 50% of the turbines or the operation of at least 50% of the production capacity of the power plant and the second option was to commence at this date and expire within 2 years following this date.

On October 24, 2012 the parties to the Dori Investment Agreement executed an addendum to the Dori Investment Agreement (the "Dori Addendum"). The Dori Addendum updated the terms of the options as follows: (i) the exercise period for the first option was extended so that the period will end twelve (12) months following the completion and delivery of the power plant, and (ii) the exercise price of the options was reduced from NIS 2.5 million to NIS 2.4 million for each 1% of Dori Energy's issued and outstanding share capital (on a fully diluted basis). The other terms of the options remained unchanged. The Dori Addendum further updated the undertaking of Dori Energy's shareholders in connection with the financing of investments in Dorad by clarifying that in the event Dori Energy does not obtain outside financing, each of Dori Group and Ellomay Energy LP will invest its share of the required amounts, pro rata to their holdings in Dori Energy, replacing the Dori Group's undertaking to provide debt financing to Dori Energy in the event Dori Energy does not obtain outside financing.

The total consideration of the Dori Investment Agreement was allocated to the option to acquire additional shares of Dori based on its estimated fair value as at the Dori Closing Date, in the amount of $ 98 thousand and to the 40% in Dori’s Energy capital shares in the amount of $ 13,805 thousand (including capitalized expenses in the amount of approximately $ 97 thousand).

During 2013, the Company extended approximately $ 4,372 thousand subordinated shareholder loans to Dori Energy, The shareholder loans are linked to the CPI and bear an annual interest rate of 3% higher than the interest Dorad is committed to pay to Dorad's financing consortium during the financial period in respect of the "senior debt" (5.5% as of December 31, 2013).

Note 6 - Investee Companies (cont'd)

A. Information about investee companies and other investments (cont'd)

1. U. Dori Energy Infrastructures Ltd. ("Dori Energy") (cont'd)–

Based on the fair value of the identifiable assets and liabilities that were acquired, the Company allocated the excess cost to customer contracts in the amount of $ 5,234 thousand. The estimated useful life of the customer contracts was determined to be 23 years according to the period of economic benefits and will begin when the construction of the power plant is completed and it begins operating. As at December 31, 2013 it is estimated that operation will begin in March-April 2014. The investment in Dori Energy is accounted for under the equity method.

The option to purchase additional shares of Dori Energy is measured based on its fair value in every reported period and changes are recorded as finance income or expenses. As of December 31, 2013, the fair value of the option is approximately $ 389 thousand and it is recorded as financial asset in long-term assets. The revaluation of the option was recognized as financial income in the amount of $ 236 thousand for the year ended December 31, 2013.

In accordance with IAS 18, "Revenue Recognition", the deferred income representing fees charged by the Company for servicing a loan are recognized as revenue as the services are provided. As mentioned above, the Company is committed to provide debt financing to Dori Energy in the event Dori Energy does not obtain outside financing. In respect to this commitment, the terms of the options were updated to reflect compensation to the Company so that the exercise price was reduced and the exercise period was extended. The calculated amount of the revaluation allocated to the compensation was recognized as deferred income in 2012. The deferred income will be recognized on a time proportion basis over the commitment period using the straight line method. As of December 31, 2013, the Company's estimation for servicing a loan to Dori Energy is upon commencing operation in Dorad Energy and completion and delivery of the power plant that is expected in April 2014. During 2013, compensation in the amount of $ 184 thousand was recognized as financial income.

2. Alon Cellular Ltd. ("Alon Cellular") –

In November 2010, the Company invested in an Israeli Company with respect to the launch of a virtual mobile operator ("MVNO") in Israel by a joint SPC entity – Alon Ribua telecom Ltd. ("Alon Ribua Telecom") that was owned by Alon Ribua Comunications Ltd. ("Alon Ribua") and Novosti Communications Ltd. ("Novosti"). The MVNO was purported to be operated by Alon Cellular, a wholly owned subsidiary of Alon Ribua Telecom Ltd. ("Alon Telecom"). The Company held 25% of Alon Ribua Telecom's share capital through its wholly owned subsidiary. In November 2010 the Company extended NIS 38 thousand (approximately $10 thousand), and in January 2011 the Company extended an additional amount of NIS 837 thousand (approximately $ 219 thousand) to Alon Telecom as a shareholders' loan. The amounts reflect 25% of the aggregate NIS 3,500 thousand (approximately $ 916 thousand) shareholders' loan that was extended by all shareholders of Alon Ribua Telecom.

Note 6 - Investee Companies (cont'd)

A. Information about investee companies and other investments (cont'd)

2. Alon Cellular Ltd. (“Alon Cellular”) (cont'd)–

The investment was accounted for under the equity method. The Company decided not to pursue the MVNO project, therefore, in February 2012 the Company’s wholly-owned subsidiary that invested in the MVNO project entered into an agreement with related parties Alon Ribua and Alon Ribua Telecom pursuant to which subject to certain regulatory approvals, the subsidiary sold its holdings in Alon Ribua Telecom and its rights with respect to shareholders' loans extended to Alon Ribua in consideration for an amount of $115 thousand. As a result, the Company recorded during 2012 a capital gain of approximately $160 thousand.

3. Pumped Storage Projects (“PSP”) –

On July 17, 2013 the Company entered into a loan agreement with Erez Electricity Ltd. ("Erez Electricity") that owns, among its other holdings, 24% of the pumped storage project in the Gilboa, Israel ("PSP Gilboa") pursuant to which an amount of approximately NIS 770 thousand ($ 213 thousand) was loaned to Erez Electricity. Subsequently in November 2013 in connection with the sale of Erez Electricity's holdings in PSP to third parties, the Company and Erez Electricity reached an agreement according to which the Company is entitled to the repayment of the amount loaned including interests accrued and linkage, amounting to approximately NIS 1,000 thousand ($ 283 thousand) and maybe entitled to additional compensation in the aggregate amount of NIS 6,700 thousand ($ 1,930 thousand) which will be linked to the Israeli CPI and will be paid in 2 installments of approximately NIS 1,200 thousand ($ 346 thousand) upon financial closing of PSP Gilboa and NIS 5,500 thousand ($ 1,584 thousand) upon receipt of permanent licenses for generation of power and the approval of the technical advisor appointed by the financial institutions who have financed PSP Gilboa to the transfer from set up phase to operational phase. The two installments to be paid to the Company will be recognized in future periods if and when the Company will be entitled to them.

In January 2014 the Company entered into an agreement with Ortam Sahar Engineering Ltd. ("Ortam"), an Israeli publicly listed company, pursuant to which, subject to the fulfillment of conditions as set forth below, the Company shall acquire Ortam’s holdings (24.75%) in Agira Sheuva Electra, L.P. (the “Partnership”), an Israeli Limited Partnership that is promoting a prospective pumped-storage project in the Manara Cliff in Israel. See note 22B.

Presented hereunder are details of investments in Dori Energy

B. Composition of the investments

	December 31	
	2013	**2012**
	US$ in thousands	**US$ in thousands**
Investment in shares	**12,927**	12,844
Long-term loans	**12,732**	6,688
Deferred interest	**(1,058)**	(334)
	24,601	19,198
Financial asset - Options to acquire additional shares	**389**	485

Note 6 - Investee Companies (cont'd)

C. Details regarding attributed surplus costs and goodwill arising from the acquisition of affiliates

	December 31	
	2013	2012
	US$ in thousands	US$ in thousands
Customer contracts (*)	**5,762**	5,357
Deferred tax	**(1,427)**	(1,328)
Goodwill	**288**	268
Balance of attributed surplus cost	**4,623**	4,298

(*) The estimated useful life of the customer contracts and related deferred tax was determined to be 23 years and will begin when the construction of the Dorad power plant is completed and it commences operations.

D. Changes in investments

	2013	2012
Changes in equity and loans:	US$ in thousands	US$ in thousands
Balance as at January 1	**19,198**	12,995
Grant of long term loans	**4,372**	5,927
Interest on long term loans	**963**	334
Deferred interest	**(649)**	(334)
Elimination of interest on loan from related party	**(315)**	-
The Company's share of losses	**(540)**	(232)
Foreign currency translation adjustments	**1,572**	508
Balance as at December 31	**24,601**	19,198
Changes in option to acquire additional shares:		
Balance as at January 1	**485**	52
Foreign currency translation adjustments	**140**	-
Reevaluation of option to acquire additional shares	**(236)**	433
Balance as at December 31	**389**	485

Note 6 - Investee Companies (cont'd)

E. Summary financial data for investees, not adjusted for the percentage ownership held by the Company

(a) Summary information on financial position

	Rate of ownership	Current Assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the Company
	%				US$ in thousands			
2013								
Dori Energy	40	145	134,633	134,778	(38)	(83,795)	(83,833)	50,945
2012								
Dori Energy	40	160	97,555	97,715	(32)	(45,150)	(45,182)	52,533

(b) Summary information on operating results

	Rate of Ownership	Loss for the year
	%	US$ in thousands
2013		
Dori Energy	**40**	**(2,137)**
2012		
Dori Energy	40	(580)

F. Subsidiaries - Business combinations

1. On June 26, 2013, the Company consummated the acquisition of two photovoltaic plants with fixed technology in the Veneto Region, Italy (Northern Italy), with an aggregate nominal capacity of approximately 12MWp (the "Veneto PV Plants"). The Veneto PV Plants, which constitute a business, are fully constructed and operating and were connected to the Italian national grid in August 2011 under the applicable Feed-in-Tariff (0.238 Euro/kWh). The final consideration paid for the Veneto PV Plants and the related licenses was approximately Euro 23.5 million (approximately $30.7 million). The Veneto PV Plants were purchased under insolvency proceedings.

Note 6 - Investee Companies (cont'd)

F. Subsidiaries - Business combinations (cont'd)

The results presented in the statements of comprehensive income (loss) do not include the results of the Veneto PV Plants for the entire fiscal year, as the closing date of the acquisition was in June 2013. If the acquisition had occurred on January 1, 2013, management estimates that consolidated revenue for the year ended December 31, 2013 would have been $15,689 thousand and consolidated income for the same period would have been $9,574 thousand.

The Company performed an analysis of the fair value of identifiable assets acquired and liabilities assumed by applying a discounted cash-flow method recorded gain on bargain purchase (negative goodwill) in the amount of approximately $10.2 million based upon management's best estimate of the value as a result of such analysis. Negative goodwill represents the excess of the Company's share in the fair value of acquired identifiable assets, liabilities and contingent liabilities over the cost of an acquisition.

Identifiable assets acquired and liabilities assumed (based on provisional amounts as described hereunder):

	30/06/2013
	US$ in thousands
Restricted cash	25
Property, plant and equipment	39,660
Working Capital, net (excluding cash and cash equivalents)	890
Deferred tax assets	404
Bargain Purchase gain	(10,237)
Total net identifiable assets	30,742

The aggregate cash flows derived for the Company as a result of the acquisition:

	US$ in thousands
Cash and cash equivalents paid	30,778
Less - cash and cash equivalents of the subsidiary	36
	30,742

Gain on Bargain Purchase (Negative Goodwill)

Gain on bargain purchase (negative goodwill) was recognized as a result of the acquisition under insolvency proceedings as follows:

	US$ in thousands
Consideration transferred	30,742
Less fair value of identifiable net assets, not including Cash and cash equivalents	(40,979)
Gain on bargain purchase (negative goodwill)	(10,237)

Note 6 - Investee Companies (cont'd)

F. Subsidiaries - Business combinations (cont'd)

Acquisition-related costs

During the year ended December 31, 2013 the Company incurred acquisition-related costs of approximately $500 thousand related to legal fees and due diligence costs. These costs have been included in general and administrative expenses in the statement of income.

2. On March 12, 2012, Ellomay Spain S.L. ("Ellomay Spain"), a subsidiary in which the Company indirectly owns 85% of the outstanding shares, entered into share purchase agreements and an asset purchase agreement in connection with the acquisition of a photovoltaic plant located in Municipality of Córdoba, Andalusia, Spain with a total nominal capacity of approximately 2.3 MWp, (the "Spanish PV Plant") and of related licenses. The remaining 15% of Ellomay Spain are held by a Spanish company engaged in providing construction, operating and maintenance services for photovoltaic plants in Europe and elsewhere, whose subsidiary has built and is currently providing operation and maintenance services for several of the Company's Italian PV Plants. On July 1, 2012 (the "closing date") all conditions precedent were fulfilled and the transaction was consummated.

The Spanish PV Plant is constructed and operational and has been connected to the Spanish national grid since July 2010. The Spanish PV Plant is entitled to receive the Spanish special economic regime for renewable energies. The consideration paid by the Company in connection with the acquisition of the Spanish PV Plant and the related licenses, including all applicable taxes and expenses, amounts to approximately $ 7,316 thousand.

In the six months ended December 31, 2012 Ellomay Spain contributed approximately $ 500 thousand and approximately $ 100 thousand (net of non-controlling interest) to the Company's consolidated revenue and consolidated profit, respectively. If the acquisition had occurred on January 1, 2012, management estimates that consolidated revenue would have been approximately $ 9,780 thousand and net loss for the year would have been approximately $ 2,270 thousand.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the closing date:

	June 30, 2012 US$ in thousands
Property and equipment	$ 6,914
Working capital, net (excluding cash and cash equivalents)	(410)
Non-controlling interests	(32)
Total cash paid, net	$ 6,472

Note 6 - Investee Companies (cont'd)

G. Subsidiaries – Regulatory updates

Italy

- In addition to the FiT ("feed-in tariffs " incentives to promote the use of solar energy) payment, the Italian PV Plants are eligible to receive the price paid for the electricity generated by the plant ("ritiro dedicato") equal to the applicable electricity market price. Until December 31, 2013 Italian PV plants with a capacity under 1 MW were eligible to receive a minimum market price guarantee, as a function of supply and demand, on an hourly basis for different zones within Italy. Resolution no. 618/2013/R/EFR dated December 19, 2013 set a replacement, starting January 1, 2014, of the minimum guaranteed prices currently foreseen under the Italian mandatory purchase regime with the zonal hourly prices set out for each specific area (so called prezzi zonali orari, i.e. the average monthly price, correspondent to each hour, as resulting from the electric market price on the area where the PV plant is located).

- The Italian Tax Agency provided relevant clarifications as to cadastral and tax issues regarding photovoltaic plants in its Resolution n. 36/E dated December 19, 2013, which provides a 4% depreciation rate for tax purposes.

Spain

- In July 2013, a new remunerative regime (RDL 9/2013) was announced in Spain establishing the basis of the new remuneration scheme (received in terms of feed-in tariff) applicable to renewable energies that will provide the owner a defined yield currently estimated to be calculated as 10-year government bonds plus 300 basis points. The new regulation includes: (i) the proceeds for the sale of electricity according to market price, (ii) an "investment retribution" enough to cover the investment costs of a so-called "standard facility" – provided that such costs are not fully recoverable through the sale of energy in the market and (iii) an "operational retribution" enough to cover the difference, if any, between the operational income and costs of a standard plant that participates in the market. The definition of what constitutes a "standard facility" as well as the rest of the elements included in this new regulation and its relevant calculation formula are expected to be included in a future Spanish Royal Decree to be approved by the Spanish Government during 2014. Once the new regulation enters into full force, the amounts received in terms of feed-in tariff shall be subject to a final settlement, concerning the amount received by owners of PV plants during the transitory period since July 14, 2013 and through the adoption of the new regulation. This settlement will be conducted during the first six monthly payments after the approval of the new regulation.

As the elements and calculation formula have not yet been finalized, based on information available at the date of issuance of these Financial Statements, in accordance with the analysis performed by the Company, management has concluded that the analysis carried out do not indicate an impairment in the carrying amount of assets related to solar electricity generation activity in Spain.

Note 7 - Property, Plant and Equipment

	Photovoltaic Plants	Office furniture and equipment	Leasehold Improvements	Total
	US$ in thousands			
Cost				
Balance as at January 1, 2012	50,169	115	72	50,356
Additions	536	16	-	552
PV Plant acquired in a business combination (see Note 6F)	6,914	-	-	6,914
Disposals	(828)	-	-	(828)
Effect of changes in exchange rates	1,344	-	-	1,344
Balance as at December 31, 2012	58,135	131	72	58,338
Balance as at January 1, 2013	**58,135**	**131**	**72**	**58,338**
Additions	**25**	**13**	**-**	**38**
PV Plant acquired in a business combination (see Note 6F)	**39,660**	**-**	**-**	**39,660**
Disposals	**(384)**	**-**	**-**	**(384)**
Effect of changes in exchange rates	**5,037**	**-**	**-**	**5,037**
Balance as at December 31, 2013	**102,473**	**144**	**72**	**102,689**
Depreciation				
Balance as at January 1, 2012	1,659	38	21	1,718
Depreciation for the year	2,694	13	10	2,717
Disposals	(55)	-	-	(55)
Effect of changes in exchange rates	98	-	-	98
Balance as at December 31, 2012	4,396	51	31	4,478
Balance as at January 1, 2013	**4,396**	**51**	**31**	**4,478**
Depreciation for the year	**4,000**	**11**	**10**	**4,021**
Disposals	**-**	**-**	**-**	**-**
Effect of changes in exchange rates	**519**	**-**	**-**	**519**
Balance as at December 31, 2013	**8,915**	**62**	**41**	**9,018**
Carrying amounts				
As at January 1, 2012	48,510	77	51	48,638
As at December 31, 2012	53,739	80	41	53,860
As at December 31, 2013	**93,558**	**82**	**31**	**93,671**

Note 7 - Property, Plant and Equipment (cont'd)

Investment in Photovoltaic Plants

Since March 4, 2010, the Company has acquired thirteen photovoltaic plants located in Italy and in Spain (each, a "PV Plant" and, together, the "PV Plants").

In connection with the establishment of the Company's PV Plants, the Company recorded as of December 31, 2013, property, plant and equipment at an aggregate value of approximately $ 102,473 thousand, in accordance with actual costs incurred.

During the year ended December 31, 2013 the Company invested in PV Plants an aggregate of approximately $ 39,685 thousand. During the 2013 the Company disposed assets amounting to approximately $ 384 thousand, as a result of a reduction in the nominal capacity of the Pedale Plant due to issues that arose in connection with the Plant's authorization process, for which the relevant contractor was liable and therefore indemnified the Company for this disposal amount. Depreciation with respect to the PV Plants in Italy is calculated using the straight-line method over 20 years starting connection to the national grid that represent the estimated useful lives of the assets. Depreciation with respect to the PV Plant in Spain is calculated using the straight-line method over 25 years starting connection to the national grid that represent the estimated useful lives of the assets. During the year ended December 31, 2013 the Company had recorded depreciation expenses with respect to its PV Plants in Italy and Spain of approximately $ 4,000 thousand.

Presented hereunder are data regarding the Company's investments in photovoltaic plants as at December 31, 2013:

PV Plant Title	Capacity*	Connection to Grid	Cost included in the Book value
			US$ in thousands
"Troia 8"	995.67 kWp	January 14, 2011	4,825
"Troia 9"	995.67 kWp	January 14, 2011	4,792
"Del Bianco"	734.40 kWp	April 1, 2011	2,887
"Giaché"	730.01 kWp	April 14, 2011	3,797
"Costantini"	734.40 kWp	April 27, 2011	2,914
"Massaccesi"	749.7 kWp	April 29, 2011	3,775
"Galatina"	994.43 kWp	May 25, 2011	5,662
"Pedale	2,993 kWp	May 31, 2011	15,504
"Acquafresca"	947.6 kWp	June 2011	4,360
"D'Angella"	930.5 kWp	June 2011	4,297
"Soleco"	5,924 kWp	August, 2011**	21,131
"Technoenergy"	5,900 kWp	August, 2011**	20,941
"Ellomay Spain - Rinconada"	2,275 kWp	June 2010 **	7,588

* As per the contracts.
** See note 6F

Note 8 - Accrued Expenses and Other Payables

	December 31	
	2013	2012
	US$ in thousands	
Employees and payroll accruals	**68**	82
Provision for Legal Claims	**85**	-
Accrued Interest	**171**	-
Government authorities	**-**	42
SWAP and forward related balances	**472**	755
Tax provision and advance tax payment	**2,247**	2,318
Deferred income in connection with investment in equity accounted investee (see Note 6A(1))	**103**	287
Payable in connection with photovoltaic plants	**491**	9,404
Accrued expenses	**1,674**	1,363
	5,311	14,251

Note 9 - Loans and borrowings

A. Composed as follows:

	Linkage terms	Interest rate 2013	Interest rate 2012	December 31 2013	December 31 2012
		%	%	US$ in thousands	US$ in thousands
Current maturities of long term loans (refer to Notes 10 and 11)	**EURIBOR**	**1.6-5.15**	1.6-5.15	**855**	1,112
Short term bank loans (1) (2)	**EUROLIBOR**	**4.7**	0.75	**18,599**	5,932
				19,454	7,044

(1) During 2012 the Company received short term bank loans renewable each month in the aggregate amount of Euro 9,000 thousand and repaid Euro 4,500 thousand in December 2012. As of December 31, 2012 the outstanding loan balance was Euro 4,500 thousand ($5,932 thousand) linked to the EURO LIBOR monthly rate. During February and March 2013, the Company repaid the rest of the loan.

(2) On June 20, 2013 the Company entered into a loan agreement (hereinafter – the "Loan Agreement") with Discount Bank. Pursuant to the Loan Agreement the Company received an amount of Euro 13,500 thousand (approximately $17,692 thousand), for a period of 18 months, bearing an interest at the EURO LIBOR 3 month rate plus 4.5%. The Company is entitled to perform early repayments of the loan, in whole or in part, at the end of each interest period, without having to pay any fees or penalties, upon delivering the bank with a request of early repayment at least 10 business days in advance.

Note 9 - Loans and borrowings (cont'd)

To secure the payments under to the Loan Agreement, the Company placed the following first ranking unlimited pledges and provided the following undertakings:

- A fixed pledge and mortgage on the Company's holdings of Ellomay Clean Energy, Limited Partnership, the holdings of such partnership in U. Dori Energy Infrastructures Ltd. and the holdings of the Company in the general partner of said partnership, Ellomay Clean Energy Ltd as well as on the rights (including shareholders loans) of said general partner in and/or towards the partnership.

- A fixed pledge on Ellomay Clean Energy, Limited Partnership and Ellomay Clean Energy Ltd's bank accounts.

- A floating lien on Ellomay Clean Energy Ltd.'s rights, assets, registered and non-issued capital and goodwill.

- A fixed pledge on Ellomay Luxembourg Holdings S.a.r.l's holdings of four of the Company's subsidiaries in Italy -Pedale S.r.l, Ellomay PV Seven (formerly, Energy Resources Galatina) S.r.l, Luma Solar S.r.l and Murgia Solar s.r.l. (together, the "Pledged entities") as well as on all the rights (including shareholders loans) of Ellomay Luxembourg Holdings S.a.r.l towards each of the Pledged Entities.

- An undertaking by each of the Pledged entities not to dispose of their assets other than in their regular course of business

- A guarantee by Ellomay Luxembourg Holdings S.a.r.l.

- An undertaking by Ellomay Luxembourg Holdings. S.a.r.l not sell or dispose its holdings in the Pledged Entities, except as provided for or approved pursuant to the Loan Agreement

- A fixed pledge on the Company's and the General Partner's Discount Bank accounts that are used solely for the purposes of this loan.

- Undertaking by Ellomay Luxembourg Holdings. S.a.r.l, Ellomay Clean Energy Ltd and Ellomay Clean Energy, Limited Partnership not to take any financial liabilities and not to place any liens on assets, except as permitted under the Loan Agreement.

The Company repaid an amount of Euro 12,800 thousand ($ 17,634 thousand) in January 2014 and an additional amount of Euro 700 thousand is scheduled to be repaid in April 2014.

Note 10 – Finance Lease Obligation

A. Composed as follows:

	Linkage terms	Interest rate 2012 and 2013	December 31 2013	December 31 2012
		%	US$ in thousands	US$ in thousands
Leasing institution	**EURIBOR**	3.43	**6,814**	6,898

1. On December 31, 2010 two wholly-owned Italian subsidiaries of the Company entered into financial leasing agreements, (the "Leasing Agreements") in the amount of Euro 3,000 thousand each (Euro 6,000 thousand in total) for the financing of the subsidiaries, with the following terms: nominal annual interest rate of 3.43%. Monthly payments in the amount of Euro 20 thousand each, commencing 210 days after issuance, for the duration of the Leasing Agreements (17 years) which are linked to the EURIBOR monthly average Euro Interbank Offered Rate. As of December 31, 2011 the first two drawdowns under the Leasing

   Agreements were received in the aggregate amount of approximately Euro 5 million (approximately $6,483 thousand) net of expenses capitalized in the amount of approximately Euro 1.142 million (approximately $1,476 thousand) comprised mainly of Cadastral tax and VAT paid in connection with the Leasing Agreements. In March 2012 the final drawdown under the Leasing Agreements was received in the amount of approximately Euro 818.5 (approximately $1,080 thousand).

2. The Leasing Agreements include the following covenants:

   a. A declaration that the shareholders credit towards the two Italian wholly-owned subsidiaries will be subordinated to the leasing company's credit;

   b. The Company undertook not to transfer the entire holdings in two wholly-owned Italian subsidiaries and shares not exceeding 20% of its holdings in the wholly-owned Luxembourgian subsidiary that wholly-owns the two Italian subsidiaries;

   c. The Company undertook to assign (as guarantee) the receivables from GSE; and

   d. The Company undertook encumber in favor of the leasing company the rights in connection with the guarantees provided under the EPC Contracts and the Operation and Maintenance agreements.

3. The Company accounted for the transaction as a sale and a finance leaseback as the Company retained the significant risks and benefits of ownership related to its relevant PV Plants. The carrying value of the photovoltaic plants was left unchanged, with the sales proceeds recorded as a finance lease obligation accounted for under IAS 39.

   As of December 31, 2013 financial covenants were met.

Note 10 – Finance Lease Obligation (cont'd)

B. The aggregate annual maturities are as follows:

	December 31 2013	December 31 2012
	US$ in thousands	US$ in thousands
First year (current maturities)	**396**	367
Second year	**411**	379
Third year	**424**	393
Fourth year	**439**	406
Fifth year	**455**	420
Sixth year and thereafter	**5,085**	5,300
	7,210	7,265
Less current maturities	**396**	367
Long-term finance lease obligation	**6,814**	6,898

Note 11 - Long-term Loans

A. Composed as follows:

	Linkage terms	Interest rate 2013	December 31 2013
		%	US$ in thousands
Bank loans	**EURIBOR**	1.6-5.15	9,875
Other long-term loans	**EURIBOR**	5.15	1,175

	Linkage terms	Interest rate 2012	December 31 2012
		%	US$ in thousands
Bank loans	**EURIBOR**	1.6-5.15	10,425
Other long-term loans	**EURIBOR**	5.15	1,255

1. On February 17, 2011, one of the Company's Italian subsidiaries entered into a project finance facilities credit agreement (the “Finance Agreement”) with an Italian bank (Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A.). Pursuant to the Finance Agreement, two lines of credit in the aggregate amount of Euro 4.65 million were provided:

(i) A Senior Loan, to be applied to the costs of construction of the PV Plants (up to 80% of the relevant amount), in the amount of Euro 4.1 million, accruing interest at the EURIBOR rate, increased by a margin of 200 basis points per annum, to be repaid in six-monthly installments with a maturity date of December 31, 2027.

Note 11 - Long-term Loans (cont'd)

A. Composed as follows: (cont'd)

(ii) A VAT Line, for payment of VAT due on the costs of construction in the amount of Euro 0.55 million, accruing interest at the EURIBOR rate, increased by 160 basis points per annum. As of December 31, 2013 the entire VAT Line was repaid.

The Finance Agreement also requires the payment of commitment fees equal to 0.5% per annum calculated on the undrawn and un-cancelled amount of both the Senior Loan and the VAT Line and certain additional payments, including an arranging fee and an annual agency fee.

The Company's Italian subsidiary undertook to comply with the following financial covenants verified at each repayment date starting from the first installment of the Senior Loan and up to the final redemption date:

DSCR (Debt Rate Cover Ratio): equal or greater than 1.25:1;

LLCR (Loan Life Coverage Ratio): equal or greater than 1.25:1; and

Debt/Equity: equal or less than 80:20.

On November 30, 2011 an amount of Euro 4.4 million (approximately $ 5,640 thousand) was drawn down on account of these credit lines. Related expenses capitalized to the loan comprised mainly of related notary fee and bank charges amount to approximately Euro 171 thousand (approximately $221 thousand).

As of December 31, 2013 financial covenants were met.

2. On December 20, 2011, one of the Company's Italian subsidiaries, entered into a loan agreement (the “Loan Agreement”) with an Italian bank (Unicredit S.p.A.). Pursuant to the Loan Agreement, a line of credit was set up to an amount of Euro 5.047 million bearing an interest at the EURIBOR 6 month rate plus a range of 5.15%-5.35% per annum, depending on the period in which interest is accrued during the term of the Loan Agreement. The principal and interest on the loan are repaid semi-annually. The final maturity date of this loan is December 31, 2029. The Loan Agreement provides for mandatory prepayment upon the occurrence of certain events, including in the event the borrower receives insurance or indemnity compensation and in the event of a change in control of the borrower without the bank's consent.

The Company's Italian subsidiary undertook to comply with the following financial parameters verified at each repayment date starting from the first installment of the Senior Loan and up to the final redemption date:

Minimum DSCR (Debt Rate Cover Ratio): equal or greater than 1.25:1;

Average DSCR (Debt Rate Cover Ratio): equal or greater than 1.3:1;

LLCR (Loan Life Coverage Ratio): equal or greater than 1.4:1; and
Debt/Equity: equal or less than 82:18.

On January 31, 2012 an amount of Euro 4.9 million (approximately $ 6,460 thousand) was drawn down on account of these credit lines. Related expenses capitalized to the loan are comprised mainly of related notary fee and bank charges and amount to approximately Euro 148 thousand (approximately $195 thousand).

As of December 31, 2013 financial parameters were met.

Note 11 - Long-term Loans (cont'd)

A. Composed as follows: (cont'd)

3. Effective as of March 8, 2012, the Company's 85% owned Spanish subsidiary entered into a loan agreement with the owner of the remaining 15% of its outstanding shares. Pursuant to the Loan Agreement, a line of credit was set up to an amount of Euro 8 million bearing an interest at the EURIBOR 6 month rate plus a range of 5.15% per annum for a period of 5 years, and renewable for additional 5 year periods. As of December 31, 2013 the credit facility balance used amounts to approximately Euro 853 thousand (approximately $ 1,175 thousand) including accumulated interests.

B. The aggregate annual maturities are as follows:

	December 31 2013 US$ in thousands	December 31 2012 US$ in thousands
First year (current maturities)	**459**	745
Second year	**486**	471
Third year	**510**	499
Fourth year	**1,711**	522
Fifth year	**569**	1,805
Sixth year and thereafter	**7,774**	8,383
	11,509	12,425
Less current maturities	**459**	745
Long-term loans	**11,050**	11,680

C. In order to minimize the interest-rate risk resulting from liabilities to banks and financing institutions in Italy linked to the Euribor, the Company executed swap transactions. See note 20.

Note 12 - Other Long-term Liabilities

	December 31 2013 US$ in thousands	December 31 2012 US$ in thousands
Deferred Tax (see Note 18E)	**40**	384
Government authorities	**248**	-
Swap contracts	**2,048**	3,415
Liabilities for employees benefits	**50**	28
	2,386	3,827

Note 13 - Commitments and Contingent Liabilities

A. Investment in photovoltaic plants

Since March 4, 2010, the Company has acquired thirteen photovoltaic plants.

Each of the PV Plants is constructed and operates on the basis of the following agreements:

- An EPC Contract, which governs the installation, testing and commissioning of a photovoltaic plant by the respective contractor;

- An Operation and Maintenance Agreement (an "O&M Agreement"), which governs the operation and maintenance of the photovoltaic plant by the respective contractor. Based on the range of services offered by the contractor, the annual consideration for the O&M Agreement varies from Euro 19 thousand to Euro 45 thousand per MWp (linked to the Italian inflation rate or the Spanish Consumer Price Index) for each of the PV Plants, paid in the majority of the PV Plants on a quarterly basis.;

- When applicable, agreement between the Company's relevant subsidiary and the contractor, whereby the panels required for the construction of the photovoltaic plant will be purchased by such Italian subsidiary directly from a third party supplier of such panels, and then transferred to the contractor;

- A number of ancillary agreements, including:

  * One or more "building rights agreements" with the land owners, which provide the terms and conditions for the lease of land on which the photovoltaic plants are constructed and operated.

with respect to the PV Plants located in Italy –

  * Standard "incentive agreements" with Gestoredei Servizi Elettrici ("GSE"), Italy's energy regulation agency responsible, inter-alia, for incentivizing and developing renewable energy sources in Italy and purchasing energy and re-selling it on the electricity market. The incentive agreements will be entered into prior to connection of the each of the PV Plants to the Italian national grid. Under such agreement, it is anticipated that GSE will grant the applicable feed-in tariff governing the purchase of electricity.

  * One or more "power purchase agreements" with GSE, specifying the power output to be purchased by GSE for resale and the consideration in respect thereof.

  * One or more "interconnection agreements" with the Enel Distribuzione S.p.A ("ENEL"), the Italian national electricity grid operator, which provide the terms and conditions for the connection to the Italian national grid.

  * A stock purchase agreement in the event the Company acquires a plant that is under construction or is already constructed.

Note 13 - Commitments and Contingent Liabilities (cont'd)

A. Investment in photovoltaic plants (cont'd)

with respect to the PV Plant located in Spain –

* Standard "power evacuation agreements" with the Spanish power distribution grid company Endesa Distribución Eléctrica, S.L.U., or Endesa, regarding the rights and obligations of each party, concerning, inter alia, the evacuation of the power generated in the facility to the grid;

* Standard "representation agreements" with an entity that will represent the PV Principal in its dealings with the Spanish National Energy Commission, or CNE, and the bid system managed by the operator of the market, Operador del Mercado Ibérico de Energía, Polo Español, S.A., or OMEL, who are responsible for payment of the FiT. The representation agreements in connection with Rinconada II are with Nexus Energía, S.A.; and

* a stock purchase agreement in the event the Company acquire an existing company that owns a photovoltaic plant that is under construction or is already constructed.

B. Agreement to receive participation interest

On February 22, 2011 (the " Licenses Effective Date") the Company entered into agreements to receive participation interests in four oil and gas exploration licenses (the "Licenses") in Israel. In December 2011, the Israeli Petroleum Commissioner published its decision not to extend the terms of the Licenses and as of April 1, 2012 all four licenses have expired and the Petroleum Commissioner announced that they will not be renewed. As these transactions were not consummated, as of December 31, 2013 the Company made no expenditures in connection with these licenses.

On December 5, 2011 the Company, through a limited partnership of which a wholly-owned subsidiary of the Company is the general partner and of which the Company is the limited partner, entered into an agreement to receive participation interests in an exploration license in Israel (the "Yitzchak License"). The Company committed to finance its share of the anticipated expenditures in an amount of up to $2 million, including reimbursement for past expenditures incurred by the transferors of the participating interests in connection with operations under the Yitzchak License until closing date of the agreement (that was subject to the approval of the Israeli Petroleum Commissioner). Thereafter, if the Company does not contribute its share of expenditures in excess of such $2 million, it will be permitted to sell its participating interest to a third party and, if not sold, its holdings in the Yitzchak License would be diluted pro rata to the total expenditures in connection with the Yitzchak License. On January 9, 2012 following the Israeli Petroleum Commissioner approval, the transaction was consummated.

The Yitzhak Joint Operating Agreement provides that the Company may, until having invested an amount of $2 million, reduce its investments and thereby reduce its holdings in the Yitzchak license.

The Company funded approximately $554 thousand, which only represents 10% of the total cash calls to the partners in the Yitzhak license expenses. In 2012, in light of the precarious financial situation of the major partner in the Yitzhak license, holding 70% of the license, the Company identified a required impairment of the investment in the Yitzhak License and recorded a loss of approximately $ 554 thousand.

Note 13 - Commitments and Contingent Liabilities (cont'd)

C. Operating lease commitments

The PV Plants are constructed on land leased for 20-25 years under operating lease agreements, which expire on various dates, ranging from 2031 to 2035. In respect to several of the leases the Company has the option to extend the lease for different terms, the latest of which is until 2041. The Company leases its office space under an operating lease that expires in April 2015 with an additional one year optional extension period. The following table summarizes the minimum annual rental commitments as of the periods indicated under the non-cancelable operating leases and sub-lease arrangements with initial or remaining terms of more than one year, reflecting the terms that were in effect as of December 31, 2013:

	Operating lease
	US$ in thousands
Year ended December 31	
2014	440
2015	440
2016	267
2017	198
2018 and thereafter	2,899
Total minimum lease payments	4,244

D. Legal proceedings:

The following is a summary of legal proceedings filed against the Company or its subsidiaries. All amounts are converted to US Dollars at the exchange rate as of December 31, 2013.

Note 13 - Commitments and Contingent Liabilities (cont'd)

D. Legal proceedings: (cont'd)

1. In December 2003, a customer of a subsidiary filed a lawsuit alleging that a machine purchased by it failed to perform. The customer sought reimbursement of the purchase price paid by it in the amount of approximately $ 398 thousand (as of December 31, 2013). During 2006 the Company launched a counter claim to this lawsuit for the collection of unpaid outstanding invoices which was settled between the parties in May 2010. In January 2010 the court dismissed the customer's lawsuit and in June 2010 the customer filed an appeal. Based on management's estimation and the assessment of its legal counsel, no provision was recorded with respect to this claim.

2. In February 2007, a claim was filed against the Company and one of its former officers by a person claiming to have been an agent of the Company in West Africa for commissions on sales of printers. The claim is for NIS 3,000 thousand ($ 864 thousand as of December 31, 2013). The Company filed a statement of defense denying all claims, both with respect to the causes of action and with respect to the factual allegations in the claim. The plaintiff's filed a motion with the Court to strike the Company's Statement of Defense, which was rejected. The plaintiff's filed a motion to appeal to the Supreme Court. That motion was rejected in July 2010. In October 2012, the district court rendered its ruling and rejected the plaintiff's claims in their entirety. In November 2012 an appeal was filed in the Supreme Court by the plaintiff. Written summaries were submitted by the plaintiffs and by the defendants by September 2013 and November 4, 2013, respectively. On March 5, 2014 an appeal hearing was held at the Israeli Supreme Court. In accordance with the court's recommendation, the parties agreed to end all their disputes on a settlement for the amount of $ 85 thousand in favor of the plaintiff. As of December 31, 2013, a provision was recorded with respect to the settlement amount.

3. In September 2010 a claim was filed with the Court of Brescia, Italy against the Company and against HP and several of its subsidiaries by a former customer asking the declaration of invalidity or voidness or termination of the supply of agreements in connection with five printers it purchased between 2004 - 2006 alleging the defectiveness of the printers (in particular, the lack of the essential safety qualifications and relevant certifications) and requesting damages in the aggregate amount of Euro 2,500 thousand plus VAT (approximately $ 3,295 thousand plus VAT, as of December 31, 2012). The Company was sued based on its past ownership of the seller of the printers, NUR Europe (which was sold to HP in connection with the HP Transaction). The Company has required that HP pay its legal fees in connection with this claim based on the settlement agreement executed with HP in July 2010. The parties reached a settlement in November 2012 and the case was dismissed. In addition, the Company reached a settlement with HP concerning the payment of legal fees.

Note 14 - Transactions and Balances with Related Parties

A. On December 30, 2008, the Company's shareholders approved the terms of a management services agreement entered into among the Company, Kanir Joint Investments (2005) Limited Partnership ("Kanir") and Meisaf Blue & White Holdings Ltd. ("Meisaf"), a company controlled by the Company's chairman of the board and controlling shareholder, effective as of March 31, 2008 (the "Management Agreement"). According to the Management Agreement, Kanir and Meisaf, through their employees, officers and directors, provide assistance to the Company in all aspects of the new operations process, including but not limited to, any activities to be conducted in connection with identification and evaluation of the business opportunities, the negotiations and the integration and management of any new operations and including discussions with the Company's management to assist and advise them on such matters and on any matters concerning the Company's affairs and business. In consideration of the performance of the management services and the board services pursuant to the Management Agreement, the Company agreed to pay Kanir and Meisaf an aggregate annual management services fee in the amount of $ 250 thousand.

This annual amount was increased to $400,000 in June 2013 following approval by the Audit Committee, Compensation Committee, Board of Directors and by the Company's shareholders at the shareholders' meeting held in June 2013. In addition, in June 2013 the term of the Management Agreement was extended until June 17, 2016 subject to certain rights of early termination.

The Company sub-leases a small part of its office space to a company controlled by Mr. Shlomo Nehama, the Company's chairman of the Board and a controlling shareholder, at a price per square meter based on the price that it pays under its lease agreements. This sub-lease agreement was approved by the Company's Board of Directors.

B. Compensation to key management personnel and interested parties (including directors)

Executive officers and directors participate in the Company’s share option programs. For further information see Note 16 regarding share-based payments.

Compensation to key management personnel and interested parties that are employed by the Company:

	Year ended December 31					
	2013		2012		2011	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
		US$ thousands		US$ thousands		US$ thousands
Short-term employee Benefits	**2**	**461**	2	443	2	565
Post-employment Benefits	**2**	**29**	2	27	2	29
Share-based payments	**1**	*****	1	*	1	20

* Less than $1 thousand

Note 14 - Transactions and Balances with Related Parties (cont'd)

Compensation to key management personnel (including directors) that are not employed by the Company:

	Year ended December 31					
	2013		2012		2011	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
		US$ thousands		US$ thousands		US$ thousands
Total compensation to directors not employed by the Company	**4**	**90**	4	79	4	73
share-based payments	**4**	**9**	4	7	4	12

C. Debts and loans to related and interested parties

	The terms of the loan		Balance as at December 31		Financing income recognized in statement of income for the year ended December 31		
	Interest rate	Linkage base	2013	2012	2013	2012	2011
			US$ thousands				
Dori Energy	8.5(*)	NIS+CPI	**12,732**	6,688	314	-	-

(*) See note 6A

Note 15 - Equity

A. Composition of share capital

	December 31, 2013		December 31, 2012		December 31, 2011	
	Authorized	Issued and Outstanding(1)	Authorized	Issued and outstanding(1)	Authorized	Issued and Outstanding
	Number of shares					
Ordinary shares of NIS 10.00 par value each	**17,000,000**	(1)10,692,371	17,000,000	(1)10,692,371	17,000,000	(2)10,769,326

(1) Net of treasury shares. 85,655 Ordinary shares as of December 31, 2013 and 2012, have been purchased according to a sharebuyback program that was authorized the Company's Board of Directors.

(2) Net of treasury shares. 8,700 Ordinary shares as of December 31, 2011, have been purchased according to a share buyback program that was authorized by the Company's Board of Directors.

Note 15 - Equity (cont'd)

B. Rights attached to shares:

1. Voting rights at the general meeting, right to dividend and rights upon liquidation of the Company.

2. The Ordinary shares of the Company were traded until May 2005 on the NASDAQ Capital Market. From May 19, 2005, the Company's Ordinary shares have been quoted over-the-counter in the "pink sheets" and, commencing August 22, 2011, have been listed on the NYSE MKT (formerly the NYSE Amex). On October 27, 2013, the Company's ordinary shares were also listed for trading on the Tel Aviv Stock Exchange in Israel.

D. Reverse share split

On June 9, 2011, the Company effected a 1-for-10 reverse share split (“the reverse split”). As a result of the reverse split, every 10 shares of the Company were combined into one share, all fractional shares which were one-half or more were increased to the next higher whole number of shares and all fractional shares which were less than one-half share were decreased to the next lower whole number of shares. The par value of the Company’s shares increased from NIS 1.00 to NIS 10.00. The reverse split affected all of the Company's ordinary shares, including ordinary shares reserved for issuance under stock options and warrants outstanding immediately prior to the effective date of the reverse split. The reverse split reduced the number of shares outstanding at June 9, 2011 from 107,778,493 shares to 10,777,917 shares. All references to share and per share amounts for all periods presented have been retroactively restated to reflect this reverse split.

E. Buyback plan

On September 25, 2011, the Company's Board of Directors approved the repurchase of up to $3 million of the Company's ordinary shares to be made from time to time. The timing, volume and nature of share repurchases are at the sole discretion of the Company's management, subject to the funds available for share repurchase under the Companies Law, and are dependent on market conditions, the price and availability of the Company's ordinary shares, applicable securities laws, restrictions under the Israeli Companies Law and other factors.

The buyback program did not obligate the Company to acquire a specific number of shares in any period, and could be modified, suspended, extended or discontinued at any time, without prior notice. Due to Israeli regulatory considerations with respect to the funds available for share repurchases, the Company ceased repurchasing ordinary shares commencing July 1, 2012 and until the expiration date of the buyback program. As of December 31, 2013 the Company purchased 85,655 ordinary shares for a total consideration of $522 thousand.

Note 15 - Equity (cont'd)

F. Warrants

During 2011, warrants to purchase 27,887 ordinary shares at an exercise price of $ 6.5 per share were exercised.

As of December 31, 2011, the Company had 324,164 warrants outstanding that were exercisable into 324,164 ordinary shares of NIS 10.00 par value each for an exercise price of $ 6.5 per ordinary share. These warrants were classified in equity. During January and February 2012 these warrants expired.

In August 2013, the Company issued a warrant to purchase 308,427 ordinary shares at an exercise price of $7.97 per share to Mr. Zohar Zisapel that includes a contractual provision that prohibits Mr. Zisapel from exercising such warrant during a 12 month period following the effective date of such warrant if such exercise would result in the Mr. Zisapel beneficially owning more than 4.99% of the Company's ordinary shares. The warrant further provides that it may only be exercised via cashless exercise methods described in the Warrant.

The grant date fair value of the fully vested warrant was recorded as an expense in profit or loss. The fair value of the warrant was estimated using a Black-Scholes pricing model with the following assumptions: dividend yield – 0%, expected volatility – 0.37, risk-free interest – 0.32%, contractual life – 2 years.

G. Translation reserve from foreign operation

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

H. Capital management in the Company

The Company's capital management objectives are:

1. To preserve the Company's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
2. To ensure adequate return for the shareholders by making reasonable investment decisions based on the level of internal rate of return that is in line with the Company's business activity.
3. To maintain healthy capital ratios in order to support business activity and maximize shareholders value.

Note 16 - Share-Based Payment

A. Expenses recognized in the financial statements

The expense recognized in the financial statements for services received from employees is shown in the following table:

	Year ended December 31		
	2013	**2012**	**2011**
		US$ thousand	
Expenses arising from share-based payment transactions	**9**	7	32

The share-based payments that the Company granted to its employees are described below. Other than the revision to the 1998 Plan (as hereinafter defined) during 2013, there have been no modifications or cancellations to any of the employee stock options plans during 2013, 2012 or 2011, except for the reverse split as described in Note 15D. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of the options is estimated using a Black-Scholes options pricing model with the following weighted average assumptions:

	Year ended December 31	
	2013	**2012**
Dividend yield	**0%**	0%
Expected volatility	**0.374**	0.552
Risk-free interest	**0. 35%**	0. 24%
Expected life (in years)	**2-3**	2-3

All options granted during 2013 and 2012 were granted with exercise price equal or higher than the market price on the date of grant. Weighted average fair values and exercise price of options on dates of grant are as follows:

	Equal market price	
	2013	**2012**
	US$	
Weighted average exercise prices	**8.48**	5.24
Weighted average fair value on grant date	**1.8**	1.6

Note 16 - Share-Based Payment (cont'd)

B. Stock Option Plans

In December 1998, the Company's shareholders approved the non-employee director stock option plan (the "1998 Plan"). Each option granted under the 1998 Plan is vested immediately and expires after 10 years. Generally, the Company grants options under the plan with an exercise price equal to the market price of the underlying shares on the date of grant. Following the reverse share split an aggregate amount of not more than 75,000 ordinary shares is reserved for grants under the 1998 Plan. The original expiration date of the 1998 Plan pursuant to its terms was December 8, 2008 (10 years after its adoption). At the General Meeting of the Company's shareholders, held on January 31, 2008, the term of the 1998 Plan was extended and as a result it will expire on December 8, 2018, unless earlier terminated by the Board. In connection with the adoption of the Company's compensation policy in 2013, the 1998 Plan was amended to provide that options granted under the 1998 Plan will become exercisable based on the vesting schedule determined in the approvals of the option grant.

In August 2000, the Company's board of directors adopted the 2000 Stock Option Plan (the "2000 Plan" and, together with the 1998 Plan, the "Plans"). The initial reserve to the 2000 Plan was 200,000 options that may be granted to officers, directors, employees and consultants of the Company and its subsidiaries. The options usually vest over a three year period. The exercise price of the options under the 2000 Plan is determined to be not less than 80% of the fair market value of the Company's ordinary shares at the time of grant, and they usually expire after 10 years from the date of grant. In June 2008 the Company's board of directors extended the 2000 Plan by an additional 10 years and the current expiration date of the 2000 Plan is August 31, 2018.

Following increases in shares reserved for issuance under the Company's 2000 Plan, the Company reserved for issuance 1,772,459 ordinary shares under such plan. As a result of a repurchase and cancellation of employee options following with the HP Transaction, the number of shares reserved for issuance under the 2000 was decreased by 987,645.

As a result of the reverse split, every 10 options of the Company were combined into one option, all fractional shares which were one-half or more were increased to the next higher whole number of shares and all fractional shares which were less than one-half share were decreased to the next lower whole number of options. The exercise price of the options was proportionately increased.

As of December 31, 2013, 23,502 options are outstanding and 43,081 ordinary shares are available for future grants under the 1998 Plan and 132,285 options are outstanding and 594,919 Ordinary shares are available for future grants under the 2000 Plan. Options that are cancelled or forfeited become available for future grant.

During 2013, 2012 and 2011, the Company granted to directors 4,000, 4,000 and 4,583 options, respectively.

During 2013, 2012 and 2011 the Company granted to one of its senior employee 45, 45 and 45 options, respectively. There were no other option grants during 2013, 2012 and 2011.

Note 16 - Share-Based Payment (cont'd)

C. Changes during the year:

The following table lists the number of share options, the weighted average exercise prices of share options during the current year:

	2013		2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		US$		US$		US$
Outstanding at beginning of year	**151,742**	**8.24**	153,364	8.2	148,736	8.3
Granted during the year	**4,045**	**8.48**	4,045	5.24	4,628	6.82
Exercised during the year	-	-	(5,667)	5.72	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at end of year	**155,787**	**8.24**	151,742	8.24	153,364	8.2
Exercisable at end of year	**153,708**	**8.24**	151,663	8.24	153,282	7.04

D. The weighted average remaining contractual life for the share options outstanding as of December 31, 2013 was 4.76- 6.89 years (as of December 31, 2011: 6.48-8 years and as of December 31, 2012: 5.76-7.89 years).

E. The range of exercise prices for share options outstanding as of December 31, 2013 was $3.1- $9.2 (as of December 31, 2011: $ 3.1- $ 9.2 and as of December 31, 2012: $ 3.1- $ 9.2).

Note 17 - Details to the Statements of Comprehensive Income (Loss)

A. Financing income and expenses:

1. Financing income

	For the year ended December 31		
	2013	**2012**	**2011**
		US$ in thousands	
Interest income	**204**	438	436
Change in fair value of derivatives	**1,501**	-	-
Forward gain	**-**	112	-
Gain from exchange rate differences, net	**-**	-	1,384
Total financing income	**1,705**	550	1,820

2. Financing expenses

	For the year ended December 31		
	2013	**2012**	**2011**
		US$ in thousands	
Change in fair value of derivatives	**-**	2,131	2,406
Swap interest	**768**	511	148
Share-based payment	**513**	-	-
Interest on loans	**1,258**	1,028	464
Loss from exchange rate differences, net	**1,434**	485	-
Bank charges and other commissions	**228**	22	40
Total financing expenses	**4,201**	4,177	3,058

B. Operating Costs and Depreciation

	For the year ended December 31		
	2013	**2012**	**2011**
		US$ in thousands	
Depreciation	**4,021**	2,717	1,777
Professional services	**165**	268	822
Annual rent	**215**	205	190
Operating and maintenance services	**1,251**	922	164
Insurance	**250**	153	62
Other	**500**	406	153
Total operating costs	**6,402**	4,671	3,168

Note 17 - Details to the Statements of Comprehensive Income (Loss) (Cont'd)

C. General and administrative expenses

	For the year ended December 31		
	2013	**2012**	**2011**
		US$ in thousands	
Salaries and related compensation	**1,100**	963	1,148
Professional services	**2,608**	1,547	1,614
Loss from disposal of fixed assets, net of insurance income	**-**	338	-
Income from Bond enforcement (*)	**(596)**	-	-
Other	**337**	262	340
Total general and administrative expenses	**3,449**	3,110	3,102

(*) The contractor of four of the Company's photovoltaic plants (Del Bianco, Giache, Constantini and Massaccesi) has entered into insolvency proceedings during 2012 that are subject to an arrangement with its creditors. In connection with such insolvency proceedings, the Company enforced the bonds received from the contractor as part of its obligations under the EPC agreements and received an amount of approximately $ 596 thousand.

Note 18 - Taxes on Income

A. Israeli taxation

Corporate tax structure:

On July 14, 2009, the Knesset passed the Economic Efficiency Law (Legislation Amendments for Implementation of the 2009 and 2010 Economic Plan), 2009 (the "Economic Efficiency Law"), which provided, inter alia, a gradual reduction in the corporate tax rate to 18% as from the 2016 tax year. In accordance with the aforementioned amendments, the corporate tax rate in 2010 and 2011 was 25% and 24%, respectively.

On December 5, 2011, the Knesset approved the Law to Change the Tax Burden (Legislative Amendments), 2011. According to this law, the tax reduction that was provided in the Economic Efficiency Law, as aforementioned, was cancelled and the corporate tax rate will be 25% as from 2012.

On August 5, 2013, 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.

Note 18 - Taxes on Income (cont'd)

Italian taxation

Corporate tax structure:

As a rule, corporate income tax (named IRES from 2004) is payable by all resident companies on income from any source, whether earned in Italy or abroad at the rate of 27.5%. Both resident and non-resident companies are subject to regional income tax (IRAP), but only on income arising in Italy at the rate from 3.90% to 4.82%, depend by the Region.

Spanish taxation

As a rule, corporate income tax is payable by all resident companies on income from any source, whether earned in Spain or abroad at the rate of 30%.

New taxation of the feed in tariff-

The Spanish Parliament has enacted the Spanish Law No. 15/2012, dated December 27, 2012, or Law No. 15/2012, on fiscal measures for the sustainability of the energy sector, which entered into force on January 1, 2013.

Law No. 15/2012 sets forth a new tax on energy generation with the following criteria:

(a) **Taxable event**: generation of electric energy and its transmission to the grid;

(b) **Taxable income**: total amount received in terms of feed in tariff;

(c) **Tax rate**: 7%;

(d) **Taxpayer**: titleholder of the taxable event, i.e., the person which is entitled to generate electric energy and transfer such energy to the grid;

(e) **Tax period and accruing**: the tax period is the natural year and the tax is accrued each December 31;

(f) **Tax payment terms**: the taxpayers are obliged to issue a final self-settlement of the tax amount and to pay such amount within the following month of November as from the accruing of the tax. Therefore, the first self-settlement and payment shall be satisfied during November 2013; and

(g) **Interim tax payments**: the taxpayers are also required to transfer interim tax payments to the account of the final self-settlement within the first twenty calendar days of May, September, November and February of the following year, and corresponding to the periods of three, six, nine and twelve months of each year, respectively, and in accordance with the rules to be issued by the Ministry of Treasury and Public Bodies.

Note 18 - Taxes on Income (cont'd)

B. Composition of income tax benefit (taxes on income):

	For the year ended December 31		
	2013	**2012**	**2011**
	US$ in thousands	**US$ in thousands**	**US$ in thousands**
Current tax income (expense)			
Current year	**(1,045)**	(526)	(432)
Previous years	**71**	24	-
Reverse of uncertain tax positions	**209**	1,316	1,352
	(765)	814	920
Deferred tax income			
Creation and reversal of temporary differences	**520**	197	98
Tax benefit (taxes on income)	**(245)**	1,011	1,018

C. Theoretical tax:

Statutory rate applied to corporations in Israel and the actual tax expense, is as follows:

	2013	**2012**	**2011**
	US$ in thousands		
Profit (loss) before taxes on income	**10,332**	(3,144)	(1,990)
Primary tax rate of the Company	**25%**	25%	24%
Theoretical tax benefit (tax on income)	**(2,583)**	786	478
profit (loss) subject to different tax rate	**117**	70	49
Foreign exchange differences	**(82)**	92	(685)
Permanent differences including gain on bargain purchases	**(2,267)**	190	285
Unrecognized tax profit (losses) and reserve of uncertain tax position	**(106)**	(577)	(189)
Actual tax benefit (tax on income)	**(245)**	1,011	1,018

D. Carry forward tax losses:

As of December 31, 2013, Ellomay Capital Ltd. had available carry forward tax losses, carry forward capital tax losses and deductions aggregating to approximately $ 35,172 thousand, which have no expiration date.

Deferred taxes have not been recognized of the Company's and its non-operating subsidiaries' carry forward tax losses.

The Company's management currently believes that as Ellomay Capital Ltd. has a history of losses it is more likely than not that the deferred tax regarding all losses carry forward will not be utilized in the foreseeable future. Therefore, deferred tax assets were not recorded in the years 2013 and 2012.

Note 18 - Taxes on Income (cont'd)

E **Deferred taxes:**

	Property and equipment	Finance lease obligations and Long term loans	Swap contract	Losses on income	Total
			US$ in thousands		
Balance of deferred tax asset (liability) as at January 1, 2013	**(3,028)**	**2,994**	**321**	**-**	**287**
Changes recognized in profit or loss	**290**	**(90)**	**(151)**	**471**	**520**
Changes recognized due to business combination	**-**	**404**	**-**	**-**	**404**
Changes recognized in in other comprehensive income	**15**	**86**	**8**	**(7)**	**102**
Balance of deferred tax asset (liability) as at December 31, 2013	**(2,723)**	**3,394**	**178**	**464**	**1,313**

	Property and Equipment	Finance lease obligations and Long term loans	Swap contract	Total
		US$ in thousands		
Balance of deferred tax asset (liability) as at January 1, 2012	(2,875)	2,952	21	98
Changes recognized in profit or loss	65	(153)	285	197
Changes recognized in in other comprehensive income	(218)	195	15	(8)
Balance of deferred tax asset (liability) as at December 31, 2012	(3,028)	2,994	321	287

F. **Provision for tax uncertainties:**

As of December 31, 2013, the total amount of unrecognized tax benefits was $ 1,724 thousand which, if recognized, would affect the effective tax rates in future periods. Management performs a comprehensive review of its global tax positions on an annual basis and accrues amounts for contingent tax liabilities. Based on these reviews, the result of discussions and resolutions of matters with certain tax authorities and the closure of tax years subject to tax audit, reserves are adjusted as necessary. However, future results may include favorable or unfavorable adjustments to estimated tax liabilities in the period the assessments are determined or resolved.

Note 19 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	For the year ended December 31		
	2013	2012	2011
	US$ in thousands	US$ in thousands	US$ in thousands
Net income (loss) attributed to owners of the Company	**10,068**	(2,110)	(972)
Weighted average ordinary shares outstanding (1)	**10,692,371**	10,709,294	10,775,458
Dilutive effect:			
Stock options and warrants	**60,437**	-	-
Diluted weighted average ordinary shares Outstanding	**10,752,808**	**10,709,294**	**10,775,458**
Basic profit (loss) per share from continuing operations	**0.94**	(0.20)	(0. 09)
Diluted profit (loss) per share from continuing operations	**0.94**	(0.20)	(0. 09)

(1) Net of treasury shares.

Note 20 - Financial Instruments

A. Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents quantitative and qualitative information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk.

In order to manage these risks and as described hereunder, the Company executes transactions in derivative financial instruments. Presented hereunder is the composition of the derivatives:

	For the year ended December	
	2013	**2012**
Derivatives presented under current liabilities	**US$ in thousands**	
Forward contracts	-	(120)
SWAP contracts	**(472)**	(591)
Total	**(472)**	(711)
Derivatives presented under non-current liabilities		
SWAP contracts	**(2,048)**	(3,415)
Total	**(2,048)**	(3,415)

Note 20 - Financial Instruments (cont'd)

B. Risk management framework

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework.

C. Credit Risk

As at December 31, 2013, the Company does not have any significant concentration of credit risk.

Cash and short-term deposits

As at December 31, 2013 and 2012, the Company had cash and cash equivalents in the amount of $7,238 thousand and $33,292 thousand, respectively and short-term deposits in the amount of $5,153 thousand and $5,290 thousand, respectively. The Company's cash and cash equivalents and short-term deposits are deposited with financial institutions that received a credit rating (international rating scale) also Note 3.

Restricted cash

As at December 31, 2013 and 2012, the Company had a balance of current restricted cash of $5,653 thousand and $8,085 thousand, respectively, and a balance of non-current restricted cash of $4,315 thousand and $3,253 thousand, respectively. See also Note 4.

Trade and other receivables

As at December 31, 2013 and 2012, the Company had a balance of trade receivables of $134 thousand and $95 thousand, respectively. This balance refers to invoices issued and unbilled to ENEL, the Italian national electricity grid operator and to NEXUS that represents the PV Plant located in Spain in its dealings with the Spanish National Energy Commission, and is due within 60 days from issuance.

As at December 31, 2013 and 2012, the Company had a balance of revenue receivables of $1,269 thousand and $492 thousand, respectively. This balance refers to amounts to be paid from GSE, Italy's energy regulation agency responsible, inter-alia, for incentivizing energy manufacturers, and is due within 90 days from the end of the month.

As at December 31, 2013 and 2012, the Company had a balance of government authorities' receivables of $2,000 thousand and $3,132 thousand, respectively. This balance refers to vat and withholding tax receivables in Italy and Spain.

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has contractual commitments due to financing agreements and EPC and O&M agreements of its subsidiaries in Italy and Spain see also Note 13A.

Note 20 - Financial Instruments (cont'd)

D. Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the future rates forecasted at the reporting date, including estimated interest payments. This disclosure excludes the impact of netting agreements:

	December 31, 2013					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	US$ in thousands					
Non-derivative financial liabilities						
Long term loans, including current maturities	11,509	16,633	977	981	4,398	10,277
Finance lease obligation including current maturities	7,210	8,953	351	666	1,998	5,938
Loans and borrowings	18,599	18,836	18,836	-	-	-
Trade payables and other accounts payable	4,490	4,490	4,490	-	-	-
	41,808	48,912	24,654	1,647	6,396	16,215
Derivative finance liabilities						
Swap contracts	2,520	2,520	472	720	579	749
	2,520	2,520	472	720	579	749

Note 20 - Financial Instruments (cont'd)

D. Liquidity risk (cont'd)

	December 31, 2012					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	US$ in thousands					
Non-derivative financial liabilities						
Long term loans, including current maturities	12,425	18,311	1,341	1,039	4,454	11,477
Finance lease obligation including current maturities	7,265	9,441	621	620	1,857	6,343
Loans and borrowings	5,932	5,980	5,980	-	-	-
Trade payables and other accounts payable	12,737	12,737	12,737	-	-	-
	38,359	46,469	20,679	1,659	6,311	17,820
Derivative finance liabilities						
Forward contracts	120	120	120	-	-	-
Swap contracts	4,006	4,006	591	531	1,272	1,612
	4,126	4,126	711	531	1,272	1,612

Note 20 - Financial Instruments (cont'd)

E. Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The principal risks that the Company faces, as assessed by management, are as follows: a change in the regulation applicable to the area of activity, a change in the tariffs as approved by the Electricity Authority in Italy and Spain, changes in the situation of the electricity and gas market, political and security events.

(1) Foreign currency risk

As a result of the Company's operations, the Company is exposed to changes in the dollar/Euro exchange rate.

Note 20 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Linkage and foreign currency risks (cont'd)

(a) The exposure to linkage and foreign currency risk

The Company's exposure to linkage and foreign currency risk except in respect of derivatives (see hereunder) was as follow:

	December 31, 2013				
	Non-monetary	NIS	Unlinked	EURO	Total
	US$ in thousands				
Current assets:					
Cash and cash equivalents	-	1,497	224	5,517	7,238
ST deposits	-	-	5,153	-	5,153
ST restricted cash	-	3,805	-	1,848	5,653
Trade receivables	-	-	-	134	134
Other accounts receivables	871	30	67	3,389	4,357
Non-current assets:					
Investments in equity accounted investees	24,601	-	-	-	24,601
Financial asset	389	-	-	-	389
Property, plant and equipment, net	93,671	-	-	-	93,671
LT restricted cash	-	-	3,304	1,011	4,315
Other assets	1,419	-	-	-	1,419
Current liabilities:					
Loans and borrowings	-	-	-	(19,454)	(19,454)
Accounts payable	-	(108)	(20)	(2,026)	(2,154)
Accrued expenses and other payables	(2,299)	(195)	(1,217)	(1,600)	(5,311)
Non-current liabilities:					
Finance lease obligations	-	-	-	(6,814)	(6,814)
Long-term loans	-	-	-	(11,050)	(11,050)
Other long-term liabilities	(90)	-	-	(2,296)	(2,386)
Total exposure in statement of financial position in respect of financial assets and financial liabilities	118,562	5,029	7,511	(31,341)	99,761

Note 20 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Linkage and foreign currency risks (cont'd)

(a) The exposure to linkage and foreign currency risk (cont'd)

	December 31, 2012				
	Non-monetary	NIS	Unlinked	EURO	Total
	US$ in thousands				
Current assets:					
Cash and cash equivalents	-	84	26,605	6,603	33,292
ST deposits	-	-	5,290	-	5,290
ST restricted cash	-	-	6,408	1,677	8,085
Trade receivables	-	-	-	95	95
Other accounts receivables	348	30	8	4,050	4,436
Non-current assets:					
Investments in equity accounted investees	19,198	-	-	-	19,198
Financial asset	485	-	-	-	485
Property, plant and equipment, net	53,860	-	-	-	53,860
LT restricted cash	-	-	2,600	653	3,253
Other assets	746	-	-	-	746
Current liabilities:					
Loans and borrowings	-	-	-	(7,044)	(7,044)
Accounts payable	-	(11)	(2)	(1,913)	(1,926)
Accrued expenses and other payables	(2,931)	(99)	(1,020)	(10,201)	(14,251)
Non-current liabilities:					
Finance lease obligations	-	-	-	(6,898)	(6,898)
Long-term loans	-	-	-	(11,680)	(11,680)
Other long-term liabilities	(412)	-	-	(3,415)	(3,827)
Total exposure in statement of financial position in respect of financial assets and financial liabilities	71,294	4	39,889	(28,073)	83,114

Note 20 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Linkage and foreign currency risks (cont'd)

(a) The exposure to linkage and foreign currency risk (cont'd)

Information regarding significant exchange rates:

	For the year ended December 31			
	2013		2012	
	Rate of change		Rate of change	
	%	USD	%	USD
1 Euro	**4.6**	**1.378**	2	1.318
1 NIS	**7.5**	**0.288**	2.3	0.268

(b) Sensitivity analysis

A change as at December 31 in the exchange rates of the following Euro against the USD, as indicated below would have increased (decreased) profit or loss and equity by the amounts shown below (after tax). This analysis is based on foreign currency exchange rate that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2013	
	Increase	Decrease
	Profit or loss	Profit or loss
	US$ thousands	
Change in the exchange rate of:		
5% in the Euro	**(1,209)**	**1,209**
5% in NIS	**873**	**(873)**

	December 31, 2012	
	Increase	Decrease
	Profit or loss	Profit or loss
	US$ thousands	
Change in the exchange rate of:		
5% in the Euro	(295)	295
5% in NIS	27	(27)

Note 20 - Financial Instruments (cont'd)

E. Market risk (cont'd)

Interest rate risk

The Company is exposed to changes in fair value, as a result of changes in interest rate in connection with its loans and borrowings. The debt instruments of the Company bear variable interest rate.

Sensitivity analysis

A change in interest rate would have increased (decreased) profit or loss by the amounts shown below:

	December 31, 2013	December 31, 2012
	Profit or loss	Profit or loss
	US$ in thousands	US$ in thousands
Increase of 1%	280	198
Increase of 3%	849	749
Decrease of 1%	(292)	(344)
Decrease of 3%	(861)	(653)

F. Fair value

(1) Fair values versus carrying amounts

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, other accounts receivables, pledged deposits, financial derivatives credit from banks and trade payables and other accounts payables are the same or proximate to their fair value.

The fair values of the other financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2013					
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Valuation techniques for determining fair value	Inputs used to determine fair value
	US$ in thousands					
Non-current liabilities:						
Loans from banks and others (including current maturities)	**30,108**	-	**29,992**	-	Future cash flows by the market interest rate on the date of measurement.	Discount rate of Euribor+ 5-6%
Finance lease obligations (including current maturities)	**7,210**	-	**5,925**	-	Future cash flows by the market interest rate on the date of measurement.	Discount rate of Euribor+ 5-6%
	37,318	-	**35,917**	-		

Note 20 - Financial Instruments (cont'd)

F. Fair value

(2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	December 31	
	2013	**2012**
	%	**%**
Non-current liabilities:		
Loans from banks	**Euribor+ 5-6%**	Euribor+ 1.9-5.6%
Finance lease obligations	**Euribor+ 5-6%**	Euribor+ 1.9-5.6%

(3) Fair value hierarchy

The financial instruments presented at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$ in thousands			
Option to acquire additional shares in investee	**-**	**-**	**389**	**389**
Swap contracts	**-**	**2,520**	**-**	**2,520**

The fair value of non-marketable options is determined based on valuations on a regular basis. The valuations are presented to the Company's Audit Committee.

Unobservable inputs relate to the fair value of the option to acquire additional shares in investee was calculated based on a binomial option pricing model considering estimates and parameters such as NAV (net asset value) of Dori Energy, which was determined based on the value of Dorad, estimated according to the discounted operational cash flows of Dorad, discounted by the return on equity of Dorad and net of its financial liabilities as of December 31, 2013.

Note 20 - Financial Instruments (cont'd)

F. Fair value (cont'd)

(4) Level 3 financial instruments carried at fair value

The table hereunder presents reconciliation from the beginning balance to the ending balance of financial instruments carried at fair value in level 3 of the fair value hierarchy:

	Financial assets
	Option to purchase Additional shares in investee
	US$ in thousands
Balance as at December 31, 2011	52
Total losses recognized in profit or loss	146
Deferred income	287
Balance as at December 31, 2012	485
Total income recognized in profit or loss	(236)
Foreign Currency translation adjustments	140
Balance as at December 31, 2013	389

(5) Fair value sensitivity analysis of level 3 financial instruments carried at fair value

Even though the Company believes that the fair values determined for measurement and/or disclosure purposes are appropriate, the application of different assumptions or different measurement methods may change such fair values. As regards fair value measurements classified in level 3 of the fair value hierarchy, a reasonably possible change in one or more unobservable inputs would have increased (decreased) profit or loss and equity as follows (after tax):

	December 31, 2013			
	Increase		Decrease	
	Profit or loss	Equity	Profit or loss	Equity
	US$ in thousands			
Option to purchase additional shares in investee:				
Change in volatility of 10%	135	135	(116)	(116)
Change in volatility of 20%	268	268	(211)	(211)
Change in interest rate of 1%	10	10	(9)	(9)
Change in interest rate of 2%	21	21	(9)	(9)

Note 21 - Segments Information

The Company's chief operating decision maker (CODM) reviews internal management reports on a consolidated basis. The Company has only one strategic business unit.

Geographical information

The Company is domiciled in Israel and it operates in Italy and in Spain through its subsidiaries that own thirteen PV Plants and in Israel through Dori Energy.

The following table lists the revenues from the company's operation in Italy and Spain:

	For the year ended December 31		
	2013	**2012**	**2011**
	US$ in thousands		
Italy	**11,673**	8,387	6,114
Spain	**1,309**	503	-
Total income	**12,982**	8,890	6,114

The following table lists the Property, plant and equipment, net from the company's operation:

	For the year ended December 31	
	2013	**2012**
	US$ in thousands	
Israel	**112**	121
Italy	**86,470**	46,640
Spain	**7,089**	7,099
Total Property, plant and equipment, net	**93,671**	53,860

Major customer

Revenues are derived from one customer in each of the Italian and Spanish subsidiaries (government agencies).

Note 22 - Subsequent Events

A. Series A Debentures

On January 13, 2014, the Company issued NIS 120,000 thousand ($ 34,404 thousand) of unsecured non-convertible Series A Debentures (the “Series A Debentures”) through a public offering that was limited to residents of Israel. The Series A Debentures were issued with a price per unit (each unit comprised of NIS 1,000 par value) of NIS 973 (approximately $ 280). The Series A Debentures are traded on the TASE (Tel Aviv Stock Exchange) and have been rated ilA-, on a local scale, by Standard & Poor’s Maalot Ltd.

The principal amount of Series A Debentures is repayable in ten equal annual installments on December 31 of each of the years 2014 through 2023 (inclusive) and is not linked to the CPI or otherwise. The Series A Debentures bear a fixed annual interest rate of 4.6%, payable semi-annually on June 30 and December 31 of each of the years 2014 through 2023 (inclusive). The gross offering proceeds were NIS 116,760 thousand (approximately $33,475 thousand as of the issuance date), and, net of offering expenses, the proceeds were approximately NIS 114,700 thousand (approximately $32,884 thousand as of the issuance date).

Note 22 - Subsequent Events (cont'd)

A. Series A Debentures (cont'd)

The deed of trust governing the Series A Debentures (the "Series A Deed of Trust") includes customary provisions and also includes the following: (i) a negative pledge such that the Company may not place a floating charge on all of the Company's assets, subject to certain exceptions, and (ii) an obligation to pay additional interest for certain security rating downgrades, up to an increase of 1% for a decrease of four rating levels compared to the rating at the time of issuance of the Series A Debentures. The Series A Deed of Trust does not restrict the Company's ability to issue any new series of debt instruments other than in certain circumstances and enables the Company to expand the Series A Debentures subject to maintaining the rating assigned to the Series A Debentures and the Company's continued compliance with the financial covenants included in the Series A Deed of Trust.

The Series A Deed of Trust further includes a number of customary causes for immediate repayment, including a default in connection with certain financial covenants for two consecutive financial quarters, which is not cured within the cure period set forth in the Series A Deed of Trust. The financial covenants are as follows:

1. The Company's equity, on a consolidated basis, shall not be less than $55 million;

2. The ratio of (a) the short term and long term debt from banks, in addition to the debt to holders of debentures issued by the Company and any other interest-bearing financial obligations, net of cash and cash equivalents and short term investments and net of project finance, including hedging transactions in connection with such project finance, of the subsidiaries of the Company, or, together, the Financial Debt, Net, to (b) the equity of the Company, on a consolidated basis, plus the Financial Debt, Net, shall not exceed a rate of 65%; and

3. The ratio of (a) the Company's equity, on a consolidated basis, to (b) the Company's balance sheet, on a consolidated basis, shall not be less than a rate of 20%.

The Series A Deed of Trust further provides that the company may make distributions (as such term is defined in the Companies Law, e.g. dividends), to the Company's shareholders, provided that: (a) the Company's equity following such distribution will not be less than $75 million, (b) the Company meet the financial covenants set forth above prior to and following the distribution, (c) the Company will not distribute more than 75% of the distributable profit and (d) the Company will not distribute dividends based on profit due to revaluation (for the removal of doubt, negative goodwill will not be considered a revaluation profit).

B. Pumped-storage project in the Manara Cliff in Israel

On January 28, 2014 the Company entered into an agreement (the "Agreement") with Ortam, an Israeli publicly listed company, pursuant to which, subject to the fulfillment of conditions as set forth below, the Company shall acquire Ortam's holdings (24.75%) in Agira Sheuva Electra, L.P. (the "Partnership"), an Israeli Limited Partnership that is promoting a prospective pumped-storage project in the Manara Cliff in Israel as well as Ortam's holdings: (i) in Chashgal Elyon Ltd. (the "GP"), an Israeli private company, which is the general partner of the Partnership (25%), and (ii) in the engineering, procurement and construction contractor of the aforementioned project (50%).

The Agreement forms part of several prospective agreements that the Company is currently negotiating with the other partners of the Partnership. As of this date the Company entered into agreements that are subject to various conditions to closing.

The consummation of the transactions contemplated by the Agreement, as well as by the other conditional agreements referred to above, is subject to the Company entering into additional agreements with other partners of the Partnership and with several third parties, which are yet to be negotiated. Furthermore, the consummation of the transactions contemplated by the Agreement and the agreements referred to in the previous paragraph is subject to the fulfillment of additional conditions precedent, including, among others, the obtainment of third party and various regulatory approvals.

Exhibit Index

Number	Description
1.1	Memorandum of Association of the Registrant (translated from Hebrew), reflecting amendments through June 9, 2011*(1)
1.2	Second Amended and Restated Articles of the Registrant, reflecting amendments through June 20, 2012(1)
2.1	Specimen Certificate for ordinary shares(2)
4.1	1998 Share Option Plan for Non-Employee Directors(1)
4.2	2000 Stock Option Plan(1)
4.3	Form of Indemnification Agreement between the Registrant and its officers and directors(1)
4.4	Form of Exemption Letter between the Registrant and its officers and directors(1)
4.5	Form of Registration Rights Agreement, dated September 12, 2005, among the Registrant, certain investors, Bank Hapoalim, Bank Leumi and Israel Discount Bank(3)
4.6	Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., effective as of March 31, 2008(4)
4.7	Engineering Procurement & Construction Contract for the Construction of a Photovoltaic System in Cingoli, between Ellomay PV One S.R.L. and Ecoware S.p.A., dated March 4, 2010 (portions translated from Italian)(5)*
4.8	Engineering Procurement & Construction Contract for the Construction of a Photovoltaic System in Senigallia, between Ellomay PV One S.R.L. and Ecoware S.p.A., dated March 4, 2010 (portions translated from Italian)(5)*
4.9	Side Agreement, between Ellomay PV One S.R.L. and Ecoware S.p.A., dated March 5, 2010(6)
4.10	Giaché Building Right Agreement (summary of Italian version)(7)*
4.11	Massaccesi Building Right Agreement (summary of Italian version)(7)*
4.12	Settlement Agreement and Release, dated July 27, 2010, between Ellomay Capital Limited and Hewlett-Packard Company(7)
4.13	Troia 8 Building Right Agreement (summary of Italian version)(7)*
4.14	Troia 9 Building Right Agreement (summary of Italian version)(7)*
4.15	Investment Agreement, among U. Dori Group Ltd., U. Dori Energy Infrastructures Ltd. and Ellomay Clean Energy Ltd. , dated November 25, 2010 (summary of Hebrew version) (7)*
4.16	Shareholders Agreement, among U. Dori Group Ltd., Ellomay Clean Energy Ltd. and U. Dori Energy Infrastructures Ltd., dated November 25, 2010 (summary of Hebrew version)(7)*
4.17	Agreement, between U. Dori Energy Infrastructures Ltd. and Israel Discount Bank Ltd., dated January 26, 2011 (summary of Hebrew version)(7)*

Number	Description
4.18	Engineering Procurement & Construction Contract for the Construction of a Photovoltaic Plant, between Urbe Techno S.r.l. and Pedale S.r.l., dated March 25, 2011 (portions translated or summarized from Italian)(includes a summary of the Building Rights Agreement)(7)*
4.19	Acquafresca Building Right Agreement (summary of Italian version)(2)*
4.20	D'Angella Building Right Agreement (summary of Italian version)(2)*
4.21	Rinconada II Building Right Agreement (summary of Spanish version)(2)*
4.22	Directors and Officers Compensation Policy, adopted June 2013(8)
4.23	Amendment No. 1 to Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership and Meisaf Blue & White Holdings Ltd., dated June 18, 2013
4.24	Veneto PV Plants Framework Acquisition Agreement, dated March 28, 2013, as amended on May 2, 2013 (summary of German version)*
4.25	Soleco Building Right Agreement (summary of Italian version)*
4.26	Tecnoenergy Building Right Agreement (summary of Italian version)*
4.27	Warrant issued to Mr. Zohar Zisapel, dated August 7, 2013
4.28	Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., dated December 30, 2013 (translation of Hebrew version)*
8	List of Subsidiaries of the Registrant
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
13	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certification)
15.1	Consent of Somekh Chaikin
15.2	Consent of BDO

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* The original language version is on file with the Registrant and is available upon request.

(1) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2012 and incorporated by reference herein.
(2) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2011 and incorporated by reference herein.
(3) Included in the Registrant's Form 6-K dated October 14, 2005 and incorporated by reference herein.
(4) Included in the Registrant's Form 6-K dated December 1, 2008 and incorporated by reference herein.
(5) Previously filed with Amendment No. 2 to the Registrant's Form 20-F for the year ended December 31, 2009 and incorporated by reference herein.
(6) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2009 and incorporated by reference herein.
(7) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2010 and incorporated by reference herein.
(8) Included in the Exhibit 2 of the Registrant's Form 6-K dated May 13, 2013 and incorporated by reference herein.

Exhibit 4.23

AMENDMENT NO. 1 TO MANAGEMENT SERVICES AGREEMENT

This Amendment No. 1 to Management Services Agreement (this "**Amendment**") is entered into on June 18, 2013, by and among Ellomay Capital Ltd., a company registered under the laws of the State of Israel (the "**Company**"), Kanir Joint Investments (2005) Limited Partnership, a limited partnership registered under the laws of the State of Israel ("**Kanir**") and Meisaf Blue & White Holdings Ltd., a company registered under the laws of the State of Israel ("**Meisaf**" and, together with Kanir, the "**Service Providers**").

Whereas, the Company and the Service Providers entered into a Management Services Agreement effective as of March 31, 2008 (the "**Agreement**");

Whereas, on each of December 30, 2009, December 22, 2010 and December 20, 2011, the term of the Management Services Agreement was extended by the Company's audit committee, board of directors and shareholders and by the Service Providers; and

Whereas, the parties to the Agreement wish to amend the Agreement as specifically set forth herein and such amendments were approved by the Company's compensation committee, audit committee, board of directors and, on June 18, 2013, by the Company's shareholders, and by the Service Providers.

Now, Therefore, in consideration of the foregoing and of the mutual promises herein contained, the parties hereby agree as follows:

1. **Amendment of Section 2.1**

1.1. Section 2.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

"In consideration of the performance of the Management Services and the Board Services hereunder, the Company shall pay to the Service Providers an aggregate annual management services fee in the amount of four hundred thousand United States dollars (US$400,000) (the "**Management Fee**"), to be paid in equal quarterly installments of fifty thousand United States dollars (US$50,000) to each of Kanir and Meisaf. Each quarterly installment shall be paid not later than the seventh (7th) day of each calendar quarter for services rendered during the preceding calendar quarter."

2. **Amendment of Section 4**

2.1. Section 4 of the Agreement is hereby amended and restated to read as follows:

"**TERM AND TERMINATION**. This Agreement shall be deemed effective as of March 31, 2008 (the "**Effective Date**") and shall continue to remain in effect until the earlier of: (i) June 17, 2016, (ii) the termination of service of either of the Kanir and Nechama Investments affiliates on our Board of Directors, or (iii) a date that is six (6) months following the delivery of a written termination notice by Meisaf and Kanir to the Company or by the Company to Meisaf and Kanir."

3. **General**

3.1. Unless otherwise defined herein, capitalized terms used in this Amendment shall have the meaning ascribed to them under the Agreement.

3.2. Except as specifically modified and amended hereby, the Agreement shall remain in full force and effect. No provision of this Amendment may be modified or amended, nor shall any terms be waived, except expressly in a writing signed by the parties.

[SIGNATURE PAGE TO FOLLOW]

[SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties have signed this Amendment as of the date first set forth above.

ELLOMAY CAPITAL LTD.

By: */s/ Menahem Raphael*
Name: Menahem Raphael
Title: Director

By: */s/ Kalia Weintraub*
Name: Kalia Weintraub
Title: Chief Financial Officer

KANIR JOINT INVESTMENTS (2005) LIMITED PARTNERSHIP

By: Kanir Investments Ltd., its general partner

By: */s/ Menahem Raphael*
Name: Menahem Raphael
Title: Director

By: */s/ Ran Fridrich*
Name: Ran Fridrich
Title: Director

MEISAF BLUE & WHITE HOLDINGS LTD.

By: */s/ Shlomo Nehama*
Name: Shlomo Nehama
Title: Director

Exhibit 4.24

VENETO PV PLANTS FRAMEWORK ACQUISITION AGREEMENT

ENGLISH SUMMARY OF GERMAN VERSION[1]

1. PRELIMINARY NOTE

The Framework Agreement was entered on March 28, 2013 in notarial form before notary Marc Bohr (the "**Notary**") and was subsequently amended on May 2, 2013 through an *ad hoc* amendment agreement (the '"**Amendment Agreement**"), which partially modified the terms of payment of the price and of the release thereof by the Notary.

We provide below an overview of the main terms of the Framework Agreement, as amended by the Amendment Agreement.

2. MAIN CONTENT OF THE AGREEMENT

OBJECT	Sale and purchase of: (i) totality of the shares of Soleco S.r.l. and Tecnoenergy S.r.l. (the "**SPVs**") (ii) shareholder loan receivables held by Solibra Solar Solutions GmbH ("**SSSG**") vis-a-vis the SPVs (amounting to Euro 404,810.00, the "**Shareholder Loan Receivables**") (iii) EPC contract receivables held by Solibra GmbH ("**SG**" and together with SSSG, the "**Sellers**") vis-a-vis the SPVs (amounting to Euro 31.979.566, the "**EPC Receivables**")
CONDITION PRECEDENT	The effect of the sale and purchase are subject to the condition precedent (not retrospective) that the Price (as defined below) be fully paid.
PRICE AND PAYMENTTERMS	The agreed price is Euro 26.5M, allocated as follows: o Soleco S.r.l. share: Euro 3.5M o Tecnoenergy S.r.l. shares: Euro 3.5M o SolecoS.r.l. Shareholder Loan Receivables: Euro 251,759

[1] The original language version is on file with the Registrant and is available upon request.

	o TecnoenergyS.r.l. Shareholder Loan Receivables: Euro 153,051 o Soleco S.r.l. EPC Receivables: Euro 9,572,418.75 o TecnoenergyS.r.l. EPC Receivables: Euro 9,522,771.25 The price shall be paid on a trust account held by the Notary, as follows: 1. as to Euro 12.5M, upon execution by Hanwha Europe (“**Hanwha**”) of a statement setting out the release of all securities held by it over the Project upon payment of its credit against SG; 2. as to the balance (increased by the interests accrued on such amount at Euribor 2 months rate starting from the 31st day subsequent to the first payment until the date of payment of the balance) at Closing; alternatively, a part of the balance equal to Euro 10,500,000 may be paid by the purchaser directly to Hanwha. The aggregate of the amount under nos. 1 and 2 above is the “**Price**”.
PRICE REDUCTION	The Price is based on the assumption that assets and liabilities shown in the SPV trial balance updated as at September 30, 2012 and attached to the Framework Agreement, remain not varied and that all proceeds of the SPVs accruing after September 30, 2012 (the “**Reference Date**”) remain within the SPVs, except for ordinary course of business costs. Without prejudice to indemnification claims, any amount disbursed in breach of the above assumption (the “**Disbursements**”), to be assessed in accordance with the procedure described in the Framework Agreement, shall be offset against the Price, reducing it accordingly (the “**Net Price**”).
CLOSING	Closing shall have as object the perfection before an Italian notary of the transfer of the shares, without novation to the provisions of the Framework Agreement.
ACTIONS AT CLOSING	a. execution of a notarial quota transfer agreement; b. delivery by the Sellers of: (i) Re-Assignments of GSE-Claims; (ii) an irrevocable notice signed by Hanwha for the service on GSE of the Re-Assignments of GSE Claims;

	c. delivery by the Sellers of the financial statements of the SPVs as at December 31, 2012 audited by the company EuroAudit GmbH, and approved by the shareholder meeting of both SPVs, as well as a trial balance of the SPVs updated as at the date of Italian closing that took place on June 26, 2013 (the **"Italian Closing"**); d. delivery by the Sellers of an updated regular business assessment of both SPVs based on the regular business assessment referred to a date 10 (ten) working days before the Italian Closing, reflecting fairly the financial position of each SPV as well as the assets, liabilities, equity and results of operations; e. assignment by the Sellers to purchaser of all rights to claim delivery of the corporate books and accounting documents of the SPVs; f. withdrawal of all existing powers of attorney of the SPVs; g. delivery of statements by the current and former directors of the SPVs and of resignations and waivers of current directors of the SPVs; h. approval of appointment of directors to each of the SPVs; i. payment of the second instalment to Hanwha and to the Notary trust account.
RELEASE OF THE PRICE	The Notary shall release the Price from the trust account by respectively paying SSSG, SG and Hanwha, in accordance with the provisions of the Framework Agreement, net of the Escrow and the GSE Retention.
ESCROW	Out of the Price, an amount of Euro 1.25M, shall be deposited in an escrow account held by the notary as guarantee for any purchaser's claims for Indemnification (as defined below) (the "**Escrow**"). The Escrow has 12-month duration and may be released only in accordance with the procedure indicated in the Framework Agreement. Purchaser shall be entitled to make Indemnification claims if they exceed Euro 50,000 in the aggregate and claims which in the aggregate exceed Euro 250,000 may only be made by filing a claim to the competent court.
GSE RETENTION	An amount equal to Euro 2M (the "**GSE Retention**") shall stand in the Notary's trust account and be deducted from the payment of the balance of the Price to SG and only be released when GSE starts paying incentives to the SPVs, net however of any amount paid by GSE to Hanwha after Closing.

SELLERS' WARRANTIES	The Sellers provide certain representations on the legal and financial status of the SPVs among which that: o on payment of the Price on the Notary's trust account, third parties have waived their rights of pledge over the SPV shares o on Closing, the purchaser will be the full owner of the Shareholder Loan and EPC Receivables o on Closing, the SPVs will unrestrictedly own their assets o at Closing, the SPVs will have sufficient title to get the payment of the GSE incentives o after the Reference Date the SPVs have been handled in compliance with the industry standards o the data room documents are correct, truthful and accurate o the SPVs are entitled to all warranties under the EPC Contract
UNDERTAKINGS	Among others, the Sellers undertake, to the extent legally possible, to assign to the purchaser all warranty rights held against the manufacturers.
INDEMNIFICATION	The Sellers shall indemnify the purchaser (the "**Indemnification**") among others in case of: o any liabilities or deficiency of the SPVs existing at the time of Closing not reflected in the Data-Room Documents; o any damages incurred by the SPVs which would have not been incurred if the Data-Room Documents had been accurate; o any losses incurred by the SPVs in connection with any unpaid tax that was due to be paid, or that have been generated by a taxable event, occurred before Closing, which would have not arisen if the Data-Room Documents had been accurate;

	o any payment made by a SPV to SSSG as payment of dividends and/or repayment of the Shareholder Loans and/or to SG as repayment of the EPC-Loans after the Reference Date; o any proceeds generated by the SPVs after the Reference Date which have not remained available within the SPVs; o any losses or damages arising as a result of the untruthfulness, incorrectness and/or inaccuracy of any of the Seller's guarantees. The right to Indemnification shall be excluded 12 months after Closing.
Applicable Law	German law
Jurisdiction	After Closing: Court of Frankfurt am Main

Exhibit 4.25

SOLECO BUILDING RIGHT AGREEMENT

ENGLISH SUMMARY OF ITALIAN VERSION[1]

1. Preliminary Note

The building (*superficie)* right, regulated by article 952 of the Italian Civil Code, is particularly appropriate for the construction of photovoltaic plants, as it allows the grantee of the building right to be owner of the plant whereas the title of the land remains with the grantor.

For the construction and the maintenance of the photovoltaic plant ("**PV Plant**") on the land (Municipality of Canaro (RO), sheet 9, parcels 115, 117 and 119; sheet 10, parcels 16, 153, 155 and 159) (the "**Land**"), on July 7, 2011 the company Soleco S.r.l. entered into a sale and purchase and building right agreement with Solemax S.r.l. ("**Solemax**") and with the previous owners of the Land whereby the previous owners of the Land granted a 21-year building right to Soleco S.r.l. and transferred the ownership of the Land to Solemax. The agreement has been executed in Occhiobello (RO), authenticated by the Notary Mauro Coppola, *Repertorio* no. 75.174, *Raccolta* no. 14.467, registered in Rovigo and filed with the *Conservatoria dei Registri Immobiliari* on July 28, 2011.

2. Main content of the agreement

1. Execution date	July 7, 2011
2. Previous Owners	Messers. Vasco Grendene, Giovanni Polonio and Sergio Bianchi and Ms. Angelina Rondanin
3. Current Owner	Solemax
4. Portion of the land	Municipality of Canaro (RO), sheet 9, parcels 115, 117 and 119; sheet 10, parcels 16, 153, 155 and 159, **size 11.57.87 hectares**.
5. Duration	**21 years** (until June 30, 2032)
6. Consideration	As consideration for the 21-year building right, Soleco paid an amount of Euro 662,822.11. This consideration has been fully paid upon execution and acknowledgement of such payment is included in the deed.
7. Easements	An electric easement right is in place in favour of Enel on parcels 16 and 159.
8. Competent Court	Exclusive jurisdiction of the court of Rovigo.

[1] The original language version is on file with the Registrant and is available upon request.

Exhibit 4.26

TECNOENERGY BUILDING RIGHT AGREEMENT

ENGLISH SUMMARY OF ITALIAN VERSION[1]

1. PRELIMINARY NOTE

The building (*superficie)* right, regulated by article 952 of the Italian Civil Code, is particularly appropriate for the construction of photovoltaic plants, as it allows the grantee of the building right to be owner of the plant whereas the title of the land remains with the grantor.

For the construction and the maintenance of the photovoltaic plant ("**PV Plant**") on the land (Municipality of Canaro (RO), sheet 9, parcels 120 and 122; sheet 10, parcels 18, 19, 21, 53, 55, 56, 57, 116, 154, 156, 157, 160, 161, 163, 165, 167 and 169) (the "**Land**"), on July 7, 2011 the company Tecnoenergy S.r.l. entered into a sale and purchase and building right agreement with Solemax S.r.l. ("**Solemax**") and with the previous owners of the Land whereby the previous owners of the Land granted a 21-year building right to Tecnoenergy S.r.l. and transferred the ownership of the Land to Solemax. The agreement has been executed in Occhiobello (RO), authenticated by the Notary Mauro Coppola, *Repertorio* no. 75.174, *Raccolta* no. 14.467, registered in Rovigo and filed with the *Conservatoria dei Registri Immobiliari* on July 28, 2011.

2. MAIN CONTENT OF THE AGREEMENT

1. Execution date	July 7, 2011
2. Previous Owners	Messrs. Giovanni Polonio and Sergio Bianchi and Ms. Angelina Rondanin
3. Current Owner	Solemax
4. Portion of the land	Municipality of Canaro (RO), sheet 9, parcels 120 and 122; sheet 10, parcels 18, 19, 21, 53, 55, 56, 57, 116, 154, 156, 157, 160, 161, 163, 165, 167 and 169, **size 11.66.78 hectares**.
5. Duration	**21 years** (until June 30, 2032)
6. Consideration	As consideration for the 21-year building right, Tecnoenergy paid an amount of Euro 686,676.76. This consideration has been fully paid upon execution and acknowledgement of such payment is included in the deed.
7. Easements	An electric easement right is in place in favour of Enel on parcel 159.
8. Competent Court	Exclusive jurisdiction of the court of Rovigo.

[1] The original language version is on file with the Registrant and is available upon request.

Exhibit 4.27

Warrant

THIS WARRANT AND THE ORDINARY SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT") OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAW, AND THE WARRANT MAY NOT BE EXERCISED AND THE WARRANT AND THE ORDINARY SHARES ISSUABLE UPON EXERCISE MAY NOT BE SOLD, PLEDGED, ASSIGNED OR HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE THEREWITH, PURSUANT TO A REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION AND PURSUANT TO OTHER APPLICABLE SECURITIES LAWS. IN ADDITION, NO HEDGING TRANSACTION MAY BE CONDUCTED WITH RESPECT TO THESE SECURITIES UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

to purchase

Ordinary Shares

of

Ellomay Capital Ltd.

at an exercise price of $7.97 per share

VOID AFTER 17:00 p.m. (prevailing Tel Aviv time)

On the Expiration Date (as hereinafter defined)

Date: August 7, 2013

Ellomay Capital Ltd., an Israeli company with its principal offices at 9 Rothschild Boulevard, Tel Aviv 66881, Israel (the "**Company**"), hereby grants to Mr. Zohar Zisapel (the "**Holder**"), the right to purchase, subject to the terms and conditions hereof, up to three hundred and eight thousand four hundred twenty seven (308,427) ordinary shares, par value NIS 10.00 per share, of the Company ("**Ordinary Shares**"), exercisable subject to the terms included herein at any time from time to time, on or after the date hereof (the "**Effective Date**"), and until the second (2nd) anniversary of the Effective Date (the "**Expiration Date**").

1. **Definitions**

In this Warrant the terms below shall have the following meaning, unless otherwise specifically provided or required by the context:

1.1. "**Business Day**" means any day other than Friday, Saturday, Sunday or other day on which commercial banks in The City of New York or Israel are authorized or required by law to remain closed.

1.2. "**Exercise Price**" means the price of Seven United States Dollars and Ninety Seven Cents ($7.97) payable hereunder for each Warrant Share, as adjusted in the manner set forth hereinafter.

1.3. “**Warrants**” means this Warrant and all warrants hereafter issued in exchange or substitution for this Warrant.

1.4. “**Warrant Shares**” means the Ordinary Shares issuable hereunder or any other securities which, in accordance with the provisions hereof, may be issued by the Company in substitution therefor.

2. **<u>Warrant Period; Exercise of Warrant</u>**

2.1. <u>Method of Exercise</u>. Subject to the terms and conditions hereof, this Warrant may be exercised in whole at any time, or in part from time to time, beginning on the Effective Date until the Expiration Date (the “**Warrant Period**”), by the surrender of this Warrant (with a duly executed exercise form in the form attached hereto as **<u>Exhibit A</u>**), at the principal office of the Company, set forth above. The Warrant may only be exercised pursuant to the "cashless exercise” method (as defined below).

2.2. <u>Resale Restrictions</u>. The Holder of the Warrant, by its acceptance hereof, covenants and agrees that this Warrant is being acquired as an investment and not with a view to the distribution hereof. The Shareholder further covenants and agrees that he will not sell, transfer, pledge, assign, or hypothecate the Warrant Shares unless there is an effective registration statement under the Securities Act of 1933 covering the Warrant Shares, or by obtaining from the Company, at the Company’s expense, an opinion of counsel stating that such sale, transfer, pledge, assignment, or hypothecation is exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 and the qualification requirements under applicable law. Subject to the last sentence of Section 2.3 herein, the Company undertakes that, following the later of: (i) the exercise of the Warrant in accordance with its terms and (ii) the Restriction Period, it will be the Company's responsibility to remove the restriction from the Warrant Shares within a period of 14 days of receipt of Rule 144 documentation reasonably required by the Company's US counsel as agreed between the Parties on the Effective Date of this Warrant.

2.3. <u>Cashless Exercise</u>. An exercise by means of a “cashless exercise” means that the Company shall issue to the Holder, without charge, the number of Warrant Shares determined, at the Shareholder’s discretion, in one of the following methods (each, a “**Cashless Exercise**”):

(i) $X = Y [(A-B)/A]$

where:

X = the number of Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the average of the closing prices of the Ordinary Shares on the NYSE MKT or, if the Ordinary Shares are not listed on the NYSE MKT, any other regulated market in which the Ordinary Shares are listed or traded over the thirty (30) trading days immediately preceding the date of such exercise;.

B = the Exercise Price.

(ii) the Holder may during a 30 day period attempt to purchase Ordinary Shares of the Company in the open market via a broker acceptable to the Company (the Parties agree that Oppenheimer is an acceptable broker) in consideration for an amount that is equal to the Exercise Price multiplied by the number of Shares underlying the Warrant (the “**Acquisition Amount**”), and immediately following such thirty day period , the Holder will provide an exercise notice and documentation to the Company showing the amount of Ordinary Shares purchased in consideration for the Acquisition Amount during the immediately preceding 30 day period and the Company will issue to the Holder, without charge, the number of Ordinary Shares that is the difference between such number and the number of Warrant Shares. In the event the Holder does not, for any reason, purchase Ordinary Shares for the entire amount, the remainder of the Warrant Shares will be issued based on the Cashless Exercise method set forth in (i) above.

For Example:

A)If the Warrant is for 308,427 Warrant Shares, and the Exercise Price is $7, and on the time of exercise of the Warrant, the share price is $10, then on the alternative of the cashless exercise set forth in 2.3(i), the Company will issue the Holder 92,528 Shares according to the following calculation: (10-7) *308,427 = 925,281; 925281:10 = 92,528 Shares.

B) If the Warrant is for 308,427 Warrant Shares, and the Exercise Price is $7, and on the time of exercise of the Warrant the share price is $10, then if the Holder exercises the Warrant using the alternative of the cashless exercise set forth in section 2.3(ii), then the Acquisition Amount is $2,158,989, and if the Holder purchases against it 215,899 Shares (assuming the share price being at the time of the exercise $10), then the Company will issue to the Holder 92,528 Shares (308,427-215,899).

C) If the Warrant is for 308,427 Warrant Shares, and the Exercise Price is $7, and on the time of exercise of the Warrant the share price is $10, and the Holder purchases in the market 107,949 Shares (Against 50% of the Acquisition Amount, being $1,079,495) then the Company will issue to the Holder using the alternative of cashless exercise set forth in section 2.3(ii), 46,264 Shares (50% of the Warrant Shares, being 151,213, minus 107,949) and will issue to the Holder using the alternative of cashless exercise set forth in section 2.3(i), 46,264 Shares, according to the following calculation: (10-7) * 151,213 = 462,640; 462,640:10 = 46,264 Shares.

It is hereby clarified that the Holder is free to choose whether to use either of the two cashless exercise methods set forth in section 2.3(i) or 2.3(ii) or a combination thereof, and that the Holder may choose to purchase shares of the Company in the open market without using the cashless exercise in section 2.2(ii) without losing the right to use the cashless exercise set forth in section 2.3(i).

Upon receipt of an Exercise Notice to which this Section is applicable, the Company shall notify the Holder within two (2) Business Days of the calculation of the Warrant Shares issuable upon Cashless Exercise of the number of Warrant Shares included in the exercise notice.

For purposes of Rule 144 promulgated under the Securities Act of 1933, as amended, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction (under section 2.3(i) only) shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued. The Holder acknowledges that the previous sentence may not be true regarding the cashless exercise set forth in section 2.3(ii).

2.4. <u>Limitations on Exercise</u>. During the 12 months period following the Effective Date (the "**Restriction Period**"), the Company shall not effect the exercise of this Warrant, and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, the Holder (together with the Holder's "affiliates" as such term is defined under the Securities Act of 1933, as amended, and any persons acting as a group together with the Holder or any of the Holder's affiliates) would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the Ordinary Shares outstanding immediately after giving effect to such exercise (without treating treasury shares as outstanding for purposes of such calculation); provided that in the last 60 days of the Restriction Period, the Holder may beneficially own (as described in the previous sentence) more than the Maximum Percentage only due to the addition of the Warrant Shares into his holdings. For purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as reflected in the most recent of (1) the Company's most recent Form 20-F, Form 6-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other written notice by the Company or the Transfer Agent setting forth the number of Ordinary Shares outstanding. The limitations contained in this paragraph shall apply to any successor Holder of this Warrant. It is hereby clarified that following the end of the Restriction Period the Holder shall have the right to exercise this Warrant and upon such exercise the Company will effect the exercise of this Warrant, without regard to the Maximum Percentage limitation included herein.

2.5. Partial Exercise. If this Warrant should be exercised in part prior to the Expiration Date, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder to purchase the remainder of the Warrant Shares purchasable hereunder.

2.6. No Fractional Shares. No fractions of Ordinary Shares shall be issued in connection with the exercise of this Warrant, and the number of Ordinary Shares issued shall be rounded up or down to the nearest whole number.

2.7. Letter of Instruction. Upon the issuance of Ordinary Shares resulting from the exercise in whole or in part of this Warrant, the Company shall deliver to the Holder an irrevocable letter of instructions to the Company's transfer agent to issue as soon as is reasonably practicable (and in any event not later than within five (5) Business Days from the date the Holder sent to the Company the exercise notice and the applicable Exercise Price, if any) to the Holder share certificates reflecting the Warrant Shares exercised thereby, together with any and all other documents required for the issuance of such certificates by the transfer agent.

3. **Reservation of Shares**

The Company covenants that: (i) at all times during the Warrant Period it shall have in reserve, and will keep available solely for issuance or delivery upon exercise of the Warrant, such number of Ordinary Shares as shall be issuable upon the exercise hereof, and (b) upon exercise of the Warrant and payment of the Exercise Price hereunder, the Warrant Shares issuable upon such exercise will be validly issued, fully paid, non assessable, free and clear from any lien, encumbrance, pledge or any other third party right and not subject to any preemptive rights.

4. **Adjustments to Exercise Price and Number of Securities**

4.1. Share Dividends and Share Splits. If, at any time or from time to time during the Warrant Period, the Company shall issue to the holders of its Ordinary Shares any additional shares by way of a share dividend or share split (including, without limitation, a reverse share split), then in each such case, the Exercise Price and the number and kind of Shares receivable upon exercise of this Warrant, in effect at the time of the record date for such dividend, shall be proportionately adjusted so that the Holder after such time shall be entitled to receive the aggregate number and kind of shares which, if such Warrant had been exercised immediately prior to such time, he would have owned upon such exercise and been entitled to receive by virtue of such dividend. Such adjustment shall be made successively whenever any event listed above shall occur.

4.2. Reclassification, etc. If the Company, at any time while this Warrant, or any portion hereof, remains outstanding and unexpired, by reclassification of securities or otherwise, shall change any of the securities as to which purchase rights under this Warrant exist into the same or a different number or securities or any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefore shall be appropriately adjusted, all subject to further adjustment as provided in this Section.

4.3. Dividends. If the Company, at any time while this Warrant, or any portion hereof, remains outstanding and unexpired, shall distribute to the holders of Ordinary Shares a dividend, whether payable out of earnings or surplus legally available for dividends or as a dividend in liquidation or partial liquidation or by way of return of capital, the Exercise Price shall be reduced by an amount equal to the Dollar amount of the per-share distribution on the record date fixed for the purpose of such distribution (or if no such record date is fixed then on the date of such payment).

4.4. No Adjustment of Exercise Price in Certain Cases. No adjustment of the Exercise Price shall be made if the amount of said adjustment shall be less than 1 cent ($0.01) per Ordinary Share, provided, however, that in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to at least 1 cent ($0.01) per Ordinary Share.

4.5. Merger or Consolidation. If at any time while this Warrant, or any portion thereof, is outstanding and unexpired there shall be (i) a reorganization (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), (ii) a merger or consolidation of the Company with or into another corporation or a reverse triangular merger in which the Company is the surviving entity but the shares of the Company's capital stock outstanding immediately prior to the merger are converted by virtue of the merger into property, whether in the form of securities, cash, or otherwise, or (iii) a sale or transfer of the Company's properties and assets as, or substantially as, an entirety to any other person, then, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder of this Warrant shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the Exercise Price then in effect, the number of shares or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section. If the per-share consideration payable to the holder thereof for shares in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined by the Board of Directors of the Company acting reasonably and in good faith.

5. **Rights of Shareholders**

Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a shareholder in respect of any meetings of shareholders for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company with regards to the Warrant Shares.

6. **Transferability**

6.1. The Holder may not sell, transfer, assign, encumber, pledge or otherwise dispose or undertake to dispose of the Warrant.

6.2. Unless registered, the Warrant Shares issued upon exercise of the Warrants shall be subject to a stop transfer order and the certificate or certificates evidencing such Warrant Shares shall bear legend substantially similar to the following:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"). THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THESE SHARES UNDER THE SECURITIES ACT, OR AN OPINION OF COUNSEL FOR THE HOLDER OF THE SHARES SATISFACTORY TO THE ISSUER, THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT."

7. **Loss, etc. of Warrant**

Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and of indemnity reasonably satisfactory to the Company, if lost, stolen or destroyed, and upon surrender and cancellation of this Warrant, if mutilated, and upon reimbursement of the Company's reasonable direct expenses, the Company shall execute and deliver to the Holder a new Warrant of like date, tenor and denomination.

8. **Headings**

The headings of this Warrant have been inserted as a matter of convenience and shall not affect the construction hereof.

9. **Notices**

Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or seven (7) days after deposit with the Post Authority, for dispatch by registered or certified mail, postage prepaid and addressed to the Holder at the address set forth in the Company's books and to the Company at the address of its principal offices set forth above, or when given by telecopier or other form of rapid written communication, provided that confirming copies are sent by such airmail.

10. **Governing Law**

This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of Israel (regardless of the laws that might otherwise govern under applicable Israel principles of conflicts of law). Any dispute arising out of or in connection with this Warrant is hereby submitted to the sole and exclusive jurisdiction of the competent courts located in the District of Tel Aviv.

11. **Entire Agreement; Amendment and Waiver**

This Warrant and the Exhibit hereto constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof. Any term of this Warrant may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of both the Holder and the Company.

In Witness Whereof, the Company has caused this Warrant to be executed as of the date first written above.

Ellomay Capital Ltd.

By: */s/ Ran Fridrich*
Name: Ran Fridrich
Title: CEO and director

By: /s/ Shlomo Nehama
Name: Shlomo Nehama
Title: Chairman of the Board

Agreed and Accepted:

/s/ Zohar Zisapel
Name: Zohar Zisapel

Exhibit A

Warrant Exercise Form

_________________, 201_

Ellomay Capital Ltd.
9 Rothschild Boulevard
Tel Aviv 66881
Israel

Dear Sirs,

Re: **Exercise of Warrant**

1. The undersigned hereby irrevocably elects to exercise the attached Warrant to the extent of ___________________ Ordinary Shares of Ellomay Capital Ltd., all in accordance with Section 2 of the Warrant.

2. The undersigned certifies that he (together with his “affiliates” as such term is defined under the Securities Act of 1933,as amended, and any persons acting as a group together with him or any of his affiliates) “beneficially owns” ___________ Shares as of the date hereof.

3. The undersigned requests that certificates for such Ordinary Shares be registered in the name of ____________________ whose address is ____________________ and that such certificates be delivered to whose address is ______________________________.

[ ]

Exhibit 4.28

UNOFFICIAL TRANSLATION FROM HEBREW
THE BINDING VERSION IS THE HEBREW VERSION

Deed of Trust

The date of which is the 30th in December of 2013

By and between: **Ellomay Capital Ltd.**
52-003986-8
of 9 Rothschild Boulevard, Tel Aviv
(hereinafter: the "**Company**")

Of the first part;

And: **Hermetic Trust (1975) Ltd.**
51-070519-7
of 113 Hayarkon Street, Tel-Aviv
(hereinafter: the "**Trustee**")

Of the second part;

Indicating that:

Whereas: the Company's Board of Directors resolved on December 25, 2013 to approve the issuance of the Debentures (as hereinafter defined), the terms of which are as set forth in this Deed of Trust and which shall be offered to the public by the Prospectus (as hereinafter defined);

And whereas: the Trustee is a company limited by shares that was incorporated in Israel in 1975 according to the Companies Ordinance, whose main object is to engage in trusts, and it meets the eligibility requirements established by law, and in particular the requirements of the Securities Law (as hereinafter defined) to be a trustee of debentures;

And whereas: the Trustee declared that there is no hindrance according to the Securities Law or any other law barring it from entering into this Deed of Trust with the Company and that it meets all of the demands and eligibility requirements set forth in the Securities Law to serve as Trustee for the issuance of the Debentures;

And whereas: the Company has made a request to the Trustee that he shall serve as Trustee for the holders of the Debentures and the Trustee has agreed, all subject to and in accordance with the terms of this Deed of Trust;

Therefore it was agreed, declared and stipulated by and between the parties as follows:

1. Preamble; Interpretation; Definitions and Entry into Force

1.1. The preamble of this Deed of Trust and the appendixes attached to it constitute a material and inseparable part hereof.

1.2. The division of this Deed of Trust into sections and providing titles to the sections was made for convenience and as place-holders only and they should not be used for the purpose of interpretation.

1.3. Anything mentioned in this Deed of Trust in plural shall also refer to singular and vice versa, anything mentioned in the masculine shall also refer to the feminine and vice versa, and anything mentioned regarding a person shall also refer to a body corporate, provided that this Deed does not contain any provision otherwise whether express and/or implied and/or if the contents of the matter or its context do not require otherwise.

1.4. In any matter that was not mentioned in this Deed of Trust and in any case of a contradiction between the provisions of the Israeli law and this Deed of Trust, the parties shall act in accordance with the provisions of the Israeli law. In any event of a contradiction between the Deed of Trust and the provisions described in the Prospectus with respect to this Deed of Trust and the provisions of this Deed of Trust, the provisions of this Deed of Trust shall prevail.

1.5. In this Deed of Trust the following expressions shall have the meaning written at their side:

1.5.1. "**Debentures (Series A)**" or the "**Debentures**" or "**Outstanding Debenture**s" or "**Certificates of Undertaking**": Debentures (Series A) of the Company, registered, which will be issued according to the Prospectus, and have not been fully paid or expired or cancelled.

1.5.2. "**A Person that has a Control Relationship with the Company**": a person that controls the Company, his family member and a body corporate that is under the control of any of them and/or a subsidiary of the Company, however except for the Company itself. With respect to this definition, "Control" as defined in the Law.

1.5.3. "**Meeting**" or "**Debenture Holders Meeting**": a meeting of Debenture Holders, including a meeting of a class of Debenture Holders.

1.5.4. "**Deferred Debenture Holders Meeting**": a Debenture Holders Meeting that was deferred to another time than the one scheduled for opening the Meeting, as a legal quorum was not present at the end of a half hour after the time that was scheduled for the beginning of the Meeting.

1.5.5. "**Stock Exchange**": the Tel-Aviv Stock Exchange Ltd.

1.5.6. "**Collaterals**": Any pledge on assets, guarantee or any other undertakings that secure the undertakings of the Company towards the Trustee and/or the Debenture Holders whether given by the Company and/or any third party.

1.5.7. "**Immediate Report**": A report of the Company that is submitted in accordance with the provisions of the Securities Regulations (Periodical Reports and Immediate Reports of a Foreign Corporation), 5761-2001.

1.5.8. The "**Law**" or the "**Securities Law**": The Securities Law, 5728-1968 and the regulations according to it, as they shall be from time to time. It is clarified that as of the date of this Deed of Trust the Company reports according and is subject to the provisions of Chapter E'3 of the Law.

1.5.9. "**Nominee Company**": as defined in the Law.

1.5.10. "**Trading Day**": a day on which trade is conducted on the Stock Exchange.

1.5.11. "**Business Day**": Sundays-Thursdays, in which a majority of the banks in Israel are open for performing transactions with the public, except for official holidays and days of rest in Israel.

1.5.12. "**Magna**"**-** the Electronic Proper Disclosure System of the Securities Authority.

1.5.13. Deleted.

1.5.14. Deleted.

1.5.15. Deleted.

1.5.16. "**Holder**" or "**Debenture Holder**": as this term is defined in the Securities Law.

1.5.17. "**Registrar**": Registrar of Debenture Holders as mentioned in section 28 of this Deed.

1.5.18. "**Trustee**": The First Trustee (as hereinafter defined) and/or anyone that shall serve from time to time as Trustee of the Debenture Holders according to this Deed.

1.5.19. "**First Trustee**" Hermetic Trust (1975) Ltd. that shall serve as Trustee up to the date set forth in section 2.3 hereafter.

1.5.20. "**Office Holder**": as defined in the Companies Law, 5759-1999.

1.5.21. "**Principal**": the par value of the Debentures that are in circulation.

1.5.22. "**Control**" as this term is defined in the Law.

1.5.23. "**This Deed**" or "**Deed of Trust**": This Deed of Trust including the appendixes attached to it and that constitute a material and integral part hereof.

1.5.24. "**Debenture Certificate**": The Debenture certificate the version of which is attached as **Appendix 2.1** of this Deed of Trust.

1.5.25. "**Prospectus**": the prospectus of the Company that shall be published in December 2013 for issuing the Debentures and any later Prospectus according to which additional Debentures (from Series A) shall be issued.

2. Issuing the Debentures; the Terms of Issuance; Equal Ranking

2.1. The Company shall issue a series of Debentures (Series A) under the terms set forth in **Appendix 2.1**. If after the date of the first issuance of the Debentures (Series A) this same series of Debentures shall be expanded by the Company, the Holders of the Debenture (Series A) that shall be issued in the framework of the expansion of that series shall not be entitled to receive payment on account of the Principal and/or interest for these Debentures that the record date for payment thereof shall be before the date of their issuance as mentioned.

2.2. The Company shall be entitled or required, as the case may be, to perform an early redemption of the Debentures in the event the terms set forth in section 8 of the Deed of Trust have been fulfilled.

2.3. The Debentures shall all be set at an equal security ranking pari passu between them with respect with the Company's undertakings according to this Deed of Trust, and without a preferred right or right of priority over one another.

3. <u>Appointment of the Trustee; Commencement of Term; Period of Term ofin Service of the Trustee; Expiration of the Term of Service of the Trustee; Resignation; Dismissal; the Duties of the Trustee; the Powers of the Trustee</u>

<u>Appointment of Trustee</u>

3.1. The Company hereby appoints the Trustee as the First Trustee for the Debenture Holders by virtue of the provisions of Chapter E'1 of the Securities Law including for those entitled to payments by virtue of the Debentures that were not paid after the date for their payment arrived.

3.2. If the Trustee shall be replaced by another Trustee, the other Trustee shall be Trustee for the Debenture Holders by virtue of Chapter E'1 of the Securities Law including for those entitles to payments by virtue of the Debentures which were not paid after the date for their payment arrived.

<u>Commencement of Term;</u>

3.3. The Trust for the Debenture Holders and the duties of the Trustee according to this Deed of Trust shall come into force upon the issuance of the Debentures by the Company.

<u>**Period** of Term **of Service of the Trustee; Expiration of Term of Service of the Trustee, Resignation; Dismissal**</u>

3.4. The First Trustee shall serve commencing onthe date mentioned in section 3.3 above and its term of service shall end at the time that the Debenture Holders Meeting is convened (the "**First Appointment Meeting**"), that the Trustee shall convene no later than 14 days after submitting the annual report regarding Trusteeship matters according to section 35H1(a) of the Law. Insofar as the First Appointment Meeting (by ordinary majority) approved the continuation of the term of service of the First Trustee, it shall continue to serve as Trustee until the end of the additional appointment period that was determined in a resolution of the First Appointment Meeting (which could be until the final repayment date of the Debentures).

Insofar as the First Appointment Meeting and/or any later Meeting determined the term in office of the Trustee, its term of service shall end with the adoption of a resolution of the Debenture Holders regarding the termination of his term of service and the appointment another Trustee in his place.

3.5. Notwithstanding everything stipulated in section 3 the provisions of the Law shall apply to the appointment of the Trustee, his replacement, term of service, expiration, resignation and dismissal.

<u>The Trustee's Duties</u>

3.6. In addition to the provisions of the Law and without derogating from them, the duties of the Trustee shall be those mentioned in **<u>Appendix 3</u>** of this Deed of Trust, and according to the law.

3.7. The Trustee entering into this Deed of Trust is as an agent on behalf of the Debenture Holders.

<u>The Trustee's Powers</u>

3.8. The Trustee shall represent the Holders of the certificates of undertaking in any matter that arises from the undertakings of the issuer towards them, and it shall be entitled for this purpose to act in order to realize the rights given to the Debenture Holders according to the Law or according to this Deed.

3.9. The actions of the Trustee are valid notwithstanding a flaw discovered in its appointment or qualifications.

3.10. The Trustee shall use the powers, permissions and authorities that were conferred upon him according to this Deed of Trust, according to its discretion or in accordance with the resolutions of a Meeting.

3.11. The Trustee shall be entitled to deposit all of the deeds and the documents that indicate, represent and/or stipulate its rights with respect with the trust pertaining to his Deed of Trust, including with respect to any asset that is in its possession at that time, in a safe and/or in another place that shall be chosen and/or at any bank and/or any banking auxiliary corporation and/or lawyer and/or accountant.

3.12. The Trustee shall be entitled in the framework of performing the Trusteeship matters according to this Deed of Trust, to order an opinion and/or the advice of any lawyer, accountant, appraiser, assessor, surveyor, broker or any other expert. The Trustee is entitled to act according to an opinion or advice that was given by such person whether the opinion and/or advice was prepared at the Trustee's request or at the Company's request or anyone on its behalf or for it, and the Trustee shall not be required to pay and an offset shall not be performed from any money that is due to it with respect to any loss or damage that shall occur as a result of any action and/or omission that were made by it based on such advice or opinion as aforesaid, unless it was determined in a final judgment that the Trustee acted maliciously or in negligence in respect of which the Trustee is not exempted by law as shall be from time to time. The Company undertakes to bear, including in advance, the entire reasonable cost that is involved in employing any such expert that shall be appointed by the Trustee provided that the Trustee shall give the Company an advance notice of its intention to receive an expert opinion or advice as aforementioned with details of the expert's fees and the purpose of the opinion (and regarding providing notice of the purpose of the opinion, provided that in the Trustee's opinion this shall not harm the rights of the Debenture Holders), and the Company did not notify the Trustee in writing, within 3 Business Days, of its objection. The Company shall not object to the appointment of an expert or agent on behalf of the Trustee other than for reasonable reasons.

Any advice and/or opinion such as this can be given, sent or received by letter, telex, facsimile and/or any other electronic means for transferring information and the Trustee may act based on them, even if it turns out afterwards that errors and/or changes occurred in them including as a result of sending them or receiving them by such means, unless the errors could have been discovered by reasonable examination.

3.13. The Trustee shall be entitled to give its consent or approval to any motion to the court that comes according to the demand of a Debenture Holder, and the Company shall compensate the Trustee for all reasonable costs that were incurred by such motion and from actions performed as a result of it or with respect to it provided that before makink such expense as abovementioned the Trustee will update the Company regarding its intention to make such expense and will receive the Company's approval for this unless in the opinion of the Trustee such prior update as aforementioned could harm the rights of the Debenture Holders.

3.14. The Trustee is entitled to institute any proceeding for protecting the rights of the Debenture Holders as set forth in section 10 below.

3.15. The Trustee is entitled to appoint agents as set forth in section 24 of this Deed. The representing body of the Debenture Holders, insofar as will be appointed, is an agent of the Trustee from the time of its appointment.

4. <u>Purchasing Debentures by the Company or by a Person that has a Control Relationship with the Company</u>

4.1. Without derogating from the Company's right to redeem the Debentures by early redemption as set forth in this Deed, the Company reserves the right to purchase at any time, whether on the Stock Exchange or outside of the Sock Exchange, Debentures at any price and quantity that it shall see fit, without harming the duty of repayment of the remaining outstanding Debentures. In the event of such purchase by the Company, the Company shall notify this in an Immediate Report.

The Debentures that shall be purchased by the Company shall immediately expire upon their purchase, they shall be delisted from trade on the Stock Exchange subject to the rules of the Stock Exchange, they shall be cancelled by the Company, and the Company shall not be entitled to re-issue them.

4.2. Any person shall be entitled to purchase and/or sell Debentures at any time and from time to time, including in the event of an issuance by the Company. The Debentures that are held by a Person that has a Control Relationship with the Company shall be considered as the asset of that person, shall not be delisted from trade on the Stock Exchange and they shall be transferable as the other Debentures of the Company (subject to the provisions of the Deed of Trust and the Debenture), however as long as they are held by that person, they shall not confer upon that person the right to vote in any Debenture Holders Meeting, they shall not be taken into account for determining the existence of a legal quorum, and they shall not be included in the "balance of the par value of the outstanding Debentures" with respect to voting and the count of those present and the votes in Meetings and in class Meetings.

5. <u>Issuance of Debentures from New Series; Increasing a Series</u>

5.1. The Company <u>shall</u> be entitled to issue at any time, whether by an offering to the public according to a prospectus or in any other manner, and without needing the consent of the Trustee and/or the Debenture Holders or giving a notice to any of them of this, including to a Person that has a Control Relationship with the Company, debentures of other series beyond the Debenture series (the "**Other Series**"), under terms of redemption, interest, linkage, priority of payment in the event of liquidation and other terms, as the Company shall see fit, and whether they are preferable over the terms of the Debentures, equal to them or inferior to them, and this without derogating from the duty of repayment imposed on it, and provided that the Company shall not issue additional series of debentures which are not secured by a pledge and which have any preference at the time of liquidation in relation to the Debentures (Series A).

5.2. The Company <u>shall not</u> be entitled to issue, whether by issuance to the public according to a prospectus, and whether in any other manner, additional Debentures of Series A, unless all of the terms set forth in **<u>Appendix 5.2</u>** of this Deed have been fulfilled or after receiving the approval of the Debenture Holders Meeting.

All of the provisions of the Deed of Trust that apply to the outstanding Debentures shall apply to additional Debentures of Series A that shall be issued, as mentioned. For the removal of doubt, the Holders of additional Debenture of Series A, which shall be issued as mentioned, shall not be entitled to interest for periods of time that have passed before they were issued (it is clarified, in this respect, that in the event that additional Debentures of Series A shall be issued, after any time that entitlement has been stipulated in this Deed to the payment of interest, the interest for them shall be paid at the next payment date of interest, after the date of their issue, for the period from the date of their issue, at a relative amount from the payment of interest paid for the Debentures at that time, that is equal to the ratio between the period that passed from the time of their issue and between the original period for which the interest is paid at that time).

5.3. Without derogating from the right of the Company to issue additional Debentures of Series A at a different discount rate than the discount rate of the outstanding Debentures at that time and subject to the Company meeting the terms in section 5.2 above, the Company reserves for itself the right to issue additional Debentures of Series A, in the framework of increasing the Series according to section 5.2 above, at a higher discount rate than the discount rate of the outstanding Debentures at that time. In the event of such increase, the Company shall calculate the weighted discount rate for all the Debentures from the Series After increasing the Series, it shall publish in an Immediate Report the weighted discount rate for the entire series of Debentures and the members of the Stock Exchange shall deduct tax at the payment dates of the Debentures according to the weighted discount rate as mentioned an in accordance with the provisions of the law. If an approval of the tax authorities regarding such discount rates shall not be received, the Company shall notify in an Immediate Report, immediately after issuing the Debentures as a result of increasing the series, the highest discount rate that was created for the series. The members of the Stock Exchange shall deduct withholding tax at the time of repayment of the outstanding Debentures, in accordance with the discount rate that shall be reported as aforementioned. Therefore, there could be cases where the Company shall deduct withholding tax for discount fees, at a higher rate than the discount fees determined to whoever held Debentures before the series was increased. In this case, it is the responsibility of the Debenture Holder (and the Debenture Holder only) who held the Debentures before the series was increased and until their repayment who is entitled, with their payment, to a refund of tax that was deducted at source, for the over-discount, to approach the tax authority in this matter insofar as he shall wish to receive a tax refund.

This right of the Company does not exempt the Trustee from examining the issuance as aforementioned, and this is insofar as such duty is imposed on the Trustee according to any law, and it cannot derogate from the Trustee's rights and the rights o the Debenture Holders according to this Deed, including their right to declare the Debentures immediately payable as mentioned in section 9 hereafter or in accordance with the provisions of any law.

5.4. The Company shall notify in an Immediate Report regarding the issuance of debentures as mentioned in this section above.

6. The Company's Undertakings

The Company hereby undertakes towards the Trustee and the Debenture Holders, for as long as the Debentures were not fully paid (including the linkage differences on them), and for as long as all the undertakings towards the Debenture Holders and the Trustee were not fulfilled according to this Deed, as follows:

6.1. To pay, at the times scheduled for this, the sums of the Principal, the interest and the linkage differences, insofar as these shall apply, which shall be paid according to the terms of the Debentures, and to fulfill all the other terms and undertakings that are imposed on it according to the terms of the Debentures and according to this Deed of Trust.

6.2. To fulfill all of the financial terms and undertakings set forth in **Appendix 6.2** to this Deed including with respect to the limitation regarding the distribution of dividends and regarding the rating of the Company.

6.3. Deleted.

6.4. To immediately notify the Trustee in writing of a reasonable concern of the Company that all or any of the events set forth in section 9.1 hereafter will occur or that there is a reasonable concern that the Company shall not have the ability to meet its existing and expected undertakings when the time to perform them arrives.

6.5. To deliver to the Trustee no later than the end of 30 days after the date of this Deed of Trust, a clearing schedule for paying the Debentures (Principal and interest) in an Excel file.

6.6. To notify the Trustee in a written notice signed by the senior Office Holder in the Company's finances, within 4 Business Days from the date of payment, of any payment to the Debenture Holders and of the balance of the sums that the Company owes at that time to the Debenture Holders after making the aforementioned payment.

6.7. To deliver to the Trustee annual financial statements or quarterly financial results, as the case may be, and in accordance with the requirements of the law that apply to the Company from it being a dual listed Company, at the time of their publication and in any event no later than from the time scheduled for this in the law to publish them (also in the event that the Company shall stop being a public or reporting Company then it shall report in accordance with the provisions of the Law that apply to the Company at the time of signing this Deed of Trust). Notwithstanding the forgoing, it is clarified that the quarterly financial results shall be published by the end of the following quarter.

6.8. Deleted.

6.9. To deliver to the Trustee notices regarding the purchase of Debentures by the Company or A Person that has A Control Relationship with the Company immediately upon the Company becoming informed of this.

6.10. Each 31st of December of each year, and for as long as this Deed is in effect, the Company shall furnish to the Trustee a confirmation signed by the chairman of the board of directors of the Company that according to his best knowledge and in reliance on the examination that he has performed, in the period starting from the date of the Deed and/or from the date of the prior confirmation that was given to the Trustee, whichever is later, and until the date of the confirmation, the Company has not breached this Deed, including a breach of the terms of the Debenture, unless it was expressly mentioned otherwise.

6.11. To deliver to the Trustee copies of the notices and invitations which the Company shall give to the Debenture Holders, as mentioned in section 26 hereafter.

6.12. To cause that a senior Office Holder in financial matters in the Company shall give, within a reasonable time, to the Trustee and/or to the people who the Trustee shall order, any explanation, document, calculation or information regarding the Company, its business and/or assets that shall be required in a reasonable manner, according to the Trustee's discretion, for fulfilling the Trustee's duties and for protecting the rights of the Debenture Holders.

6.13. To manage systematic accounting books in accordance with acceptable accounting principles. To keep the books and documents that serve as proof to them (including deeds of pledge and mortgage, bills and receipts).

6.14. To inform the Trustee, immediately upon becoming informed, of any case in which a lien shall be imposed on its assets, all or in part, and in any event that a receiver is appointed to its assets, all or in part, and to report of the means that it took in order to remove such lien or cancel the receivership.

6.15. To summon the Trustee to all of its general meetings (whether if to annual general meetings or whether to special general meetings) of the shareholders in the Company, without granting the Trustee the right to vote in these meetings.

6.16. To deliver to the Trustee on the 15th of each January starting from 2015, a written approval signed by the senior Office Holder in the finance field, that all of the payments to the Debenture Holders were fully paid on time, and the balance of the par value of the outstanding Debentures.

6.17. In addition to the statements or notices which the Company is required to give according to section 35J(a) of the Law, to give the Trustee, according to his demand, an affidavit and/or declerations and/or documents and/or details and/or information, as these shall be required by the Trustee, in a reasonable manner in order to protect the rights of the Debenture Holders.

6.18. To perform all of the actions required and/or reasonably needed and in accordance with the provisions of this Deed and any law for validating the exercise of powers, authorities and authorizations of the Trustee and/or of its delegates in accordance with the provisions of this Deed of Trust.

6.19. To list the Debentures for trade in the Stock Exchange and to act so that the Debentures shall continue to be listed for trade on the Stock Exchange until the date of their final repayment.

6.20. To assist the Trustee in any reasonable manner to fulfill its duties according to law and/or according to this Deed including examining the performance of the Company's undertakings in full and on time, examining actions and/or transactions that the Company performed, insofar as this is reasonably required in order to protect the rights of the Debenture Holders.

Any report or information that shall be published by the Company in the Magna system shall be considered as a report or information or summons, as the case may be, which was given to the Trustee in accordance with the provisions of this section. Notwithstanding the aforesaid, at the request of the Trustee, the Company shall transfer a printed copy of the report or information as mentioned.

See section 18 hereafter with respect to the confidentiality undertaking that applies to the Trustee.

7. Not Securing the Debentures; Negative Pledge

7.1. The Debentures are not secured by any pledge or any other collateral. The status of the Debenture Holders is the status of unsecured creditors of the Company, with all that this entails.

7.2. Except as set forth in section 7.4 hereafter, the Company shall be entitled from time to time, to sell, pledge, lease, assign, deliver or transfer in any other manner its assets all or in part, in any manner, in favor of any third party, without the need for the Trustee's and/or the Debenture Holders' consent, but subject to the duties of the Company to report with respect to the aforesaid, as these are determined in the Deed of Trust or according to law.

7.3. The Debentures issued under a certain series shall be equal in priority (pari passu) between them, without any right of preference or priority of one over the other.

7.4. Notwithstanding the aforesaid in section 7.2 above, for as long as the Debentures (Series A) have not yet been fully repaid in any manner, including by way of a self purchase and/or early redemption, the Company undertakes not to create a floating charge on all of its assets in favor of any third party to secure any debt or undertaking and this is as opposed to a fixed charge or floating charge on a certain asset or a floating charge on a certain number of assets that the Company may create. Notwithstanding the aforesaid, the Company shall be entitled to create a floating charge on all of its assets in favor of a third party, in each one of the following cases:

7.4.1. A receipt in advance of the consent of the Debenture Holders (Series A), which shall be adopted in the Meeting of the Debenture Holders (Series A) in which Debenture Holders (Series A) that hold themselves, or by their proxies, at least 50% of the balance of the par value of the outstanding Debentures (Series A) were present, by a majority of the Holders at least two thirds (2/3) from the balance of the par value of the Debentures (Series A) that is represented by a vote, or by a majority as aforementioned in a deferred meeting, in which the Debenture Holders that hold themselves or by their proxies at least twenty percent (20%) of this balance were present.

7.4.2. Without the need to receive the consent of the Debenture Holders or the Trustee, and provided that together with creating the floating charge on all of its assets in favor of the third party, a floating charge shall be created on all of its assets also in favor of the Holders of Debentures (Series A) of the same priority, pari passu, which shall remain in force up to the date of removing the charge which shall be registered in favor of the third party, and this is as long as outstanding Debentures (Series A) shall exist (in other words as long as they were not fully paid or removed in any manner, including by way of a self purchase and/or early redemption).

For the removal of doubt, it is emphasized that the Company has the right, at any time (subject to the restrictions according to any law and/or any other agreement that the Company is party to), to pledge its assets, including its rights, all or in part, by any other pledge except for a floating charge on all of its assets, including, but not only, fixed pledges, including the creation of floating charges on specific assets, one or more, of the Company with respect to creating these charges (and bank accounts that can be pledged by a floating charge even without a fixed charge) and it is clarified that these fixed charges and/or floating charges shall be detracted from the applicability of a floating charge insofar as this shall be imposed according to the provisions of this sub-section above. Except for the aforesaid no restrictions shall apply to the Company in imposing all kinds of charges on its assets. It is further clarified, for the removal of doubt, that this clause cannot restrict the companies held by the Company (including subsidiaries and associated companies) from creating any charges, floating or fixed, on their assets, including on all of their assets.

As of the date of signing this Deed, there is no floating charge in favor of a third party on all of the Company's assets. As of the date of signing this Deed there are charges on the assets of the subsidiaries of the Company in the framework of project financing and additional pledges to Discount Bank as set forth in Item 5 of the annual report which the Company filed with the US Securities and Exchange Commission on the 25th of March 2013 and in the Company's financial statements as at June 30, 2013 that were published on the December 26, 2013.

If and insofar as a floating charge shall be given as a security, as mentioned in section 7.4 above, the following provisions shall apply:

a) The existence of a cause to declare the Debentures immediately payable and/or the realization of Collaterals is a preliminary condition to realizing a floating charge as mentioned.

b) The Trustee shall be entitled to enforce a floating charge before immediate repayment has been declared for the Debentures, in accordance with section 35J1 of the Law or subject to adopting a decision of performing realizations in a resolution that shall be adopted by the Meeting of the Debenture Holders in accordance with the provisions of section 9.7 of this Deed.

c) In enforcing the floating charge the Trustee shall make an effort so that the realization shall be performed in a manner that is expected according to the Trustee's reasonable assessment to maximize the realization consideration from the floating charge and for this purpose the Trustee shall be entitled, subject to law, to determine the manner of enforcing this floating charge and the time when the floating charge should be enforced (hereinafter: the "**Manner of Enforcing the Collaterals**").

   Without derogating from any right that the Trustee has according to any law, the Trustee shall be entitled to receive instructions with respect to the Manner of Enforcing the Collaterals also by a resolution that shall be adopted in a Meeting of the Debenture Holders (Series A) in which Debenture Holders (Series A) that hold at least 50% of the balance of the par value of the outstanding Debentures (Series A) were present, themselves or by their proxies, by a majority Debenture Holders holding at least two thirds (2/3) of the balance of the par value of the Debentures (Series A) that is represented in the vote, or by such majority in a deferred meeting, in which Debenture Holders that hold at least twenty percent (20%) of this balance were present, themselves or by their proxies, and on its agenda is the giving of instructions to the Trustee regarding the Manner of Enforcing the Collaterals. The Meeting of the Debenture Holders as mentioned, shall be entitled to authorize a representing body of the Debenture Holders for advising the Trustee regarding the Manner of Enforcing the Collaterals.

In any event in which the Company shall create a charge as mentioned in this sub-section in favor of the Debenture Holders, and this is a charge that requires registration in the Registry of Charges that is administered at the Registrar of Companies for its perfection, the charge shall be considered as legally registered only after the Company has furnished to the Trustee all the following documents:

1) A charge document according to which the charge was registered in favor of the Trustee, bearing an original signature by the Company and stamped with an original "received" stamp by the office of the Registrar of Companies, and bearing a date which is not later than twenty one (21) days after the signature date on the charge document;

2) A notice of details of mortgages and pledges (form 10) signed with an original "received" stamp from the office of the Registrar of Companies, which bears a date that is not later than twenty one (21) days after creating the notice;

3) An original pledge registration certificate from the Registrar of Companies;

4) An extract of the pledges from the Registrar of Companies according to which this charge was registered;

5) An affidavit of a senior Office Holder in the Company that the charge does not contradict or it is not in contradiction to the Company's undertakings to third parties, all according to the wording that shall be acceptable to the Trustee according to his reasonable discretion;

6) An opinion of a lawyer on behalf of the Company, inter alia, with respect to the nature of the rights of the pledging party in the pledged asset, the manner of the pledge registration, its validity, its creditor priority, its legality and it being exercisable and enforceable against the pledging party according to the law that applies in Israel, in the wording that shall be acceptable to the Trustee according to his reasonable discretion, which shall be given to the Trustee each year according to its demand.

8. Early Redemption

8.1. Early Redemption Initiated by the Stock Exchange

If it is decided by the Stock Exchange to delist the Debentures (Series A) from trade as the value of the series has decreased from the sum that was determined in the Stock Exchange instructions regarding delisting from trade, the Company shall allow early redemption as mentioned of the series due to the delisting from trade of the Debentures as mentioned above, and it shall act as follows:

8.1.1. Within 45 days after the decision of the board of directors of the Stock Exchange regarding delisting as aforementioned, the Company shall notify of an early redemption date in which the Holders of Debentures may redeem them. The notice of early redemption shall be published in an Immediate Report that shall be sent to the securities authority and to the Stock Exchange and in two daily and prevalent newspapers in Israel in the Hebrew language and it shall be given in writing to all the registered Debenture Holders.

8.1.2. The early redemption date shall occur not before 17 days of the date of publishing the notice and no later than 45 days after this date, however not in a period between the record date for the payment of interest and its actual payment.

At the early redemption day the Company shall redeem the Debentures that the Debenture Holders requested to redeem. The redemption consideration shall not be less than the sum of the par value of the certificates of undertaking with additional interest that has accumulated until the date of actual payment, as set forth in the terms of the certificates of undertaking.

8.1.3. The determination of an early redemption date as mentioned above cannot harm the redemption rights stipulated in the Debentures, of any of the Debenture Holders that shall not redeem them at the early redemption date as mentioned above, however the Debentures shall be delisted from trade on the Stock Exchange and will be subject, inter alia, to the tax implications arising from this.

8.1.4. The early redemption of Debentures as mentioned above shall not confer upon any of the Holders of Debentures that shall be redeemed as mentioned the right to the payment of interest for the period after their redemption.

8.2. Early Redemption Initiated by the Company

The Company may initiate early redemption, full or partial, of the Debentures (Series A) and this is according to its sole discretion and at any time after the Debentures (Series A) of the Company are listed for trade, and in this case the following provisions shall apply:

8.2.1. The frequency of the early redemptions shall not exceed one redemption per quarter. With respect to this "**quarter**" means each of the following periods: January – March, April – June, July – September, and October- December. The minimal scope of each early redemption shall not be less than 1 million NIS. Notwithstanding the aforesaid, the Company shall be entitled to perform an early redemption at a scope which is less than 1 million NIS provided that the frequency of redemptions shall not exceed one redemption per year.

8.2.2. Upon adoption of the resolution of the board of directors of the Company regarding the performance of an early redemption as mentioned above, the Company shall publish an Immediate Report with a copy to the Trustee no less than seventeen (17) days and no more than forty five (45) days before the early redemption date. If an early redemption is scheduled in a quarter in which payment of interest is also scheduled, or payment of partial redemption or payment of final redemption, the early redemption shall be performed at the time that was scheduled for payment as mentioned. The early redemption date shall not apply in a period between the record date for the payment of interest for the Debentures and the date of actual payment of interest. The Company shall publish, in the aforementioned Immediate Report, the sum of the Principal that shall be repaid in the early redemption and the interest that has accumulated for it until the date of the early redemption in accordance with the provisions hereafter.

Early redemption shall not be made to part of the series of Debentures if the last redemption sum shall be less than 3.2 million NIS. At the date of a partial early redemption, insofar as shall exist, the Company shall notify in an Immediate Report of: (1) The rate of the partial redemption in terms the unpaid balance; (2) The rate of the partial redemption in terms of the original series; (3) The interest rate in partial redemption of the redeemed part; (4) The interest rate that shall be paid in partial redemption calculated regarding the unpaid balance; (5) Update of the rate of the partial redemptions remaining, in terms of the original series; (6) The record date for entitlement to receive early redemption of the Principal of a Debentures that shall be twelve (12) days before the date scheduled for early redemption (it is clarified that if the record date for entitlement to receive partial redemption shall occur during a quarter during which there is the payment of current interest, the record date for entitlement to receive partial redemptions shall occur on the record date for receiving the payment of current interest that shall be paid during that quarter).

Partial early redemption shall be performed pari passu for each of the Debenture Holders according to the par value of each held Debenture.

8.2.3. The sum that shall be paid to the Debenture Holders in the event of early redemption shall be the highest sum out of the following: (1) the market value of the balance of the outstanding Debentures, which shall be determined according to the average close price of the Debentures in the thirty (30) Trading Days prior to the date the resolution of the board of directors was adopted regarding the performance of early redemption; (2) the undertaking value of the outstanding Debentures that are subject to early redemption, in other words Principal plus interest, up to the date of the actual early redemption; (3) the balance of cash flow of the Debentures that are subject to early redemption (Principal plus interest) while discounted according to the Government Debentures Yield (as defined below) Report plus an annual interest of 1.5% calculated on a daily calculation basis based on 365 days per year. Discounting the Debentures (Series A) that are subject to early redemption shall be calculated commencing from the early redemption date up to the last redemption date that was determined with respect to the Debentures that are subject to early redemption.

With respect to this matter: "**Government Debenture Yield**" means the average return (gross) for redemption, in a period of seven Business Days, that ends two Business Days prior to the date of notice of early redemption, of three series of governmental debentures whose average duration is closest to the average duration of the Debentures (Series A) at the relevant time.

The early redemption of the Debentures as mentioned above shall not confer upon a Holder of Debentures that shall be redeemed as mentioned, the right to receive interest for the period after the redemption date.

9. **<u>Immediate Repayment</u>**

9.1. **Upon the occurrence of the causes, conditions and/or circumstances set fort below, the provisions of section 9.3.1 hereafter shall apply:**

9.1.1. A material worsening has occurred in the Company's business as compared to its state at the issuance date, and there is a real concern that the Company will not be able to repay the Debentures on time.

9.1.2. The Debentures were not repaid on time or another material undertaking provided in favor of the Debenture Holders was not fulfilled, however it shall be possible to declare the Debentures (Series A) immediately repayable due to this, only if the breach was not amended by the end of a period of fourteen (14) days after the date of breach.

9.1.3. The Company did not publish a financial statement which it is required to publish according to any law or according to the provisions of this Deed, within 30 days after the last date on which it is obligated publish it. This section shall not apply in the case where the Company shall receive an extension to submit its financial statements from an qualified authority or in accordance with the provisions of this Deed, in such an event this count of days shall begin to be counted commencing from the last date set forth in the aforementioned extension.

9.1.4. The Debentures have been delisted from trade on the Stock Exchange in accordance with the provisions of the Stock Exchange bylaws.

9.2. Upon the occurrence of the conditions or circumstances set fort below, and provided that a resolution of the Debenture Holders Meeting has been lawfully adopted, the provisions of section 9.3.2 hereafter shall apply upon the fulfillment of the terms or circumstances set forth hereafter,:

9.2.1. If a motion was filed for receivership or to appoint a receiver (temporary or permanent) on the Company's assets, all or most, or if an order shall be given to appoint a temporary receiver – which was not dismissed or cancelled within forty five (45) days after they were filed or granted, respectively; or – if an order was given to appoint a permanent receiver on the Company's assets, all or most.

Notwithstanding the aforesaid, the Company shall not be given any cure period with respect to the motions or orders that were filed or granted, respectively, by the Company or with its consent.

9.2.2. (a) If the Company shall file a motion to issue a stay of proceedings or if such order shall be granted as mentioned or if the Company shall file a motion for settlement or arrangement with its creditors according to section 350 of the Companies Law (except for the purpose of a merger with another Company and/or a change in the Company's structure or split that is not prohibited according to the terms of this Deed, and except for arrangements between the Company and its shareholders that are not prohibited according to the terms of this Deed, and which do not affect on the Company's ability to repay the Debentures) or if the Company shall propose in another manner a settlement or arrangement to its creditors, in light of the Company's lack of ability to meet its undertakings on time; or (b) – if a motion shall be submitted according to section 350 of the Companies Law against the Company (not with its consent) which was not dismissed or cancelled within forty five (45) days after it was submitted.

9.2.3. If a lien shall be imposed on a Material Asset and except for assets that the finance that was received for them is without recourse to the Company (non–recourse), or if any action shall be performed of execution against any such Material Asset; and the lien was not removed, or the action was not cancelled, respectively, within 45 days after they were imposed or performed, respectively.

Notwithstanding the aforesaid, the Company shall not be given any cure period with respect to motions filed or given, respectively, by the Company or with its consent.

9.2.4. If the Company shall cease to continue to operate and/or manage its business, as these are at the time of this Deed of Trust, and/or it shall notify of its intent to cease from continuing to operate its business as it is at the time of this Deed of Trust, and/or to manage its business. It is clarified that as long as the majority of the Company's business is in the field of energy it shall be considered as continuing to manage its business.

9.2.5. If the two following conditions shall occur, in the aggregate: (a) the rating of the Debentures (Series A) has decreased below ilBBB minus (or an equivalent rating by another rating company, insofar as it shall come in place of the company that rates the Debentures (Series A) at the signature date of this Deed of Trust) and (b) the ratio of the equity to the balance sheet of the Company, on a consolidated basis, shall be less than a rate of 25%.

9.2.6. If the Company shall adopt a decision to liquidate (except for liquidation as a result of a merger with another Company as mentioned in section 9.2.16 hereafter) or if a final permanent liquidation order shall be given with respect to the Company by court or a permanent liquidator shall be appointed to it.

9.2.7. If a temporary liquidation order shall be given by the court, or a temporary liquidator shall be appointed for the Company, or if any judicial decision of a similar nature shall be granted, and the appointment, the order or the decision as mentioned were not dismissed or cancelled within forty five (45) days after the day on which they were given or from the date the decision was granted, respectively.

Notwithstanding the aforesaid, the Company shall not be given any cure period with respect to motions or orders that were filed or given, respectively, by the Company or with its consent.

9.2.8. The Company ceased or notified of its intention to cease conducting its business as this shall be from time to time, and if the Company stopped or notified of its intention to stop its payments (subject to the cure periods insofar as these are included in this Deed of Trust). If the Company shall cease conducting its business as set forth in this section, the Company shall submit an Immediate Report of this.

9.2.9. A Material Debt of the Company, or another series of the Company's debentures, was declared immediately repayable.

9.2.10. The Debentures have ceased to be rated and this is for a period exceeding 60 consecutive days, due to reasons and/or circumstances that are only in the Company's control.

9.2.11. The auditors of the Company shall write a going concern note in their report which is attached to the consolidated financial statements of the Company.

9.2.12. Not fulfilling one or more of the financial criteria in Appendix 6.2 of this Deed of Trust at the end of the Examination Period (as defined in Appendix 6.2 of the Deed of Trust), and this non fulfillment was not cured according to its financial statements for the following calendar quarter after the Examination Period, provided that the Company was not given an extension to cure as mentioned in section 27 of the Deed of Trust or in section 17.1.1 of the Deed of Trust (in this section: the "**Cure Period**") or, a waiver was not given to the Company for the breach as mentioned in section 27 of the Deed of Trust.

9.2.13. The non fulfillment of its undertakings concerning the distribution of dividends included in Appendix 6.2 of this Deed of Trust.

9.2.14. There is a real concern that the Company shall not meet its material undertakings towards the Debenture Holders.

9.2.15. If the Company shall breach the terms of the Debentures or the Deed of Trust by a fundamental breach or if it will not perform any of its material undertakings within their framework, and the breach was not cured within 14 days after receiving a notice regarding the breach, during which the Company shall act to cure it or if a material representation of the representations of the Company in the Debentures or in the Deed of Trust is discovered to be incorrect and/or not complete, and in the event that this is a breach that can be cured – the breach was not cured within 14 days after receiving a notice regarding the breach, during which the Company shall act to cure it.

9.2.16. If a Merger was performed without receiving a prior approval of the Holders of the Debentures (Series A) by an ordinary majority, unless the Company or the receiving Company declared, as the case may be, towards the Holders of the Debenture (Series A), including via the Trustee, at least ten (10) Business Days before the merger date that there is no reasonable concern that as a result of such merger the Company or the receiving company, as the case may be, would not be able to fulfill its undertakings towards the Holders of the Debentures (Series A).

With respect to this section: "**Merger**" means except for merger between companies that are under the Company's control, when in this case a declaration of the Company or of the receiving company as mentioned above or a prior approval of the Debenture Holders as mentioned above shall not be required.

9.2.17. If the Company breached its undertaking not to create pledges as set forth in section 7.4 of this Deed.

9.2.18. A sale was made of most of the Company's assets; in respect to this section "**sale of most of the Company's assets**" means the sale of assets owned by the Company or owned by companies that are consolidated in its financial statements during 6 consecutive months, whose value, after deducting the value of assets that were purchased by the Company or the companies which are consolidated in its financial statements during the same 6 consecutive months period, exceeds percentage rate of 50% of the total assets according its last consolidated financial statements that were published. If a sale was made of most of the Company's assets as set forth in this section, the Company shall submit an Immediate Report of this.

9.2.19. If the Stock Exchange suspended the trade of the Debentures, except for a suspension due to a cause of the creation of vagueness, as this cause is defined in the fourth part of the Stock Exchange bylaws, and the suspension was not cancelled within sixty (60) Trading Days.

9.2.20. In the event the Company shall perform an expansion of the Debenture series (Series A) in a manner that the expansion of the series shall cause a reduction of the rating of the series of Debentures (Series A) or the Company not fulfilling one or more of the financial criteria as set forth in appendix 6.2 of this Deed, without the consent of the Debenture Holders (Series A) as set forth in Appendix 5.2 of this Deed.

9.2.21. If the Company stopped or shall notify of its intention to stop its payments to the Debenture Holders.

9.2.22. If the following three conditions have been fulfilled in the aggregate:

a) The percentage of indirect and/or direct holdings of Shlomo Nehama, Ran Fridrich and Hemi Raphael together, or their relatives, as such term is defined in the Companies Law, or corporations under the control, as the case may be, of each of them (hereinafter together referred to as the "**Controlling Shareholders**") all together, has decreased below 25% of the issued and paid up share capital of the Company;

b) The Controlling Shareholders shall cease to be the largest shareholders in the Company and there is one shareholder that holds himself or together with others a larger quantity of shares in the Company (hereinafter: the "**New Controlling Shareholder**"); and/or the Controlling Shareholders shall cease to have the actual ability to appoint the largest amount of directors in the Company by themselves;

"**Holding**" and "**Holding Securities together with Others**" – as defined in the Law.

c) As a result of the New Controlling Shareholder joining, the rating of the Debentures has decreased below the rating before the New Controlling Shareholder joined. The Company shall provide the Trustee with confirmation that the rating was not changed as a result of the New Controlling Shareholder joining in proximity to or before transferring the control.

If the conditions set forth above in this clause are fulfilled in the aggregate, the Company shall submit an Immediate Report of this.

For the removal of doubt, it is clarified that the right to declare the Debentures immediately repayable as mentioned above and/or declaring the Debentures immediately repayable cannot derogate from any other or additional remedy that the Debenture Holders (Series A) have or that the Trustee has according to the terms of the Debentures and the provisions of this Deed or according to the law.

In this section:

"**Material Asset**" means: an asset whose book value exceeds 50% of the total consolidated assets of the Company according to its last consolidated financial statements that were published.

"**Financial Statement**" means: the last consolidated financial statements of the Company (audited or reviewed) that were published before the time of the event.

"**Asset**" means: an asset of the Company or an asset of a corporation which the holdings of the Company in it constitute a Material Asset of the Company.

"**Material Debt**" means: a debt of 40 million NIS. It is clarified that declaring the debt for which fixed charges were placed for securing it or a non- recourse loan immediately payable shall not shall be considered in this respect as a Material Debt.

"**Debt**" means: a financial debt of the Company or a financial debt of a corporation that the holdings of the Company in it constitute a Material Asset of the Company. It is clarified that a non- recourse debt, in other words a debt with no right of recourse to the Company shall not be considered as a Debt.

9.3. Upon the occurrence of the causes, conditions and/or the circumstances:

9.3.1. That are set forth in sections 9.1.1 – 9.1.4 above, the Trustee alone and the Debenture Holders (Series A) in a resolution of a Meeting that shall be adopted in the manner set forth in section 9.7 hereafter may declare the sum that is due to the Debenture Holders according to the terms of the Debentures immediately payable. The Trustee, insofar as according to its sole discretion it shall not materially harm the rights of the Debenture Holders, shall act to convene a Meeting of the Holders of the Debenture (Series A) on the agenda of which is declaring the Debentures immediately payable as set forth hereafter, and this before the Debentures are declared immediately payable at its initiative; and/or

9.3.2. That are set forth in sections 9.2.1 – 9.2.22, except for sections 2.14- 9.2.15 above, the Trustee and a Debenture Holder (that holds alone or together with others 5% or more) shall be entitled to convene a Meeting of the Debenture Holders that on its agenda is a decision regarding the declaring of the entire unpaid balance of the Debentures immediately payable; and/or

9.3.3. That are set forth in section s 9.2.14- 9.2.15 above, the Trustee and a Debenture Holder (that holds alone or together with others 5% or more) shall be entitled to convene a Meeting of the Debenture Holders that on its agenda is a decision regarding the declaring of the entire unpaid balance of the Debentures immediately payable;

9.4. Upon the occurrence of any of the events in section 9.1 above the Trustee, before he uses his authority to declare immediate repayment or to realize the Collaterals, insofar created, as mentioned in the beginning of section 9.1 above, shall be entitled to convene a Meeting of the Debenture Holders and receive its instructions.

9.5. The Trustee or the Debenture Holders shall not declare the Debentures immediately payable and they shall not realize Collaterals, insofar as created, until after they gave the Company a notice of their intention to do so at least 21 days before the date of the decision or the Meeting, as the case may be: however, the Trustee or the Debenture Holders are not obligated to give the Company a notice as mentioned, if there is a reasonable concern that delivering the notice shall harm the possibility of declaring the Debentures immediately payable or realizing the Collaterals, insofar as created.

9.6. If a reasonable period was determined in sections 9.1- 9.2 above or in a resolution of a creditors' meeting, as the case may be, with respect to a certain section, in which the Company is entitled to perform an action or to adopt a decision which as a result the cause for declaring immediate repayment or realization of the Collaterals, insofar as created, is dropped, the Trustees or the Debenture Holders are entitled to declare the Debentures immediately payable according to these sections only if the period that was determined as mentioned has passed and the cause was not dropped; however, the Trustee is entitled to shorten the period that was determined as mentioned if it thought that it will materially harm the rights of the Debenture Holders.

9.7. The decision of the Debenture Holders to declare the Debenture immediately payable or to realize the Collaterals, insofar as created, shall be adopted in a Meeting of the Debenture Holders in which Holders of at least fifty percent (50%) of the balance of the par value of the Debentures (Series A) were present, by a majority of the Debenture Holders of the balance of the par value of the Debentures that is represented or by such a majority in a deferred Debenture Holders Meeting in which the Holders of at least twenty percent (20%) of the aforementioned balance were present.

9.8. Subject to the provisions of any law, the Trustee's duties according to this section 9 are subject to its actual knowledge of the existence of the facts, the occasions, the circumstances and the events set forth in it.

9.9. The sending of a notice to the Company of the declaration of immediate repayment of the Debentures can be done also by way of publishing a notice of the decision of the Meeting or the decision of the Trustee in accordance with the provisions of section 26 hereafter and it shall constitute a declaration of the Debentures immediately payable.

9.10. In the event that a notice shall be delivered to the Company that the Debentures were declared immediately payable according to the provisions of section 9, the Company undertakes:

9.10.1. To pay to the Debenture Holders and to the Trustee any sums due to them and/or that shall be due to them according to the terms of the Deed of Trust, whether the date of the obligation has arrived or not ('acceleration'), and this is within 7 days after the notice date as mentioned in section 9.8 above; and

9.10.2. To deliver to the Trustee, according to its reasonable request, any affidavit or declarations and/or to sign any document and/or to perform and/or to cause the performance of the actions necessary and/or required in accordance with any law for giving effect to the exercise of authorities, the powers and the permissions of the Trustee and/or his attorneys that are required in order to enforce upon the Company its undertaking as mentioned in the Deed of Trust.

9.11. For the purposes of this section 9 – a written notice to the Company signed by the Trustee that confirms that the action required by it in the framework of its powers, is a reasonable action, shall constitute prima facie evidence of this.

9.12. After declaring the Debentures immediately payable in accordance with the provisions of this section 9, the Trustee and/or the Debenture Holders shall be entitled to immediately take all the steps that they shall see fit to take. Inter alia, the Trustee and/or the Debenture Holders shall be entitled to enforce and to realize the Collaterals, insofar as created, (all or in part) that were given to secure the Company's undertakings to the Debenture Holders and to the Trustee according to this Deed. The Trustee shall be entitled to act in any manner that it shall see fit and effective, including in accordance with the relevant law in the relevant territory for each Collateral and within such actionsit shall be entitled to appoint by itself and/or by the court, a trustee, receiver or manager on assets that were provided as Collateral, all or part of them and insofar as such assets were provided.

10. **Claims and Proceedings by the Trustee**

10.1. In addition to any provision in this Deed and as a right and independent authority, the Trustee is entitled, according to its discretion, and will be obligated to do so by a decision adopted in a Meeting of Debenture Holders by the majority required according to law, and without giving an additional notice to the Company, to take, all of those proceedings, including legal proceedings and motions to receive instructions as it shall see fit and subject to the provisions of any law, for enforcing the Company's undertakings according to this Deed of Trust, realizing Collaterals, insofar as created, and/or rights of Debenture Holders and protecting their rights according to this Deed of Trust. The Trustee shall be entitled to open legal proceedings and/or others even if the Debentures were not declared immediately payable and all for realizing Collaterals, insofar as created, and/or for protecting rights of Debenture Holders and the Trustee and subject to any law. The Trustee is entitled, in accordance with its sole discretion and without the need for giving a notice, to approach the competent court and submit a motion to receive instructions in any matter stemming and/or connected to this Deed of Trust also before the Debentures shall be declared immediately payable, including for giving any order regarding the trust matters.

10.2. Subject to the provisions of this Deed of Trust, the Trustee is entitled but not required to convene at any time a general Meeting of the Debenture Holders in order to discuss and/or to receive its instructions in any matter regarding this Deed and it is entitled to convene it again. The Company waives any claim, towards the Trustee and/or the Debenture Holders, regarding damage that could be caused and/or was caused to it due to summoning a Debenture Holders Meeting.

10.3. The Trustee is entitled before instituting any legal proceedings to convene a Meeting of the Debenture Holders in order for them to decide which proceedings to take in order to realize their rights according to this Deed of Trust. The Company waives any claim towards the Trustee and/or the Debenture Holders regarding damage that could be caused and/or was caused to it due to summoning the Debenture Holders Meeting.

10.4. The Trustee is entitled, according to its sole discretion, to delay the performance of any action by it according to this Deed of Trust, for the purpose of approaching the Debenture Holders Meeting and/or the court until instructions are received from the Debenture Holders Meeting and/or instructions from the court are received how to act. Notwithstanding the aforesaid, the Trustee is not entitled to delay proceedings to declare the Debentures immediately payable which the Debenture Holders Meeting decided according to section 9 above.

11. **Order of Priority of Creditors; Dividing the Receivables**

Each receivable which shall be received by the Trustee, except for its fees and the payment of any debt towards it, in any manner, including but not only as a result of declaring the Debentures immediately payable and/or as a result of proceedings that it shall institute, if it shall institute proceedings, inter alia, against the Company, shall serve for the purposes according to the order of priority of creditors as follows:

First – for the payment of any debt for the fees of the Trustee and its expenses; **second** – for the payment of any other debt according to undertakings to indemnify (as this term is defined according to section 25 hereafter); **third** – for paying the Debenture Holders that paid payments according to section 25 hereafter; **fourth** – for paying Debenture Holders late payment interest for delays in paying the interest and/or the Principal that are due to them according to the terms of the Debentures and subject to the provisions of linkage of the Debentures, pari passu and in a proportionate manner to the sum of the interest and/or the Principal that is delayed that is due to each of them without preference or right of priority regarding any of them; **fifth** – for the paying of sums of the Principal and interest to the Debenture Holders that are due to them according to the Debentures held by them pari passu and subject to the linkage terms of the Debentures, the payment date of which has not yet arrived and in a proportionate manner to the sums due to them, without any preference with respect to priority in time of issuing the Debentures by the Company or in any other manner; and **sixth** – the surplus, if such shall exist, the Trustee shall pay to the Company or to its substitutes.

Withholding tax shall be deducted from the payments to the Debenture Holders, insofar as there is a duty to deduct it according to any law.

12. **Authority to Demand Finance**

The Debenture Holders Meeting is entitled to determine in a decision of an ordinary majority that the Company shall transfer to the Trustee a sum (or part of it) that is designed for a certain payment on account of the Principal and/or certain payment of interest for the Debentures for the finance required for matters that were determined in the Meeting as mentioned (the "**Finance Sum**"), and provided that such decision was adopted before the record date determining the entitlement of the Debenture Holders to receive the Principal or interest as mentioned.

If a decision of the Meeting was adopted as mentioned above, the following provisions shall apply, unless the Company shall transfer to the Trustee, before the record date as mentioned above, a sum equal to the Finance Sum and this not out of the certain payment as mentioned above:

12.1. The Company shall transfer to the Trustee the Finance Sum at the time determined in this Deed for paying the Principal or the interest as mentioned above.

12.2. The amount of the certain payment as mentioned above (Principal or interest) shall be reduced by deducting the Finance Sum, and in the event of an interest payment, the rate of the certain payment shall also be reduced respectively.

12.3. Insofar as the Company has a duty according to law or according to the Deed of Trust to pay the costs and fees for which the Finance Sum was deposited, the Finance Sum (in addition to linkage and interest that apply to the Debentures according to this Deed of Trust, from the record date for the certain payment as mentioned above and until its actual payment) shall be paid at the next date scheduled in this Deed of Trust for payment on account of the Principal and/or the interest (or at another time as shall be determined in a decision of the Meeting as mentioned above) and it shall be added to the next payment as mentioned as an integral part of it.

12.4. The transfer of the Finance Sum to the Trustee cannot constitute an admission of the Company regarding its liability in financing the costs and fees for which the Finance Sum was deposited.

12.5. The Company shall publish an Immediate Report before the record date regarding the changes in the terms of this Deed of Trust regarding payments on account of the Principal and/or interest that arise from the aforesaid.

The aforesaid does not release the Company from its liability to pay costs and fees as mentioned where it liable to pay them according to this Deed and/or according to the law.

13. Authority to Delay the Division of Funds

13.1. Notwithstanding the provisions in section 11 above, and until the earliest of the dates set forth hereafter, if the sum which shall be received as a result of instituting such proceedings mentioned above and which shall be available at any time for distribution to the Debenture Holders as mentioned in that section, shall be less than 1 million NIS at the record date for distribution (the "**Distribution Threshold**") the Trustee shall not be required to distribute it and it shall be entitled to invest this sum, all or in part, in accordance with the provisions of section 16 hereafter.

13.2. When these investments mentioned above reach, if they shall reach, with their profits, together with other funds that shall reach the Trustee for the purpose of paying them to the Debenture Holders to a sum that will be sufficient in order to pay this sum mentioned above, the Trustee shall be required to use the mentioned sums according to the order of priorities in section 11 above and to distribute this sum at the earliest time of the payment of the Principal or the interest. Notwithstanding the aforesaid, the fees to the Trustee and its expenses shall be paid out of these funds immediately upon their arrival to the Trustee and even if they are lower than the sum set forth in section 13.1 above.

14. Notice of Distribution and Deposit with the Trustee

14.1. The Trustee shall notify the Debenture Holders of the date and place in which any payment shall be made out of the payments mentioned in sections 11 and 13 above, and this is by a prior notice of 14 days that shall be given in the manner set forth in section 26 hereafter.

14.2. After the record date for entitlement for payment that was determined in the Trustee's notice as mentioned, the Debenture Holders shall be entitled to interest for them according to the interest rate set forth in the Debentures, only on the balance of the Principal sum (if such shall exist) after deducting the sum that was paid or that was offered to them for payment as mentioned in this notice.

15. Avoidance from Payment for a Reason that is not Dependent on the Company; Deposit with the Trustee

15.1. Any sum that is due to a Debenture Holder and that was not actually paid for a reason that is not dependent on the Company, while the Company was willing to pay it and it was deposited with the Trustee according to the provisions of section 15.2 hereafter, shall cease to bear interest and linkage differences from the time that was determined, according to the provisions of the Deed of Trust, for its payment and the Debenture Holder shall be entitled, subject to the provisions hereafter, to that sum.

15.2. The Company shall deposit with the Trustee, no later than 10 Business Days after the time that was scheduled for that payment, the payment sum which was not paid for a reason that is not dependent on the Company, and subject to the provisions of section 15.5 hereafter, such deposit as mentioned shall be considered as paying that payment, and in the event of payment of everything due for that Debenture, also as the redemption of the Debenture.

15.3. The Trustee shall deposit in bank accounts in its name and to its order in trust for the Debenture Holders, the funds that shall be transferred to it as mentioned in sub- section 15.2 above, and shall invest them in investments in accordance with the provisions of section 16 hereafter. If the Trustee did so, it shall not owe to those entitled to those sums, other than the consideration received from realizing the investments, after deducting expenses, fees and mandatory payments, if existing, that are connected to that investment and to managing the trust account and after deducting its fees and expenses.

15.4. Subject to the Trustee not transferring the sums to the Company according to section 15.5 hereafter, the Trustee shall transfer to any Debenture Holder the payment that is due to him after such deductions as mentioned in section 15.3 above, and this against presenting the proof to the entitlement for this payment, as shall be required by the Trustee to its full satisfaction.

15.5. The Trustee shall hold the funds that shall be deposited as mentioned in section 15.3 above and it shall invest them in the aforementioned manner, until the end of one year after the final payment of the Debentures or by the date of payment of the funds to the Debenture Holders, whichever is earlier. After this time, the Trustee shall transfer to the Company the sums out of these funds, which have remained with him (including profits that have accrued from their investment) after deducting its fees, expenses and other costs that were expended in accordance with the provisions of this Deed (such as fees of service providers etc.).

Upon the transfer of the funds from the Trustee to the Company, to the Trustee's satisfaction, the Trustee shall be exempt from payment of such sums to the entitled Debenture Holders.

The Company shall confirm to the Trustee in writing the fact that these funds have been received in trust for these Debenture Holders, and it shall indemnify the Trustee for any claim and/or cost and/or damage of any type and kind that shall be incurred by it as a result and for transferring the sums as mentioned.

The Company's written confirmation regarding the receipt of these funds shall release the Trustee from any liability regarding these funds.

The Company shall hold these funds in a trust account for the Debenture Holders that are entitled to these sums for an additional year after they are transferred to the Company from the Trustee. Funds that have not been demanded by the Debenture Holders from the Company at the end of two years after the final payment date of the Debentures shall serve the Company for any purpose. The aforesaid shall not derogate from the Company's duty towards the Debenture Holders to pay the funds to which they are entitled as mentioned.

16. <u>Investment of Funds</u>

The provisions hereafter shall apply to any sum that shall be received by the Trustee in the framework of its trusteeship according to the terms of this Deed of Trust and which it must invest:

16.1. If provisions were determined in the laws of the State of Israel regarding permitted investments for a trustee, the Trustee shall invest any such sum, as it shall see fit in accordance with the provisions of the law. If such provisions were not determined in the law, the Trustee shall invest any sum as mentioned in bank(s) in its name or to its order, in bank deposits of one of the five largest banks in Israel (provided that the bank rating shall not be less than AA minus) or in investments in securities of the State of Israel, all as the Trustee shall see fit.

16.2. For performing such investments, the Trustee is entitled to use investment experts and agents and the provisions of sections 3.12 and 24 hereafter shall apply, as the case may be.

"**Investment**" with respect to this section– including the replacement of certain investments with others.

The provisions above shall also apply to the Company regarding funds that shall be held by it according to section 15.5 above.

17. <u>Urgent Representing Body for the Debenture Holders</u>

17.1. The Trustee shall appoint an urgent representing body of the Debenture Holders after it receives a written request from the Company that notes that the Company has adopted a decision to appoint an urgent representing body according to the terms of this section, that details the specific purpose and authorities that such urgent representing body should be granted, with the wording of the decision and written confirmation of the Company's attorney, that the decision to which the confirmation is attached was lawfully adopted by the Company.

At the request of the Company as aforementioned, and without the need to convene a Meeting of the Debenture Holders, the Trustee shall appoint, according to its choice, out of the Debenture Holders, an urgent representing body which shall consist of no less than three members, subject to the advance consent of each member to serve in the urgent representing body. The Trustee shall aspire that the members of the urgent representing body shall be at least the three largest Debenture Holders in the series, as these shall be to the best knowledge of the Trustee or the Company at the time of appointing the representing body. In the event that one of the Debenture Holders to which the Trustee shall turn shall not be interested to serve in the urgent representing body the Trustee shall appoint the next largest Debenture Holder in line and so on and so forth. At any time, the Trustee is entitled, according to its discretion for reasonable reasons, to transfer to a member of the urgent representing body from its position and to appoint additional members to the urgent representing body.

A Debenture Holder that is a Person with a Control Relationship with the Company or that has a material conflict of interests due to the existence of any additional material matter that contradicts a matter that arises from serving on the representing body and from holding the Debentures (in this section only: "**Conflicting Interest**"), shall not serve on the urgent representing body. Each representative in the urgent representing body shall deliver to the Trustee, as a condition to its appointment, a declaration of the candidate that it has no Conflicting Interest. The Trustee shall rely on the declarations of the candidates only and shall not be required to perform independent investigations regarding the existence of a Conflicting Interest. If the consent of at least three Debenture Holders to serve on the urgent representing body was not received, an urgent representing body shall not be appointed.

The appointment of an urgent representing body according to this section shall be valid until the opening of the first Debenture Holders Meeting after the appointment.

The authorities of the urgent representing body shall be only the following:

17.1.1. A one- time extension for fulfilling one or more of the financial criteria during a period that shall not exceed 3 months regarding each such extension;

17.1.2. A one-time deferral of one or more of the dates appointed for the performance of any undertaking of the Company, for a period that shall not exceed three months regarding any such deferral.

Each member of the urgent representing body shall have one vote. Decisions of the urgent representing body shall be adopted by a majority of votes.

The appointment of an urgent representing body or the decision of the urgent representing body not to give the Company an extension or deferral as mentioned above, do not prevent the Company or the Trustee from convening a Meeting of the Debenture Holders when on its agenda is the approval of the Company's request for an waiver or deferral as mentioned above.

The Company shall inform the Debenture Holders immediately upon appointing the urgent representing body as mentioned, regarding the appointment of the urgent representing body, the identity of its members and its authorities.

Subject to any law, the decision of the urgent representing body regarding granting a deferral or extension as mentioned in this section, shall bind the Debenture Holders. If the urgent representing body decided not to give the Company a deferral or extension as mentioned in this section above, the Trustee shall be obligated to convene a Meeting of the Debenture Holders to be convened no later than seven (7) days after it is summoned, and the possibility of granting such extension shall be on its agenda as mentioned. The appointment of the urgent representing body cannot derogate from the duties of the Trustee or from its powers according to the law that applies and this Deed of Trust.

18. Confidentiality

18.1. Subject to the provisions of any law and to the provision in this section hereafter, the Trustee undertakes, by signing this Deed, to keep confidential any information that was given to it from the Company, not to disclose it to another and not to make any use of it, unless its disclosure or the use of it is required for fulfilling its duties according to the Law, according to the Deed of Trust, or according to a court order or according to the instructions of a legally authorized authority.

18.2. Transferring information to the Debenture Holders, including by publishing it publicly, for the purpose of adopting a decision regarding their rights according to the Debenture or for providing a report of the Company's situation does not constitute a breach of the confidentiality undertaking as mentioned, all after advance coordination with the Company, and in any event only the necessary information for adopting such decision will be provided, to the extent provided.

18.3. This confidentiality undertaking shall not apply to any part of the information, that is in the public domain (except for information that became public domain for a breach of this confidentiality undertaking) or that was received by the Trustee not from the Company – starting from the date its receipt.

18.4. All the conversations and discussions in the parts of the Meetings that are conducted without the Company or in the Meetings conducted without the Company, insofar as the absence of the Company is required by the Trustee, are confidential, and the Company and/or anyone on its behalf including any Office Holder in it shall not require the disclosure of this information.

19. Other Agreements

Subject to the provisions of the Law and the restrictions imposed on the Trustee in the Law the fulfillment of the Trustee's duties according to this Deed of Trust, or its status as Trustee, shall not prevent it from entering into different contracts with the Company or from performing transactions with it in the ordinary course of its business.

20. Reporting by the Trustee

20.1. The Trustee shall make each year, at the time determined for this in the Law and in absence of a schedule time within 40 days after the end of each twelve months from the date of this Deed of Trust, an annual report of the trust matters (the "**Annual Report**") and it shall submit it to the Securities Authority and to the Stock Exchange.

20.2. The Annual Report shall include details that shall be determined from time to time in the Law. Submitting the Annual Report to the Securities Authority and to the Stock Exchange, is as furnishing the Annual Report to the Company and to the Debenture Holders.

20.3. The Trustee must submit a report regarding the actions that it performed according to the provisions of chapter E'1 of the Law, according to a reasonable demand of the Debenture Holders that hold at least ten percent (10%) of the balance of the par value of the Debentures of that series, within a reasonable time of the demand, all subject to the confidentiality obligation of the Trustee towards the Company as set forth in section 35J(d) of the Law.

20.4. The Trustee shall update the Company before a report according to section 35H1(a) through (c) of the Law.

21. Fees and Covering the Trustee's Expenses

21.1. The Trustee shall be entitled to payments of its fees and expenses in connection with fulfilling its duties, in accordance with the provisions in **Appendix 21** which is attached to this Deed of Trust. If a Trustee has been appointed in place of the Trustee whose term of service has ended according to sections 35B(a1) or section 35N(d) of the Securities Law, the Holders of certificates of undertaking (Series A) shall pay the difference by which the Trustee's fees who was appointed as mentioned exceed the fee that was paid to the Trustee in place of whom it was appointed if such difference is unreasonable and the provisions of the relevant law at the date of replacement shall apply.

21.2. The Debenture Holders (Series A) shall participate in financing the Trustee's fees and the refund of its expenses in accordance with the provisions of the indemnification clause in section 25 of the Deed of Trust.

22. Constant Safety Cushion for Covering the Company's Undertakings of Indemnity and to Deposit Finance Cushions

Insofar as regulations shall be enacted and section 35E1(b) of the Law shall come into force, in addition to the Company's undertakings to indemnify the Trustee according to section 25 hereafter but in substitution of the Company's undertaking to deposit the 'safety cushion' according to section 25 hereafter, and the Company and the Trustee shall act in accordance with the provisions of section 35E1(b) of the Law and the regulations promulgated thereunder. Insofar as the regulations that shall be enacted by virtue of section 35E1(b) of the Law shall not require imposing a pledge on the account in which the safety cushion shall be deposited and the Trustee shall demand the imposition of such pledge, the Company shall not refuse to impose a pledge unless this is for reasonable reasons.

23. Liability

23.1. The liability of the Trustee shall be according to law.

23.2. For the removal of doubt it is hereby clarified that:

23.2.1. The Trustee has no duty to examine, and in actual fact the Trustee has not examined, the financial situation of the Company and this is not included among its duties.

23.2.2. The Trustee did not make any financial, accounting or legal due diligence examination of the Company's business situation or of the companies held by the Company or by a person that holds the Company's shares and this is not among its duties.

23.2.3. The Trustee has not given its opinion expressly or impliedly regarding the Company's ability to meet its undertakings towards the Debenture Holders, nor by the fact that it entered into this Deed of Trust, nor by its consent to serve as Trustee of the Debenture Holders.

23.2.4. The Trustee's signature on this Deed of Trust is not an opinion of it regarding the nature of the offered Debentures or that it is worthwhile investing in them.

23.3. The Trustee shall not be required to notify any party of the signature of this Deed. The Trustee shall not get involved in any manner in the management of the Company's business or its affairs and this is not included in its duties.

23.4. Subject to the provisions of any law, the Trustee is not required to act in a manner that is not expressly set forth in this Deed of Trust, so that any information, including with respect to the Company and/or with respect to the Company's ability to meet its undertakings to the Debenture Holders will be brought to its knowledge and this is not one of its duties.

23.5. The Trustee is entitled to rely on the presumption as mentioned in section 28 hereafter, and to rely on the correctness of the identity of a non registered Debenture Holder of the Debentures as this shall be given to the Trustee by a person whose name is registered as authorized by power of attorney, that a Nominee Company issued, insofar as the identity of the Debenture Holder was not registered in the power of attorney.

23.6. The Trustee is entitled to rely within the framework of its trusteeship on any written document including, written instruction, notice, request, consent or approval, which appears to be signed or issued by any person or body, which the Trustee believes in good faith that it was signed or issued by him.

24. **The Authority of the Trustee to Employ Agents**

The Trustee shall be entitled to appoint agent(s) that will act in its place, whether attorneys or others, in order to do or participate in the performance of special actions that must be performed with respect to the trust and without derogating from the generality of the aforesaid instituting legal proceedings. The Trustee shall also be entitled to pay at the expense of the Company the reasonable fees of any such agent including by way of offsetting sums that reached its hands, and the Company shall transfer to the Trustee immediately upon its first demand any such reasonable cost.

The Trustee shall give the Company a prior notice regarding the appointment of agent(s) only insofar as according to the Trustee's opinion an advance notice as mentioned will not cause harm to the rights of the Debenture Holders.

It is clarified that the Company's obligation to pay payments or refund costs with respect to appointing agents is subject to the terms set forth in the first paragraph of section 3.12 above.

25. **Indemnification**

25.1. The Company and the Debenture Holders (at the relevant record date as mentioned in section 25.5 hereafter, each for its undertaking as mentioned in section 25.3 hereafter) hereby undertake to indemnify the Trustee, each Office Holder in it, its employees, shareholders, agents and experts that the Trustee shall appoint ("**Those Entitled to Indemnification**") as follows:

25.1.1. For any expense and/or damage and/or payment and/or financial obligation, including according to a judgment, an arbitration judgment (in respect to which a stay of execution was not granted) or according to a settlement (and the Company's consent to the settlement has been given) the causes of which are connected to an act or omission that Those Entitled to Indemnification performed or which they must perform by virtue of the provisions of this Deed, and/or according to the law and/or a instruction of an authorized authority and/or according to the demand of Debenture Holders and/or according to the Company' demand; and

25.1.2. For wages due to Those Entitled to Indemnification and reasonable costs that they expended and/or that they are about to expend in respect to performing an act or omission as mentioned above and/or with respect to using the authorities and powers according to this Deed, including with respect to all kinds of legal proceedings, opinions of lawyers and other experts, negotiations, discussions, expenses, travel costs and other costs, and provided that they shall be reasonable, claims and demands regarding any matter and/or thing that were made and/or not made in any manner with respect to the aforesaid.

And all provided that:

25.1.3. Those Entitled to Indemnification shall not demand indemnification in advance in a matter that cannot be delayed;

25.1.4. Regarding an act or omission for which the indemnification is requested it was not determined in a final judicial decision that Those Entitled to Indemnification acted: maliciously, negligently in respect to which there is no exemption according to the law, not in good faith or not in the framework of fulfilling their duties;

25.1.5. The Trustee has informed the Company in writing, immediately after it has become informed, regarding any claim and/or demand as mentioned, and allowed the Company to manage the proceedings, unless these proceedings are managed by the insurance company of the Trustee or if the Company is in conflict of interest according to the reasonable discretion of the Trustee.

The undertaking to indemnify according to section 25.1 shall be referred to as the "**Indemnification Undertaking**".

Even in the event that it shall be claimed against Those Entitled to Indemnification that they are not entitled to indemnification for any reason, they shall be entitled to indemnification immediately upon their first demand for the payment of the sum that is due to them for the "Indemnification Undertaking". In the event that it shall be determined in a final judicial decision that Those Entitled to Indemnification do not have the right to be indemnified, Those Entitled to Indemnification shall return the sums of the Indemnification Undertaking that were paid to them.

25.2. Without derogating from the validity of the "Indemnification Undertaking" in section 25.1 above, as long as the Trustee shall be required according to the terms of the Deed of Trust and/or according to Law and/or instruction of an authorized authority and/or any law and/or according to the demand of Debenture Holders and/or the Company's demand, to perform any action, including but not only instituting proceedings or submitting claims according to the demand of Debenture Holders, as mentioned in this Deed, and insofar as the Trustee shall be of the opinion, according to its sole discretion, that the deposit funds (as this term is defined in section 35E1(b) of the Law) which the Company transferred are not sufficient and/or that the Law does not permit use of the deposit funds for the purposes necessary as mentioned, the Trustee shall be entitled to refrain from taking any such action, until it receives a money deposit to its satisfaction for covering the Indemnification Undertaking (the "**Finance Deposit**") in first preference from the Company, and in the case that the Company shall not deposit the Finance Deposit at the time it was required to do so by the Trustee, the Trustee shall approach the Debenture Holders that held at the record date (as mentioned in section 25.5 hereafter) to request that they deposit with it the sum of the Finance Deposit, each according to its Relative Share (as this term is defined hereafter). In the event that the Debenture Holders will not deposit the entire Finance Deposit the Trustee will not have the obligation to take any action or relevant proceedings. The aforesaid cannot exempt the Trustee from taking any urgent action required to prevent adverse material harm to the rights of the Debenture Holders.

The Trustee is authorized to determine the sum of the Finance Deposit and it shall be entitled to increase it and to act in order to create an additional Finance Deposit as mentioned, from time to time, in an amount that shall be determined by it as long as there is a reasonable need for this.

25.3. The Indemnification Undertaking:

25.3.1. **Shall apply to the Company** in any event of **(1).** Actions that were preformed and/or required to be performed according to the terms of the Deed of Trust including for protection the rights of the Debenture Holders (including due to the demand of a Debenture Holder that is needed for such protection); **and (2).** Actions that were performed and/or required to be performed according to the Company's demand.

25.3.2. **Shall apply to the Debenture Holders** that held at the record date (as mentioned in section 25.5 hereafter) in any event of **(1).** an event that is not within the scope of section 25.3.1; and **(2).** the non- payment by the Company of the indemnification sum that applies to it according to section 25.3.1 above (without derogating from the provisions of section 25.6 hereafter).

25.4. In any event that: **(a).** the Company does not pay the sums required for covering the Indemnification Undertaking and/or shall not deposit the sum of the Finance Deposit as the case may be; **and/or (b).** the indemnification duty applies to the Debenture Holders by virtue of the provisions of section 25.3.2 above and/or the Debenture Holders were called to deposit the sum of the Finance Deposit according to section 25.2 above, the following provisions shall apply:

25.4.1. Insofar as sums are deposited in the safety cushion that shall be deposited in accordance with the provisions of section 35E1(b) of the Law and the regulations that shall be enacted by its virtue, the Trustee shall use the money deposited in it;

25.4.2. Insofar as the sum deposited in the safety cushion as set forth above is not sufficient for indemnification as mentioned or that there is a restriction on the Trustee regarding the use of it, the money shall be collected in the following manner:

a) First – out of the money (interest and/or Principal) which the Company must pay to the Debenture Holders after the date of the required action, and the provisions of section 11 above shall apply;

b) Second – insofar as according to the Trustee's opinion the sums deposited in the Finance Deposit shall not be enough to cover the Indemnification Undertaking, the Debenture Holders that shall hold Debentures at the record date (as mentioned in section 25.5 hereafter) shall deposit the missing sum, each one in accordance with its Relative Share (as such term is defined) with the Trustee. The sum that each Debenture Holder shall deposit shall bear annual interest at a rate equal to the interest determined for the Debentures and it shall be paid with preference as mentioned in section 25.7 hereafter.

The "**Relative Share**" means: the relative share of the Debentures which the Debenture Holder held at the relevant record date as mentioned in section 25.5 hereafter of the total par value of the outstanding Debentures at that time (after deducting the Debentures held by a Person that has a Control Relationship with the Company). It is clarified that the calculation of the relative share shall remain fixed even if after that time a change shall occur in the par value of the Debentures held by the Debenture Holder.

25.5. The record date for determining the Debenture Holder's obligation in the Indemnification Undertaking and/or in the payment of the Finance Deposit is as follows:

25.5.1. In any event that the Indemnification Undertaking and/or payment of the Finance Deposit are required due to a decision or urgent action required for preventing adverse material harm to the rights of the Debenture Holders and this is without an advance decision of the Debenture Holders Meeting – the record date of the obligation shall be the end of the Trading Day of the date the action was taken or the decision was made, and if this day is not a Trading Day, the Trading Day prior to it.

25.5.2. In any event that the Indemnification Undertaking and/or payment of the Finance Deposit is required according to a decision of the Meeting of the Debenture Holders – the record date for the obligation shall be the record date for participating in the Meeting (as this date was determined in the summons notice) and it shall also apply to a Debenture Holder that was not present or that did not participate in the Meeting.

25.5.3. In any other case or in the case of disputes regarding the record date – the record date shall be as determined by the Trustee according to its absolute discretion.

25.6. The payment by the Debenture Holders instead of the Company of any sum that is imposed on the Company according to this section 25 cannot release the Company from its obligation to pay such payment.

25.7. The refund to the Debenture Holders that paid payments according to this section shall be made according to the order of preference set forth in section 11 above.

26. Notices

26.1. Any notice on behalf of the Company and/or the Trustee to the Debenture Holders shall be given as follows:

26.1.1. In cases in which the provisions of the law require this or according to a decision of the Trustee by reporting to the Magna system of the Securities Authority (the Trustee may order the Company and the Company shall be required to immediately report to the Magna system on behalf of the name of the Trustee any statement according to its form as it shall be transferred in writing by the Trustee to the Company);

26.1.2. In the cases set forth hereafter only in addition by way of publishing a notice that shall be published in two daily newspapers that are widely distributed, that are published in Israel in the Hebrew language: (a). An arrangement or settlement according to section 350 of the Companies Law, 5759- 1999; (b). Merger.

26.1.3. Any notice that shall be published or sent as mentioned above, shall be considered as if it was delivered to the Debenture Holder on the date of its publication as mentioned (in the Magna system or in the press, respectively).

26.1.4. In the event that the Company shall cease to report in accordance with the law, in cases in which there are provisions of the law that require this, or according to the decision of the Trustee, by sending a notice by registered mail to each registered Debenture Holder according to his last address registered in the Debenture Holders registry (in the event of joint Holders – to the joint Debenture Holder whose name appears first in the registry). Any notice that shall be sent as mentioned shall be considered as if it was delivered to the Debenture Holders 3 business days after it was delivered in the mail.

26.2. Any notice or demand on behalf of the Trustee or Debenture Holder to the Company may be given by a letter that shall be sent by registered mail to their address, or by transmitting it by fax or in writing by a messenger or by electronic mail and any notice or demand such as this shall be considered as if it was received by the Company or other addressee:

26.2.1. In the event of sending by registered mail – 3 Business Days after it was delivered in the mail.

26.2.2. In the event of transmitting it by facsimile (with additional telephone confirmation that it was received) – at the time of the telephone confirmation.

26.2.3. In the event of transmitting it by electronic mail – at the time of receiving confirmation by electronic mail that it was read or at the time that it was confirmed by telephone that it was received (if confirmation was performed), whichever is earlier of the two.

26.2.4. In the event that it was sent by a messenger – at the time of its delivery by messenger to the addressee or in the event that the addressee refrained from accepting it during the messenger's proposal to the addressee to accept it.

26.3. Any notice or demand to the Trustee shall be given in one of the ways set forth in section 26.2 above.

27. **Waiver; Settlement; Changes in the Terms of the Deed of Trust, Debentures**

27.1. Subject to the provisions of the Law and the regulations that were promulgated and/or that shall be promulgated by its virtue, the Trustee shall be entitled from time to time and at any time, to waive any technical breach or the non fulfillment of the terms of this Deed by the Company if it was convinced that this is for the benefit of the Debenture Holders or where the change does not harm the Debenture Holders. The provisions of this section shall not apply to the change of the identity of the Trustee or its remuneration in this eed, for appointing a Trustee in place of the Trustee whose term has ended. The Trustee shall not be entitled to waive with respect to the times of the payments according to the Debentures, the interest rate, the causes for declaring Debentures immediately payable, financial criteria or with respect to changing the interest in the event a decrease in the rating of the Debentures .

27.2. The terms of the Deed of Trust and/or the Debentures may be changed in the event of one of the following:

27.2.1. The Trustee was convinced that the change does not harm the Debenture Holders. The provisions of this section shall not apply with respect to a change in the identity of the Trustee or its remuneration in this Deed, for appointing a Trustee in place of the Trustee whose term has ended; the Trustee shall be entitled to approve technical changes only. The Trustee shall not be permitted to change the Deed of Trust with respect to the payment times according to the Debentures, the interest rates, the causes for declaring the Debentures immediately payable, the financial criteria or with respect to changing the interest in the event a decrease in the rating of the Debentures.

27.2.2. The Debenture Holders have agreed to the proposed change in a decision that was adopted in the Meeting of the Debenture Holders, in which Debenture Holders holding at least 50% of the balance of the par value of the outstanding Debentures were present, themselves or their attorneys, by a majority of the holders of at least two thirds (2/3) of the remainder of the par value of the Debentures represented at the vote, or by such majority in a deferred Meeting, in which Debenture Holders holding, themselves or by their attorneys, at least twenty percent (20%) of this balance were present.

27.3. The Company shall report by Immediate Report of any change, or waiver as mentioned above, as soon as possible after it was made.

28. <u>Registry of Debenture Holders</u>

28.1. The Company shall administer a registry of Debenture Holders that shall be open to the review of any person in accordance with the provisions of the Law.

29. <u>Meetings of the Debenture Holders</u>

Convening a Meeting of the Debenture Holders, the manner of conducting it and different terms regarding it, shall be in accordance with the second addendum.

30. <u>Applicability of the Law</u>

The Deed of Trust and its appendixes, including the Debentures certificate, are subject to the provisions of the Israeli law. The parties shall act in accordance with the provisions of the Israeli law in any matter that was not mentioned in this Deed, and in any event of a conflict between the provisions of the law and this Deed.

31. <u>Exclusive Authority</u>

The only court that shall be competent to hear matters connected to the Deed of Trust and its appendixes shall be the competent court in Tel Aviv – Jaffa.

32. General

Without derogating from the other provisions of this Deed of Trust, and of the Debentures, any waiver, extension, discount, silence, avoidance from action ("**waiver**") by the Trustee concerning the non performance or partial performance or incorrect performance of any undertaking towards the Trustee or towards the Debenture Holders according to this Deed and the Debenture, shall not be considered as a waiver by the Trustee of any right, but rather as a consent limited to this certain waiver and it shall apply on with respect to the specific time in which it was given and it shall not apply to other times or to other waivers.

Without derogating from the other provisions of this Deed of Trust and the Debenture, any reduction of undertakings towards the Trustee, that were set forth in this Deed or that were made according to it, requires receiving the Trustee's consent in advance and in writing and no other consent shall be valid, whether verbal or by conduct regarding such reduction.

The Trustee's rights according to this agreement are independent from each other and they are in addition to any right that currently exists and/or that the Trustee shall have according to law and/or other agreement.

33. Addresses

The parties' addresses shall be as set forth in the preamble of this Deed, or any other address in respect to which a notice shall be given according to section 26 above, to the other party. The addresses of the Debenture Holders shall be as mentioned in the registry or as shall be delivered by them by notice according to section 26 above.

34. Authorization to Magna

In accordance with the provisions of the Securities Regulations (Signature and Electronic Reporting), 5763- 2003, the Trustee hereby authorizes the party authorized for this on behalf of the Company, to electronically report to the Securities Authority of this Deed of Trust.

[signature on a separate page]

And in witness whereof the parties have signed:

/s/ Shlomo Nehama, /s/ Ran Fridrich	*/s/*
Ellomay Capital Ltd.	Hermetic Trusts (1975) Ltd.

I the undersigned Odeya Brick-Zarsky, Adv. confirm that this Deed of Trust by Mr. Shlomo Nehama and Ran Fridrich and their signature binds Ellomay Capital Ltd. with respect to this Deed of Trust.

/s/ Odeya Brick-Zarsky

Odeya Brick-Zarsky, Adv.

Ellomay Capital Ltd.

First Addendum

Debentures (Series A)

The issue of a series of registered debentures (series A), bearing annual interest of 4.6%, not linked (Principal and interest) that shall be repaid in 10 annual equal installments on the 31st of the month of December in each of the years 2014 to 2023 (inclusive). The interest on the debentures (series A) shall be paid once every six months on the 30th of June and on the 31st of December of each calendar year after the debentures (series A) have been issued and until their final repayment on the 31st of December 2023.

Registered Debentures (Series A)

Number ____

Par value in NIS _________

1. This Debenture indicates that Ellomay Capital Ltd. (the "Company") shall pay at the payment date as defined in Appendix 2.1 –Economic Terms of the Debentures (Series A) to whoever shall be a Debenture Holder at the record date, payments of Principal and interest, all subject to the details in Appendix 2.1 –Economic Terms of the Debentures (Series A) and the Deed of Trust.

2. This Debenture is issued as part of the series of the debentures under terms that are identical to this debenture (the "series of the debentures"), that are issued in accordance with the Deed of Trust ("**Deed of Trust**) of the 30th of December 2013, which was signed between the Company of the first part and Hermetic Trusts(1975) Ltd. ("**Hermetic**"). It is clarified that the provisions of the Deed of Trust shall constitute an integral part of the provisions of this Debenture, and they shall bind the Company and the Debenture Holders included in this series. All the Debenture Holders of this series shall of equal priority among themselves (pari–passu) without anyone having right of priority over the other.

3. This Debenture is issued subject to the terms set forth in Appendix 2.1 –Economic Terms of the Debentures (Series A) and in the Deed of Trust, which constitute an inseparable part of the Debentures.

4. The terms set forth in this certificate shall change without the need for issuing a new certificate at any time when the Deed of Trust and/or its versions shall be lawfully modified.

Signed with the Company's stamp that was stamped on the date ____________

In the presence of:

Director: _____________________ Director: ____________________

Appendix 2.1

Economic Terms of the Debentures (Series A)

1. General

In this Debenture the terms in section 1.5 of the Deed of Trust shall have the meaning conferred upon them there, unless another intention is implied from the context of the matter.

2. Securing the Debentures

The Debentures do not include any collateral or pledges and include an undertaking for negative pledge as set forth in section 7.4 of the Deed of Trust, and an undertaking to meet the financial covenants and restrictions regarding the distribution of dividends as set forth in appendix 6.2 of this Deed.

3. The Date of Payment of the Principal of the Debentures

The Principal of the Debentures (Series A) shall be payable in ten (10) annual equal installments which shall be paid on the 31st of December of each of the years 2014- 2023 (inclusive) in a manner so that each of the installments shall constitute 10% of the total par value of the Debentures (Series A).

4. The Interest

4.1. The unpaid balance of the Principal of the Debentures (Series A) shall bear interest at a fixed annual rate of 4.6%, without linkage to any index or currency. The interest for the unpaid balance of the Principal of the Debentures (Series A) shall be paid twice a year in semi annual payments on the 30th of June and on the 31st of December of each of the years 2014 to 2023 (inclusive) for the period of six (6) months (except for the first interest period, as set forth hereafter) that began a day after the prior interest payment date and that ended on the date of payment. The first payment of interest for the Debentures (Series A) is scheduled for the 30th of June 2014, for the period that begins on the first Trading Day the next day after the day on which the Debentures (Series A) shall be offered to the public, and that ends on the first payment date of interest, when it is calculated on the basis of 365 days per year.

4.2. Withholding tax that must be deducted shall be deducted from any payment.

4.3. Adjustment mechanism of the interest rate:

4.3.1. <u>Changes to the interest rate as a result of a decrease in the rating of the Debentures (Deries A)</u>

The interest rate of the Debentures (Series A) shall be adjusted for a change in the rating of the Debentures (Series A) in accordance with the mechanism described hereafter:

a. Insofar as the rating of the Debentures (Series A) by the rating company set forth in the Deed of trust or any other rating company which shall take its place (hereinafter the "**Rating Company**") (in the event of switching the rating company the Company shall transfer to the Trustee a comparison between the rating scale of the replaced rating company and the rating scale of the new rating company) shall be updated during any interest period, so that the rating that shall be determined for the Debentures (Series A) shall be lower by one level or more (hereinafter the "**Reduced Rating**") from the rating that was mentioned in the prospectus (or a parallel rating that shall take its place and which shall be determined by another rating company, insofar as it shall take the place of the rating company mentioned in the Deed of Trust) (hereinafter the "**Base Rating**"), the annual interest rate which the unpaid balance of the Debentures (Series A) shall bear shall increase by the additional interest rate, above the interest rate that shall be determined in the tender, as the Company shall publish in the Immediate Report regarding the results of the offering (the "**Base Interest**") and this is for the period that shall begin from the date of publishing the new rating by the Rating Company until full payment of the unpaid balance of the Debentures (Series A) as follows: (a) in the event the rating that shall be determined shall be lower by one level from the Base Rating – the annual interest rate which the unpaid balance of the Debentures shall bear shall not change and it shall be equal the Base Interest; (b) in the event the rating that shall be determined shall be lower by two levels from the Base Rating – the annual interest rate which the unpaid balance of the Debentures shall bear shall increase by 0.5% so that it shall equal the Base Interest with an additional 0.5%; (c) in the event that the rating that shall be determined shall be lower by three levels from the Base Rating - the annual interest rate that the unpaid balance of the Debentures shall bear shall increase by an additional 0.25%, so that it will equal the Base Interest with an additional 0.75%; (d) in the event the rating that shall be determined shall be lower by four levels from the Base Rating - the annual interest rate that the unpaid balance of the Debentures shall bear shall increase by 0.25% so that it will equal the Base Rating with an additional 1%.

b. No later than the end of one Business Day after receiving the notice of the rating company regarding lowering the rate of the debentures (series A) to a Reduced Rating as defined in sub- section (a) above, the Company shall publish an Immediate Report, in which the Company shall mention: (a) the fact that the rating was decreased, the Reduced Rating, and the date of commencement of the Reduced Rating of the Debentures (Series A) (hereinafter the "**Reduced Rating Commencement Date**"); (b) the accurate interest rate that the balance of the Debentures (Series A) shall bear for the period that commences and the beginning of the current interest period until the Reduced Rating Commencement Date (the interest rate shall be calculated according to 365 days per year) (hereinafter in this section: the "**Original Interest**" and the "**Original Interest Period**", respectively); (c) the interest rate that the balance of the Debentures (Series A) shall bear beginning on the Reduced Rating Commencement Date until the next interest payment date, that is: the original interest with additional interest rate per year (the interest rate shall be calculated according to 365 days per year) (hereinafter in this section: the "**Updated Interest**"); (d) the weighted interest rate which the Company shall pay to the Holders of the Debentures (Series A) at the next date of payment of interest, that arises from the aforesaid in sub-sections (b) and (c) above; (e) the annual interest rate that is reflected from the weighted interest rate; (f) the annual interest rate and the semi-annual interest rate.

c. If the Reduced Rating Commencement Date of the Debentures (Series A) shall occur during the days beginning four days before the record date for paying any interest and ending at the next interest payment date after the record date (hereinafter in this section the "**Deferral Period**") the Company shall pay the Holders of the Debentures (Series A) at the date of the next interest payment, the Original Interest (as appearing in the original terms of the paper) only, when the interest rate that stems from the additional interest in an amount equal to the additional interest rate per year during the Deferral Period shall be paid at the next interest payment date. The Company shall notify in an Immediate Report the exact interest rate to be paid at the next interest payment date.

d. In the event the rating of the Debentures (Series A) was updated by the rating company, in a manner that shall affect the interest rate which the Debentures (Series A) shall bear as mentioned above in this section, the Company shall notify this to the Trustee in writing within one Business Day after publishing the Immediate Report as mentioned.

e. It is clarified that in the event that after the rating is decreased in a manner that affected the interest rate which the Debentures (Series A) shall bear as mentioned in this section, the Rating Company shall update the rating of the Debentures (Series A) upwards, to a rating that equals or is higher than the Base Rating or to a rating at which the additional interest rate is lower, as set forth above (hereinafter the "**Higher Rating**"), then the interest rate that shall be paid by the Company to the Holders of the Debentures (Series A) shall be reduced, at the time of the relevant payment of interest, and this is for the period in which the Debentures (Series A) were rated by the Higher Rating only, so that the interest rate that the unpaid balance of the Principal of the Debentures (Series A) shall bear shall be an interest rate that was determined in the tender, as the Company shall publish in an Immediate Report regarding the results of the offering, without any addition or at a lower addition in accordance with the steps set forth in sub-section (a) above (and in any event the interest rate which the Debentures shall bear shall not be less than the interest rate determined in the tender). In such case the Company shall act in accordance with the provisions in sub-sections (b) to (d) above, mutatis mutandis that result from the Higher Rating instead of the Reduced Rating.

f. Insofar as the Debentures (Series A) shall cease being rated for a reason dependent on the Company for a period that exceeds 60 days, before the final payment, provided that the interest rate as mentioned in sub-section (a) above was not increased, the cessation of rating shall be considered as a reduction of rating of the Debentures (Series A), to a rating lower by four levels from the Base Rating, as set forth in sub-section (a) above. Insofar as the Debentures (Series A) were not re- rated after 60 days have passed as mentioned above, the Company shall regard the date of the cessation of rating as the Reduced Rating Commencement Date with respect to the payment of interest and the provisions of sub sections (b) – (e) shall apply accordingly. For the sake of avoiding doubt it is clarified that if the Debentures shall cease to be rated, before final repayment, for a reason that is not dependent on the Company, this will not affect the interest rate as mentioned in section (a) above and the provisions of this section shall not apply.

g. It is hereby clarified that insofar as the Debentures are rated or they shall be rated simultaneously by more than one rating company, changing of rating (or cessation of rating) that shall be performed only by one rating company, shall not lead to any change in the interest rate which the Debentures (Series A) shall bear, and a change in the interest rate shall be only after the rating is changed (or ceases, as the case may be) by all the rating companies that shall rate the Debentures. Furthermore, insofar as the Debentures are rated or shall be rated simultaneously by more than one rating company, the rating that shall be considered for this purpose shall be whichever rating is lower of the rating companies.

h. Adjusting the interest rate for the Debentures as set forth in this section above shall not apply in the event of a decrease of the rating of the Company below the Base Rating, that arises as a direct result of changing the rating scale of the different rating companies, as part of the adjustment of the local ratings to international ratings, if and insofar as relevant. In such case, the Base Rating shall be adjusted to the new rating which is parallel to it, as shall be determined.

i. For the sake of avoiding doubt it is hereby clarified that a change in the rating outlook of the Debentures (Series A) (or of the Company) shall not lead to a change in the interest rate which the Debentures (Series A) shall bear.

j. Furthermore, notwithstanding the aforesaid, lowering the rating for the Debentures (Series A) or of the Company performed in the framework of a rating update for all companies in Israel and/or for companies that operate in the energy field, as a result of changing the methodology of the Rating Company, shall not lead to a change in the interest rate that the Debentures (Series A) shall bear.

5. <u>The Linkage Terms of the Principal and the Interest</u>

The interest and the Principal of the Debentures (Series A) are not linked to the index or to any currency.

6. <u>Deferral of Appointed Times</u>

If the date of payment of any payment of Principal and/or interest falls on a day which is not a Trading Day, the date stipulated shall be postponed to the next Trading Day after it without any additional payment and the “Record Date” for the purpose of determining entitlement to redemption and to interest shall not change as a result.

7. Payments of the Principal and Interest of the Debentures

7.1. Any payment on account of the Principal and/or interest of the Debentures (Series A) shall be paid to people whose names shall be registered as holders in the Debenture Holders (Series A) registry of the Company at the end of the 18th of June and 19th of December of each of the years 2014 to 2023 (inclusive), that falls immediately prior to the date of payment of that payment (hereinafter the "**Record Date**"), except for the last payment of the Principal and the interest that shall be paid to people whose names shall be registered in the registry on the date of payment and that shall be made against the delivery of the Debenture (Series A) certificates to the Company, on the date of payment, at the Company's registered office or anywhere else where the Company shall notify. The Company's notification as mentioned shall be published no later than five (5) Business Days before the last date of payment.

It is clarified that whoever is not registered in the Debenture (Series A) registry of the Company at any of the times mentioned in this section, shall not be entitled to the payment of interest for the interest period that began before that time.

7.2. Payment to those entitled shall be made in checks or by bank transfer to the bank account of the people whose names shall be registered in the registry of Debenture Holders (as mentioned in section 7.1 above) and who shall be mentioned in the details given in writing to the Company on time, in accordance with the provisions of section 7.3 hereafter. If the Company shall not be able, for any reason which is not dependent on it, to pay any sum to those entitled, it shall deposit this sum with the Trustee as mentioned in section 14 of the Deed of Trust. In the event the clearing shall be made through the stock exchange clearing house – through the clearing house.

7.3. A Debenture Holder that shall wish to notify to the Company the details of the bank account to credit with payments according to the Debentures as mentioned above, or change the payment instructions, as the case may be, can do so in a registered letter to the Company. The Company shall fulfill the instruction if it shall reach its registered office at least 30 days before the record date for paying any payment according to the Debentures.

7.4. In the event that the notice shall be received by the Company late, the Company shall act according to it only with respect to payments scheduled after the payment date that is in proximity to the date the notice was received.

7.5. If the Debenture Holder entitled to such payment did not deliver details to the Company regarding his bank account, any payment on account of the Principal and interest shall be made by check which shall be sent by registered mail to his last address written in the registry of Debenture Holders or by bank transfer crediting the bank account of the Debenture Holder, according to the Company's choice. Sending a check to the one entitled by registered mail as aforementioned shall be considered for all intents and purposes as payment of the sum stipulated in it at the date of sending it by mail provided that it was paid upon lawfully presenting it for payment.

7.6. Any obligatory payment insofar as required according to law shall be deducted from any payment for the Debentures (Series A).

8. Arrears Interest

For any payment on account of the Principal and/or interest, which shall be paid in arrears according to the terms of the Debentures (Series A) and this is for a reason dependent on the Company, the Company shall pay to the Debenture Holders arrears interest in an annual rate that exceeds the debenture interest for this period by 3% (calculated pro rata for the period after the date scheduled for payment until the actual date of payment). For the sake of avoiding doubt it is clarified that in the delay period the sum delayed shall bear arrears interest in lieu of the interest as mentioned above. The Company shall notify of the arrears interest rate and of the date of payment as mentioned in an Immediate Report and this two (2) Trading Days before the actual payment date.

9. Avoidance from Payment for a Reason that does not Depend on the Company

With respect to avoiding payment for any reason that is not dependent on the Compan,y the provisions of section 15 of the Deed of Trust shall apply and which are included in this addendum by reference.

10. Registry of Debenture Holders

With respect to the registry of Debenture Holders, the provisions of section 28 of the Deed of Trust shall apply and that are included in this addendum by reference.

11. Splitting Debenture Certificates and Transferring Them

11.1. The Debentures can be transferred regarding any par value sum provided that it will be in whole New Shekels. Any transfer of Debentures shall be done according to a transfer document which is made out in the version acceptable for transferring shares, properly signed by the registered owner or his legal representatives, and by the recipient of the transfer or his legal representatives, that shall be delivered to the Company at its registered office with the Debenture certificates transferred according to it, and any other reasonable proof that shall be required by the Company for proving the right of the transferor to transfer them.

11.2. Subject to the aforesaid, the procedural provisions included in the Company’s articles of association with respect to the manner of transferring shares shall apply, mutatis mutandis respectively, with respect to the manner of transferring Debentures and their assignment.

11.3. If any obligatory payment shall apply to the transfer document of the Debentures, reasonable proof shall be given to the Company of their payment by the one requesting transfer.

11.4. In the event of a transfer of only part of the sum of the Principal of the Debentures set forth in this certificate, the certificate shall be split first to a number of Debenture certificates as required from this, in a manner that the total sums of the Principal set forth in them shall be equal to the Principal sum set forth in this Debenture certificate.

11.5. After fulfilling all of these terms the transfer shall be registered in the registry and all of the terms set forth in the Deed of Trust and in this Debenture shall apply to the transferee.

11.6. All the costs and the fees involved in the transfer shall apply to the transfer applicant.

11.7. Each Debenture certificate may be split to a number of Debenture certificates that their total Principal sum is equal to the Principal sum of the certificate the split of which is requested, and provided that such certificates shall not be issued unless this is by a reasonable quantity. The split shall be made against the delivery of that Debenture certificate to the Company at its registered office for the purpose of performing the split together with a split request lawfully signed by the applicant. Any costs involved in the split, including taxes and levies, if such shall exist, shall apply to the split applicant.

12. Replacing Debenture Certificate

In the event a Debenture certificate shall become worn out, shall be lost or shall be destroyed, the Company shall be entitled to issue a new Debenture certificate in its place, and this is under the same conditions with respect to proof, indemnification and covering the reasonable costs incurred by the Company for clarifying regarding the ownership right of the Debentures, as the Company shall see fit, provided that in the event of the certificate becoming worn out, the worn out Debenture certificates shall be returned to the Company before a new certificate is issued. Levies and other expenses involved in issuing the new certificate, insofar as existing, shall apply to the one requesting such certificate.

13. Early Redemption

With respect to early redemption of the Debentures, the provisions of section 8 of the Deed of Trust shall apply and which are included in this addendum by reference.

14. Purchasing the Debentures

With respect to the purchase of Debentures, the provisions of section 4 of the Deed of Trust shall apply and which are included in this addendum by reference.

15. Waiver; Settlement and Changes in the Debenture Terms

With respect to a waiver, settlement and changes in the terms of the Debentures, the provisions of section 27 of the Deed of Trust shall apply which are included in this addendum by reference.

16. Debenture Holders Meetings

With respect to the general meetings of the Debenture Holders they shall be convened and conducted accordingly, the provisions of section 29 of the Deed of Trust shall apply and which are included in this addendum by reference.

17. Immediate Repayment

With respect to immediate repayment of the Debentures, the provisions of section 9 of the Deed of Trust shall apply and which are included in this addendum by reference.

18. Notices

With respect to notices, the provisions of section 26 of the Deed of Trust shall apply and which are included in this addendum by reference.

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Appendix 3

The Trustee's Duties

Routine Duties

1. Checking according to the Company's reports that were published in Magna (the "**Public Reports of the Company**") and according to the confirmations and documents that shall be given to the Trustee by the Company according to the provisions of this Deed:

   1.1. That the payments of Principal and interest by the Company have been paid in a timely fashion.

   1.2. That the uses which the Company has made of the proceeds received for issuing the Debentures meet the targets that have been determined for this in the Deed of Trust and/or in the chapter that deals with the designation of the proceeds in the prospectus of the offering, insofar as determined.

   1.3. That the Company has met the milestones that have been determined in the Deed of Trust for its activities, insofar as determined.

   1.4. If any of the causes for declaring the debentures immediately repayable have occurred based on the Public Reports of the Company.

2. Summoning Meetings of Debenture Holders according to the provisions of the second addendum of the Deed of Trust.

3. Participating (including by electronic means) in meetings of the shareholders of the Company.

4. Preparing an annual report of the trust matters as mentioned in section 20.1 of this Deed, and making it available for the Debenture Holders to review and preparing the reports required in the Law.

5. Notice to the Debenture Holders of a material breach of this Deed by the Company in proximity to the date in which it is made aware of the breach and notice of the steps it has taken to prevent it or for the performance of the Company's undertakings, as the case may be.

Special Duties

6. Taking all the actions required for ensuring the Company's undertakings towards the Debenture Holders, including examining the Company's fulfillment of its undertakings towards the Debenture Holders.

7. Examining from time to time and at least once per year, the validity of the Collaterals, insofar as given. It is clarified that the Trustee is entitled, if it thought that this is necessary for the examination as mentioned, to check the Company's assets that are pledged in favor of the Debenture Holders; checking according to the Public Reports of the Company and according to the confirmation and documents that shall be given to the Trustee by the Company according to the provisions of the Deed of Trust:

   7.1. That the Company fulfills its undertakings towards the Debenture Holders.

   7.2. That the Company fulfills all of its undertakings set forth in the Deed of Trust.

   7.3. That the Company meets the financial criteria determined, if determined in the Deed of Trust.

7.4. If a change has occurred in the registration of charges registered according to the provisions of the Deed of Trust, insofar as were registered. If a change has occurred in the Company's rating or rating of the Debentures, insofar as rated.

8. To fulfill all of the duties imposed on the Trustee according to the provisions of the Deed of Trust, insofar as imposed.

9. To implement the resolutions of the Meeting of Debenture Holders that impose a duty on the Trustee and to take all the proceedings and actions required for protecting the rights of the Debenture Holders subject to providing the Trustee the financing required for implementing them, insofar as required.

10. To take urgent actions for preventing adverse material harm to the rights of the Debenture Holders where it is not possible to wait for a Meeting to be convened.

11. To examine the possibility of negotiations with the Company in the event the Company intends to turn to the Debenture Holders with requests or proposals.

12. In the event the Trustee thought that there is a reasonable fear that the Company shall prevented of the ability to meet its existing and expected undertakings when the time comes to fulfill them, to examine the circumstances that establish such fear as mentioned and to act to protect the Debenture Holders as the Trustee shall see fit; and it is entitled, inter alia-

12.1. To examine if the circumstances mentioned are due to actions or transactions performed by the Company, including distribution as defined in the Companies Law, that were made in breach of the law; however the Trustee shall not make such examination as mentioned if an expert was appointed for the holders of certificates of undertaking, as such term is used in section 350[18] of the aforementioned law, whose duty is to conduct such examination.

12.2. To manage, in the name of the Holders of certificates of undertaking, negotiations with the issuer for changing the terms of the certificates of undertaking.

12.3. With respect to this issue, the convening of a meeting of Holders of certificates of undertaking by the Trustee for receiving instructions how to act, shall not be regarded as a breach of its duty, provided that the convening of such meeting does not adversely harm the rights of the Holders.

12.4. If a Meeting of Holders of certificates of undertaking was convened as mentioned in sub-section (d1), and a resolution was lawfully adopted at the Meeting, the Trustee shall act in accordance with the resolution; if it did so, its action according to this same resolution shall be regarded as having met the provisions of this section concerning the resolution.

To pay to the Debenture Holders money from the security cushions that were deposited with the Trustee for this purpose in accordance with the provisions in appendix 7, insofar as such security cushion was deposited.

13. Deleted.

14. Deleted.

15. To distribute money to the Debenture Holders in accordance with the provisions of the Deed of Trust, which the Debenture Holders are entitled to receive and which have reached the Trustee.

16. To supervise the process of realizing the rights of the Debenture Holders in the event a functionary has been appointed to the Company or for its assets.

17. Performing any action required according to law including in accordance with amendments 50 and 51 of the Securities Law.

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Appendix 5.2

Conditions for Increasing the Series of Debentures

The conditions for expanding the series of Debentures (Aeries A) are as follows:

1. The actual expansion shall not harm the rating of the outstanding Debentures of Series A that are in circulation (that is, Debentures (Series A) that are in circulation before the expansion of the series), in a way that for purposes of expanding the series of the Debentures (Series A) an advance approval of the rating company for the rating the additional Debentures (Series A) will be received, in which the additional Debentures (Series A) were taken into account, by a rating that does not fall from the original rating of the Debentures (Series A) that existed at the time of initial issuance of the series or from the rating of the Debentures (Series A) on the eve of issuance of the additional Debentures (whichever is lower) and also the approval of the rating company that issuing the additional Debentures (Series A) does not harm the rating of the existing Debentures (Series A). Such approval shall be transferred to the Trustee before the performance of the issuance and it shall be published by the Company in an Immediate Report. The Trustee shall rely on the rating company's notice and it shall not be required to an additional examination.

2. At the time of expanding the series of Debentures (Series A) the Company meets the financial conditions set forth in appendix 6.2 and the expanding of the series will not harm the Company's meeting the financial conditions as mentioned above. The Company shall deliver to the Trustee a written approval signed by an officer in the Company regarding the existence of these terms.

It is clarified that the Company's undertaking as mentioned in this paragraph shall apply only with respect to additional issues of the Debentures by way of expanding the series, and not with respect to issuing other series of outstanding debentures existing at that time by way of expanding the series or with respect to issuing other new securities, whether these are rated or not.

Appendix 6.2

Financial Conditions and Undertakings

Financial Conditions

As long as outstanding Debentures (Series A) exist (in other words as long as they were not paid in full in any manner, including by way of self purchase and/or early redemption), the Company undertakes (for the duration of the Examination Period, as defined hereafter) as follows:

[1] Definitions

In this appendix the following terms shall have the meaning written at their side:

"**CAP Net**" means – the equity of the Company according to its last consolidated and audited or reviewed financial statements (as the case may be), with the addition of the Net Financial Debt.

"**Balance Equity**" means – the consolidated equity according to the international finance reporting standards (IFRS), and including minority rights, capital note and shareholders loans.

"**Net Financial Debt**" - short term and long term debt from banks with the addition of debt towards holders of debentures that the Company issued and other interest-bearing financial obligations after deducting cash and cash equivelants and short terms investments and after deducting project finance, including hedging transactions for such finance, at the level of theCcompany's subsidiaries.

[2] Minimal Balance Equity

The Balance Equity of the Company, as defined above, according to the consolidated financial statements or the consolidated financial results, shall not be less than 55 Million U.S. Dollars.

[3] The Ratio of Net Financial Debt to Net Cap

The ratio between the Net Financial Debt (as defined above) and the total equity and debt (Net CAP) (as defined above), on the basis of the financial statements or the financial results, on a consolidated basis, shall not rise above 65% (the "**Ratio of Net Financial Debt to Net CAP**").

[4] Equity to Balance Sheet

The ratio of the equity to the balance sheet (on the basis of the figures of the financial statements or the financial results, on a consolidated basis – shall not be less than 20%.

[5] General

As long as the Debentures (Series A) have not yet been fully paid, the Company undertakes to inform the Trustee by a written notice signed by the senior Office Holder in finance in the Company with a calculation, within 14 Business Days after publishing any financial statement or financial results of the Company, regarding it meeting the terms of sections [2] to [4] above. The Trustee shall rely on the Company's confirmation and it shall not be required to perform another examination.

If it turns out that according to the financial statements or the financial results for examination, the Company did not meet any of its undertakings mentioned in sub-sections [2] – [4] above, and its failure to fulfill its undertakings as mentioned continued during the Examination Period (as defined hereafter), then the provisions of section 9.2.12 of the Deed of Trust (that includes a cure period of the additional following quarter) shall apply. It is clarified that for the purposes of section 9 of the Deed of Trust, the date of the relevant breach shall be considered the date of publishing the relevant financial statements for the end of the Examination Period.

In this deed, the "**Examination Period**" means two consecutive quarters, based on the relevant financial results for the end of each of these quarters.

The Company meeting any of the financial ratios set forth in this Deed, shall be calculated according to the accounting standard that applies to the Company in its form as shall be from time to time. The Company shall publish in the framework of publishing its annual financial statements or financial results, as the case may be, the figures on which it based the calculation of the Ratio of Net Financial Debt to Net CAP.

Undertakings

As long as outstanding Debentures (Series A) shall exist (in other words as long as they were not fully paid, including by way of a self purchase and/or early redemption), the Company undertakes as follows:

[1] Rating

The Company undertakes to act so that insofar as this is under its control, the Debentures (Series A) shall be followed by at least one rating company, as long as outstanding debentures exist of the same series (and without derogating from the generality of the aforesaid, in this framework, inter alia, the Company undertakes to pay all of the payments and to deliver the required reports required to the rating company, in accordance with the provisions of the agreement with it). In this respect it is clarified that transferring the Debentures to a "watch list" or any other similar action which is performed by the rating company shall not be considered as the cessation of the rating.

Without derogating from the Company's undertakings as mentioned above, in the event that the company shall replace the rating company of the debentures (series A) at its own initiative by another (single) rating company, the company shall publish an Immediate Report that sets forth the reasons for replacing the rating company, and this is within one Trading Day after the event. It is clarified that the aforesaid does not derogate from the Company's right to replace the rating company at any time, according to its sole discretion and as it shall see fit. If the Debentures of the relevant series shall stop being rated (in other words – they shall not be rated by any rating company) the Company shall immediately transfer to the Trustee a written notice regarding the reasons for stopping the rating and no later than one Business Day after the rating has stopped.

[2] Distributing Dividends

The Company shall be entitled to perform a distribution (as this term is defined in the Companies Law) including the distribution of dividends, to its shareholders at any time, provided that in any event of such distribution: (a) the equity of the Company according to its consolidated statements, after such distribution, shall not be less than 75 Million U.S. Dollars, (b) the Company meets the financial criteria set forth above before performing the distribution and the distribution shall not harm the Company's compliance with the financial criteria, (c) the Company shall not distribute more than 75% of the profit appropriate for distribution and (d) the Company shall not distribute a dividend on the basis of revaluation profits (for the sake of avoiding doubt, negative goodwill shall not be considered as revaluation profit).

After a decision is made regarding the distribution as mentioned, the Company shall transfer to the Trustee confirmation signed by a senior Office Holder in the financial field in the Company, regarding the Company meeting the limitations in this paragraph. The Trustee shall rely on the Company's confirmation and shall not be required to perform an additional examination on its behalf. Beyond the aforesaid in this section, the Company has no restrictions with respect with performing distributions and distributions shall be made (insofar as made) in accordance with the Company's sole discretion and for any reason that it shall see fit.

Except as set forth in this section, the Company declares that as of the date of signing this Deed of Trust, it is not aware of any restrictions that could affect its ability to perform a distribution in the future, except for legal general restrictions that apply to performing distributions in the Companies Law and except for restrictions that apply to the Company by virtue of the loan agreement of the Company with Israel Discount Bank Ltd. that stipulate that the Company may not perform a distribution if it is in breach of the loan agreement or if performance of the distribution shall cause the Company to breach the financial ratios set forth in the loan agreement.

Appendix 21

The Trustee's Remuneration and Covering his Expenses

1. The Company shall pay remuneration to the Trustee for its services in accordance with the Deed of Trust, as set forth hereafter:

   1.1. Annual payment for the first trust year in the sum of 25,000 NIS.

   1.2. Annual payment for each trust year in the sum of 20,000 NIS.

   The sums according to sections 1.1 and/or 1.2 shall be referred to as the "Annual Remuneration".

   The Annual Remuneration shall be paid to the Trustee at the beginning of each trust year. The Annual Remuneration shall be paid to the Trustee for the period until the end of the trust period according to the terms of the Deed of Trust, even if a receiver and/or receiver manager was appointed for the Company and/or if the trust according to the Deed of Trust shall be managed under the supervision of the court.

2. In the event that we shall participate in the discussions with the Securities Authority we shall be paid remuneration (at the tariff stipulated in section 5 hereafter), in accordance with the hours of the discussions in which we shall take part, including a refund of travel costs. This payment is not conditioned upon the issue of the Debentures or signing the Deed of Trust.

3. In the event the term of the Trustee has expired as mentioned in the Deed of Trust, the Trustee shall not be entitled to the payment of its remuneration starting from the date that its term has expired. If the Trustee's term has expired during the trust year the remuneration paid to it for the months that it did not serve as Trustee of the Company shall be returned. The provisions in this section shall not apply regarding the first trust year.

4. The Trustee is entitled to a refund for the reasonable expenses that it shall expend in the framework of fulfilling its duties, and/or by virtue of the powers granted to it according to the Deed of Trust, including for publications in the press, provided that for the costs of expert opinion as set forth in the Deed of Trust, the Trustee shall give an advance notice of his intention to receive an expert opinion.

5. The Trustee is entitled to additional payment, for actions, including those which it must perform in order to fulfill its lawful obligations by virtue of the Securities Law, (including amendments 50 and 51 of the Securities Law), and the regulations that shall be promulgated following these amendments and also those arising from a breach of this Deed of Trust by the Company and/or for an action of declaring Debentures immediately repayable and/or for special actions which shall be required to be performed, if required, for fulfilling its duties according to the Deed of Trust, all in addition and without harming the payments due to it as mentioned in this appendix.

6. The Trustee shall be entitled to additional payment as mentioned, in the sum of 600 NIS for each working hour that it shall require to perform as mentioned above, linked to the known index, at the date of publishing the prospectus, but in any event no less than the sum set forth above. For each annual meeting of shareholders or Debenture Holders (and this is in addition to the payment according to section 5 above) in which the Trustee shall take part, an additional remuneration in the sum of 600 NIS per meeting, linked to the index known at the date of publishing the prospectus shall be paid, but in any case no less than the sum set forth above. The sum mentioned shall be paid immediately upon the issuing of the Trustee's demand.

7. This agreement is based on the consent that the debentures are without collaterals and without financial criteria which the Trustee must examine. However in the event that the Debenture Holders (series A) shall be granted any collaterals or in the event that they shall be determined with financial criteria or any other undertaking that the Trustee must examine, then the Trustee’s remuneration shall be agreed in accordance with the scope of work that shall be required to dedicate to the trust.

8. VAT if applicable, shall be added to the payments due to the Trustee, according to the provisions of this appendix and it shall be paid by the Company. The sums above do not include a refund of expenses and lawful Vat and they shall be linked to the base index of each series however in each case a lower sum than the sum set forth in this proposal shall not be paid. The payment terms are 30 days net after the end of the calendar month of the invoice.

9. The Debenture Holders shall participate in financing the Trustee’s remuneration and refund of expense in accordance with the provisions of the indemnification clause in section 25 of the Deed of Trust.

***

Second Addendum

Summoning a Meeting

1. The Trustee shall summon a Debenture Holders Meeting ("**Annual Meeting**") each year and no later fourteen (14) days after the annual report (as mentioned in section 20 of the Deed of Trust) was submitted, which shall be convened no later than sixty (60) days after the report was submitted. The agenda of the Annual Meeting shall include the appointment of the Trustee for the period that shall be determined (unless the prior Meeting determined a longer appointment time).

1.1. The Trustee shall convene a Meeting of the Debenture Holders if it saw a need for this, or according to a written request of Debenture Holders that hold, alone or together, at least five percent (5%) of the balance of the par value of the outstanding Debentures.

1.2. In the event those requesting to summon a Meeting are Debenture Holders, the Trustee shall be entitled to demand indemnification from them, including in advance, for the reasonable costs involved in this.

1.3. The Trustee shall summon a Debenture Holders Meeting within 21 days after a demand to summon it was submitted to the Trustee, to a date that shall be determined in the summons, provided that the convening date shall not be earlier than seven days and not later than 21 days from the summons date; however, the Trustee is entitled to bring the meeting forward, to at least one day after the summons date, if it thought that this was required in order to protect the Debenture Holders rights and subject to the provisions of section 1.19 hereafter; if it did so, the Trustee shall explain the reasons for bringing the convening date forward in the report regarding the summoning of the Meeting.

1.4. The Trustee may change the scheduled meeting time.

1.5. In the event the Trustee convened a Meeting of the Debenture Holders not according to the request of the Debenture Holders the Trustee is entitled to determine that the Meeting shall take place by electronic means.

1.6. If the Trustee did not summon the Debenture Holders Meeting, according to the demand of the Debenture Holder, within such time as mentioned in section 1.4 above, the Debenture Holder may convene the Meeting, provided that the scheduled Meeting shall be within 14 days, after the end of the period for summoning the Meeting by the Trustee and the Trustee shall bear the expenses that the Debenture Holder expended with respect to convening the meeting.

1.7. If the Debenture Holders Meeting was not convened as mentioned in section 1.1 or 1.2 above, the court may at the request of the Debenture Holder, order that it be convened.

1.8. If the court ordered as mentioned, the Trustee shall bear reasonable costs that the applicant expended in a court proceeding, as shall be determined by the court.

1.9. Where there is no practical possibility to convene a Debenture Holders Meeting or to conduct it in the manner determined for this in the Deed of Trust or in the Law, the court may, at the request of the Company, of a Debenture Holder that is entitled to vote in the Meeting or the Trustee, to order that a Meeting be convened and conducted in the manner as the court shall determine, and it may give supplementary instructions for this insofar as it shall see fit.

Flaws in Convening the Meeting

1.10. The court may, at the request of a Debenture Holder, order the cancellation of a resolution that was adopted in a Debenture Holders Meeting that was convened or conducted without fulfilling the requirements in the Law or according to this Deed.

1.11. If the flaw in convening the Meeting concerns a notice regarding the place of convening the Meeting or its scheduled time, a Debenture Holder that attended the Meeting despite the flaw, shall not be entitled to demand the cancellation of the resolution.

Notice of Convening a Meeting

1.12. A notice of a Meeting of the Debenture Holders shall be published according to the provisions of chapter G1 of the Law ("Electronic Reporting") and it shall be delivered to the Company by the Trustee before the reporting and in accordance with the provisions in the regulations.

1.13. The summons notice shall include the agenda, the proposed resolutions and arrangements regarding a written vote according to the provisions of section 1.28 hereafter.

Agenda in the Meeting

1.14. The Trustee shall determine the agenda in the Debenture Holders Meeting and it shall include issues for which the Debenture Holders Meeting is required according to sections 1.1 and/or 1/2 above, and the issue for which it was requested as mentioned in section 1.2 of the Debenture Holder's request.

1.15. A Debenture Holder, one or more, that has five percent (5%) at least of the balance of the par value of the series of Debentures may request the Trustee to include an issue on the agenda of the Debenture Holders Meeting that shall be convened in the future, provided that the issue is suitable to be discussed in the Meeting as mentioned.

1.16. In the Debenture Holders Meeting resolutions shall be adopted in issues as set forth in the agenda only.

Place of Convening the Meeting

1.17. The Debenture Holders Meeting shall take place in Israel at the Company's offices or another place which the Trustee shall notify of. The Trustee may change the address of the Meeting. The Company shall bear the costs of convening the Meeting at an address which is not its office.

The Record Date for Ownership of the Debentures

1.18. Debenture Holders that are entitled to participate and to vote in the Debenture Holders' Meetings are Holders of Debentures at the time that shall be determined in the decision to summons a Debenture Holders Meeting, provided that this date shall not exceed three days before the date of convening the Debenture Holders Meeting and it shall not be less than one day before the convening date.

The Chairman of the Meeting

1.19. In each Debenture Holders Meeting the Trustee or whoever it appointed shall serve as chairman of that Meeting.

1.20. The Trustee shall prepare a protocol of the Meeting of the Debenture Holders and shall keep it at its registered office for a period of seven (7) years after the Meeting date. The protocol of the Meeting may be by way of recording. A protocol, insofar as made in writing, shall be signed by the chairman of the Meeting or by a chairman of the Meeting that was held after it. Each protocol that was signed by the chairman of the Meeting constitutes prima facie evidence to whatever is stated in it. The protocol registry shall be kept at the Trustee as mentioned, and it shall be open for the review of the Debenture Holders during work hours and with advance coordination and a copy of it shall be sent to any Debenture Holder that shall request this.

1.21. The declaration of the chairman of the Meeting that a resolution in the Debenture Holders Meeting was adopted or rejected, whether unanimously or by a certain majority, shall be prima facie evidence to whatever is stated in it.

Legal Quorum; Postponed or Adjourned Meeting

1.22. A Meeting of the Debenture Holders shall be opened by the chairman of the Meeting after he has determined that the legal quorum required for any of the issues on the agenda of the Meeting exists, as follows:

1.22.1. The legal quorum required for opening a Meeting of the Debenture Holders shall be the presence of at least two Debenture Holders, who are present themselves or by their attorneys, that hold at least twenty five percent (25%) of the outstanding voting rights in circulation, within a half hour of the time that was scheduled for opening the Meeting, unless stipulated otherwise in the Law.

1.22.2. If a legal quorum was not present in the Debenture Holders Meeting at the end of a half hour after the time scheduled for the beginning of the Meeting, the meeting shall be postponed to another time which shall not be earlier than two Business Days after the record date that was determined for convening the original meeting or one Business Day, if the Trustee was of the opinion that this is required for protecting the rights of the Debenture Holders; if the Meeting was postponed, the Trustee shall explain the reasons for this in the Meeting summons report.

1.22.3. If a legal quorum was not present in the postponed Debenture Holders Meeting as mentioned in section 1.22.2 above, a half an hour after the time that was scheduled for it, the Meeting shall be convened with any number of participants, unless stipulated otherwise in the Law.

1.22.4. Notwithstanding the provisions in section 1.22.3 above, in the event a Debenture Holders Meeting was summoned according to the demand of Debenture Holders that hold five percent (5%) at least of the balance of the par value of the outstanding Debentures, the postponed Meeting shall be convened only if holders of certificates of undertaking were present in it at least in the number required for summoning a Meeting as mentioned (in other words: five percent (5%) at least of the balance of the par value of the outstanding Debentures).

1.23. According to the decision of the Trustee or resolution by ordinary majority of those voting in a Meeting in which a legal quorum was present, the continuation of the Meeting adjourned(the "**Original Meeting**") from time to time, the discussion or adopting a resolution in an issue that was set forth in the agenda, to another time and to a place that shall be determined as the Trustee or the aforementioned Meeting shall decide (the "**Continued Meeting**"). In the Continued Meeting and in the postponed meeting only matters that were on the agenda and in respect to which no resolution was adopted shall be discussed.

If a Debenture Holders Meeting was postponed without changing its agenda, summons shall be given regarding the new time for the Continued Meeting, as early as possible, and no later than 12 hours before the Continued Meeting; the summons as mentioned shall be given according to section 1.12 above.

Participations and Voting

1.24. The Trustee, in accordance with its discretion, shall be entitled to split the Meeting into meetings of types and to determine who shall be entitled to participate in each type of meeting.

1.25. A Debenture Holder is entitled to vote in Debenture Holders Meetings by himself or by proxy.

1.26. Any resolution that shall be proposed in the Debenture Holders Meeting during the meeting shall be decided by way of a show of hands, unless a confidential vote is required by ballot box by the chairman, and in this situation the vote shall be made by a count of votes.

1.27. The chairman of the Meeting may determine that the votes shall be during the Meeting or by voting ballots that shall be delivered after the end of the Meeting – at a time that shall be determined by it. in the event that it was determined that the vote shall be by way of a voting ballot the chairman of the Meeting shall notify the Debenture Holders by a notice in accordance with the provisions of section 28 of the Deed of Trust that shall include the details required including by way of reference. The Trustee is entitled to extend or to shorten the voting times by voting ballot and it shall give a notice to the Debenture Holders of this in accordance with the provisions of section 28 of this Deed of Trust.

1.28. A Debenture Holder is entitled to vote in the Meeting, by a show of hands, a voting ballot as mentioned in section 1.28 above or by voting deed that shall be sent by the Trustee to all of the Debenture Holders; a Debenture Holder may note the manner of his vote in the voting deed and send it to the Trustee.

A voting deed in which the Debenture Holder noted the manner of his vote, and which reached the Trustee by the last date determined for this, shall be considered as presence in the Meeting with respect to the existence of a legal quorum as mentioned in section 1.21 above.

The voting deed that was received by the Trustee regarding a certain matter in respect to which a vote was not held in the Debenture Holders Meeting, shall be considered as having abstained in the vote in that Meeting regarding a resolution to convene a deferred Debenture Holders Meeting according to the provision of section 1.23 above, and it shall be counted in the deferred Meeting that shall be convened according to the provisions of sections 1.22 or 1.22.3 above.

1.29. Each 1 NIS par value of the Debentures that are represented by vote shall confer one vote in the voting.

1.30. A Debenture Holder may vote for part of the Debentures held by him including voting for some of them in favor for the proposed resolution and for another part of them against the resolution, all as he shall see fit.

1.31. The holdings of a Debenture Holder that has a Control Relationship shall not be taken into account for determining the legal quorum in the Debenture Holders Meetings, and his votes shall not be taken into account in the vote of the Meeting as mentioned.

<u>Resolutions</u>

1.32. Resolutions in the Debenture Holders Meetings shall be adopted by a vote of an ordinary majority, unless another majority was determined in the Law or in the Deed of Trust.

1.33. The votes of those who have abstained in the vote shall not be counted in the number of votes participating in the vote.

1.34. A proposed resolution regarding an issue that was not determined in respect to it that it shall be decided by a certain majority as following hereafter, shall be decided in an ordinary resolution.

1.35. The issues hereafter shall be decided in a Debenture Holders Meeting by a majority which is not ordinary and/or by a legal quorum that is different than the one set forth in section 1.22, **and these are the issues**:

1.35.1. Change, including an addendum and/or amendment in the provisions of the Deed of Trust as mentioned in section 29 of the Deed of Trust.

1.35.2. Any amendment, change or arrangement of the rights of the Debenture Holders, whether these rights originate in the Deed of Trust or another source, including any settlement or waiver with respect to these rights except for a change that arises due to the action by virtue of section 14 of this Deed of Trust.

1.35.3. Any other issue in respect to which it was determined in the Deed of Trust that it is subject to a resolution by a majority that is not an ordinary majority and/or legal quorum that is not a legal quorum as set forth in section 1.22 above.

1.35.4. Any proposed resolution which the Trustee determined in respect to it that it shall be adopted by a majority which is not an ordinary majority.

1.35.5. A resolution regarding the replacement of a Trustee as set forth in section 3.4 of the Deed of Trust, shall be adopted by a majority of fifty percent (50%) at least of the unpaid balance of the outstanding Debentures.

Voting and Actions by Proxy/Attorney

1.36. An appointment instrument appointing a proxy shall be in writing and it shall be signed by the appointer or by his attorney that has authorization to do so lawfully in writing. If the appointer is a corporation, the appointment instrument shall be made in writing and will be signed by a stamp of the corporation, with a signature of the authorized signatories of the corporation

1.37. An appointment instrument of the proxy shall be made in any form which shall be acceptable to the Trustee.

1.38. A proxy does not need to be a Debenture Holder himself.

1.39. An appointment instrument and power of attorney and any other certificate according to which an appointment instrument was signed or a certified copy of such power of attorney, shall be given to the Trustee by the time of convening the Meeting unless it was otherwise stipulated in the notice summoning the Meeting.

1.40. The Trustee shall participate in the Meeting via its employees, Office Holders s in it, holders of positions in it or another person that shall be appointed by it, however it shall not have a voting right.

1.41. The Company and any other person except for the Trustee shall be prevented from participating in the Debenture Holders Meeting or in any part of it, according to the decision of the Trustee or according to an ordinary resolution of the Debenture Holders.

Turning to the Debenture Holders

1.42. The Trustee, and the Debenture Holder, one or more, that has five percent (5%) at least of the balance of the par value of the outstanding Debentures, are entitled to adress the Debenture Holders in writing, via the Trustee, in order to convince them regarding the manner of their vote in any of the issues being raised for discussion in that Meeting (the "**Position Notice**").

Examining a Conflict of Interests

1.43. If a Meeting of the Debenture Holders was convened, the Trustee shall examine the existence of a conflict of interests of the Debenture Holders, whether an interest arising from their holding the Debentures and another interest of theirs, as the Trustee shall determine (in this section – "**another interest**"), in accordance with the provisions set forth in appendix 1.43 attached to this Deed; the Trustee shall require a Debenture Holder participating in the Meeting to notify it before the vote, regarding another interest of his and if he has a conflict of interests as mentioned.

1.44. In the count of the votes in the vote that took place in the Debenture Holders Meeting, the Trustee shall not take into account the votes of the Debenture Holders that did not meet its requirements as mentioned in section 1.43 above or of the Debenture Holders in respect to which it found that a conflict of interests exists as mentioned in section 1.43 above (in this section – "**Debenture Holders that have a Conflict of Interests**").

1.45. Notwithstanding the provisions in section 1.44 above, if the total sum of holdings participating in the vote are not Debenture Holders that have a Conflict of Interests, became less than five percent (5%) of the balance of the par value of the Debentures of that same series, the Trustee shall take into account in counting the votes in the voting also the votes of the Debenture Holders that have a Conflict of Interest.

Convening a Meeting of Debenture Holders for Consulting

1.46. The provisions of sections 1.2, 1.5, 1.7, 1.14, 1.15 and 1.16 above cannot derogate from the Trustee's authority to convene a Debenture Holders Meeting, if it saw it necessary to consult with them; in the summons to the Meeting as mentioned the issues on its agenda shall not be detailed, and the date of the Meeting shall be one day at least after the summons date.

In such meeting a vote shall not take place, no resolutions shall be adopted in it and the provisions of sections 35[12]1, 35[12]2, 35[12]3, 35[12]5, 35[12]6, 35[12]7(b), 35[12]12, 35[12]13, 35[12]14, 35[12]20(b), 35[12]21 and 35[12]24 shall not apply to it.

Appendix 1.43

The Manner of Determining a Conflict of Interests

1. Subject to the provisions of section 1.43-1.45 of the second addendum of the Deed of Trust, in the framework of voting in any Meeting of the Debenture Holders, the Trustee shall examine the votes of the 'pure holders' only so that the majority required for adopting a resolution shall be counted only out of the votes of the 'pure holders.' When counting the votes of the 'pure holders' only the votes of the Debenture Holders that have no foreign interests shall be counted, in other words- those in respect to which there is no reasonable concern that the vote of those Debenture Holders shall be affected from their holdings of other securities of the Company or of a party associated with the resolution, without referring to the nature of that impact or due to another impact that shall be mentioned by that Debenture Holder.

2. For classifying the "pure holders" it was stipulated that a Debenture Holder in respect to which at least one of the following conditions has been fulfilled, shall be considered as a "Debenture Holder that has a Conflict of Interests," whose vote shall not be counted in the framework of the votes of the "pure holders" in other words: they shall not be taken into account in the count of those votes participating in the voting. And these are the conditions:

   2.1. A Person that has a Control Relationship with the Company (as defined in the Deed of Trust).

   2.2. A Debenture Holder who served as an Office Holder in the Company in proximity to the event which is the basis of the resolution in the Meeting;

   2.3. Any Debenture Holder with respect to which the "fair value" (as defined hereafter) or "presumption of value" (as defined hereafter), as the case may be, that was determined for his holdings of the other securities (such as: shares, debentures, options etc.) of any relevant corporation (the Company or another) (the "**Examined Securities**") is larger than the "fair value" or "presumption of value", as the case may be that was determined for his holdings in the Debentures (pertaining to the meeting) when they are multiplied by 70%;

   "**Fair Value**" shall be calculated as follows: the quantity of holdings of a certain Debenture Holder of a tradable security (including in the TACT-Institutional) multiplied by a weighted average of the closing price of the security in the last 30 days prior to the date of publishing the Meeting summons.

   "**Presumption of Value**" means: the quantity of the Debenture Holder's holdings of a certain non-tradable security, multiplied by a sum that the Trustee shall determine in a reasonable manner for the security.

3. A separate meeting of Debenture Holders who shall fall under the definition of the term -Debenture Holder that has a "Conflict of Interests" shall not be convened, and in order to adopt a binding resolution it is not required to adopt a resolution also in a meeting of the Debenture Holders that have a "Conflict of Interests".

4. The criteria in this appendix is implemented for the purpose of identifying the 'pure holders' and it reflects an appropriate balance between the wish to prevent resolutions from being adopted on the basis of a vote affected – at least potentially – by a conflict of interests, and between the need to avoid a situation in which deciding the resolution remains with the minority of the Debenture Holders. However, it is possible that even this classification will lead at the end of the day to giving too much weight to Debenture Holders of a small percentage of the Debentures, whose vote does not necessarily reflect the position of the majority of the Debenture Holders. In such a case, the Trustee reserves the right to turn to the competent court to receive instructions regarding the proper manner to count the votes of the voters in the circumstances of the matter.

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Exhibit 8

ELLOMAY CAPITAL LTD.

List of Subsidiaries as of December 31, 2013

Name of Subsidiary	Percentage of Ownership	Jurisdiction of Incorporation
Ellomay Clean Energy Ltd.	100%	Israel
Ellomay Clean Energy LP	100%	Israel
Ellomay Luxemburg Holdings S.àr.l.	100%	Luxemburg
Ellomay PV One S.r.l.	100%[1]	Italy
Ellomay PV Two S.r.l.	100%[1]	Italy
Ellomay PV Five S.r.l.	100%[1]	Italy
Ellomay PV Six S.r.l.	100%[1]	Italy
Ellomay PV Seven S.r.l. (formerly Energy Resources Galatina S.r.l.)	100%[1]	Italy
Pedale S.r.l.	100%[1]	Italy
Luma Solar S.r.l.	100%[1]	Italy
Murgia Solar S.r.l.	100%[1]	Italy
Soleco S.r.l	100%[1]	Italy
Technoenergy S.r.l	100%[1]	Italy
Ellomay Spain S.L.[2]	85%[1]	Spain

1. Held by Ellomay Luxemburg Holdings S.àr.l.
2. Ellomay Spain owns 21 Spanish companies, each holding a 90 kW solar installation portion of the Riconada II, the first named Energía Solar Fotovoltaica Parque 15, S.L. and the others bear a similar name with references to different numbers (16-34 and 69).

Exhibit 12.1

Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.

I, Ran Fridrich, certify that:

1. I have reviewed this annual report on Form 20-F of Ellomay Capital 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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) 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 company 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 company, 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 company'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 company'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 company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: March 31, 2014

/s/ Ran Fridrich
Ran Fridrich
Chief Executive Officer

Exhibit 12.2

Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.

I, Kalia Weintraub, certify that:

1. I have reviewed this annual report on Form 20-F of Ellomay Capital 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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) 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 company 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 company, 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 company'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 company'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 company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: March 31, 2014

/s/ Kalia Weintraub
Kalia Weintraub
Chief Financial Officer

Exhibit 13

Certification Pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

In connection with the Annual Report on Form 20-F of Ellomay Capital Ltd. (the "Company") for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

A) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

B) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ran Fridrich
Ran Fridrich
Chief Executive Officer

/s/ Kalia Weintraub
Kalia Weintraub
Chief Financial Officer

Date: March 31, 2014

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Ellomay Capital Ltd.:

We consent to the incorporation by reference in the registration statements (Nos. 333-187533, 333-102288 and 333-92491) on Form S-8 and (No. 333-144171) on Form F-3 of Ellomay Capital Ltd. of our report dated March 31, 2014, with respect to the consolidated statements of financial position of Ellomay Capital Ltd. as of December 31, 2013 and 2012 and the related consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013, which report appears in the December 31, 2013 annual report on Form 20-F of Ellomay Capital Ltd.

/s/ Somekh Chaikin

Somekh Chaikin

Certified Public Accountants (Isr).
Member firm of KPMG International

Tel-Aviv, Israel

March 31, 2014

Exhibit 15.2

[BDO Auditores S.L. letterhead]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-187533, 333-102288 and 333-92491) pertaining to the Employee Stock Option plans of Ellomay Capital Ltd. (the "Company") and Form F-3 (File No. 333-144171) of the Company of our report dated March 31, 2014 with respect to the consolidated financial statements of Ellomay Spain S.L. included in the Annual Report on Form 20-F of the Company for the year ended December 31, 2013.

/s/ BDO Auditores S.L.

BDO Auditores S.L.

Certified Public Accountants

Madrid, Spain

March 31, 2014