

**Ellomay Capital Ltd.**

**Charter of the Audit Committee**

**A. Purpose**

The purpose of the Audit Committee (the “**Committee**”) shall be as follows:

1. To oversee the accounting and financial reporting processes of Ellomay Capital Ltd. (the “**Company**”) and audits of the financial statements of the Company.
2. To assist the Board of Directors of the Company (the “**Board**”) with respect to its oversight of the independent auditor’s qualifications and independence.
3. To assist the Board with respect to the oversight of the performance of the Company’s internal and independent auditors.
4. To assist the Board with respect to its oversight of:
  - 4.1. The integrity of the financial statements of the Company; and
  - 4.2. The compliance by the Company with legal and regulatory requirements;
5. To perform such actions and duties as are required by the Companies Law, 1999 and any regulations promulgated thereunder (together, as amended from time to time, the “**Companies Law**”) or by the applicable United States securities laws, rules and regulations.

**B. Composition**

The Committee shall consist of three or more members of the Board, who will meet the applicable conditions and requirements set forth in the Companies Law and the United States securities laws, rules and regulations.

**C. Qualifications**

All members of the Audit Committee shall be able to read and understand fundamental financial statements, including the balance sheet, income statement and cash flow statement. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight experience and shall meet the requirements of a “Financial Expert” as defined in Section 407 of the Sarbanes-Oxley Act.

**D. Compensation**

No member of the Committee shall receive compensation other than director's fees for service as a director of the Company, including reasonable compensation for serving on the Board and the Committee and regular benefits other directors receive in connection with their service on the Board.

**E. Appointment and Removal**

The members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board.

**F. Chairman**

Unless a chairman is elected by the full Board, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for the Committee meetings.

**G. Meetings**

The Committee shall meet as frequently as circumstances dictate but in no event not less frequently than as required by the Companies Law and the rules and regulations of the market on or through which the Company's securities may be traded. As part of its goal to foster open communication, the Committee shall periodically meet separately with each of the Chief Executive Officer, the Chief Financial Officer, the internal auditor and the independent auditors of the Company to discuss any matters that the Committee (or any of the above mentioned) believe would be appropriate to discuss privately. In addition, the Committee should meet with the independent auditors and management periodically to review the Company's financial statements in a manner consistent with that outlined in this Charter. The Chairman of the Committee or any member of the Committee may call meetings of the Committee.

Both of the external directors will attend meetings of the Committee in which financial statements are discussed and approved and, unless agreed otherwise by the Committee under limited circumstances with respect to the presence in person of one of the members of the Committee, such meetings will be held with all members of the Committee attending in person.

Any person who cannot be a member of the Committee may not attend the Committee's meetings during discussions and during voting, unless the chairman of the Committee determined that such person is required for the presentation of a certain subject, however, (1) an employee of the Company who is not the holder of

Control or its Relative (as such terms are defined by the Companies Law), may attend the Committee's meetings during the discussion, as long as the resolution is not adopted in their presence and (2) without derogating from the foregoing, the legal advisor and secretary of the Company who are not holders of Control or their Relatives may be present during the discussion and the adoption of resolutions, if the Committee so requests.

The internal auditor will receive notices of the Committee meetings and will be permitted to attend them. The internal auditor may request the chairman of the Committee to convene the Committee for a discussion that is detailed in such request, and the chairman of the Committee will convene the Committee within a reasonable time from the date of the request, if the chairman finds cause for it. The independent auditor will be provided with a notice of, and will be entitled to participate in, Committee meetings in which issues relating to the audit of the financial statements are discussed.

#### **H. Duties and Responsibilities**

The Committee shall carry out the duties and responsibilities set forth below. These functions should serve as a guide with the understanding that the Committee may determine to carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee may perform any functions it deems appropriate under applicable law, rules or regulations, the Company's Second Amended and Restated Articles of Association, and the resolutions or other directives of the Board, including review of any certification required in accordance with applicable law or regulations of the United States Securities and Exchange Commission ("SEC").

In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this and other regards, the Committee shall have the authority, without seeking Board approval, to retain special legal, accounting or other consultants to advise the Committee and approve the compensation of and directly oversee such outside counsel and other consultants.

The Committee shall be given full access to the Company's internal auditor, Board, corporate executives, and independent auditors as necessary to carry out these responsibilities.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditors. It is also the job of the CEO and senior

management rather than that of the Committee to assess and manage the Company's exposure to risk.

*Documents and Reports:*

1. Discuss with management and the independent auditor prior to public dissemination the Company's annual audited financial statements and semi-annual financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and discuss with the independent auditors the matters required to be discussed by the applicable auditing standards relating to the conduct of the audit. The Committee shall document that such discussion has taken place noting the date, participants and place of the discussion, but not the nature and scope of such discussion so that frank and open communication between the Committee and the independent auditor may occur.
2. Discuss with management and the independent auditors prior to the Company's filing of an annual report (a) whether any significant deficiencies in the design or operation of internal controls exists that could adversely affect the Company's ability to record, process, summarize, and report financial data; (b) any material weaknesses in the Company's internal controls; and (c) the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
3. Discuss with management and the independent auditors the Company's major financial risk exposures, the guidance and policies by which risk assessment and management is undertaken, and the steps management has undertaken to monitor and control risk exposure.

*Independent Auditors:*

4. Recommend to the Board the appointment of the independent auditor to audit the financial statements of the Company and its subsidiaries for ratification by the shareholders, which firm is ultimately accountable to the Committee and the Board, as representatives of the shareholders.
5. Review the plan for and the scope of the audit and related services at least annually.
6. Directly oversee the work of any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company, including the resolution of any disagreement between management and the auditor regarding financial reporting.
7. Pre-approve the fees to be paid to the independent auditor. Pre-approve all audit, audit related and other services permitted by law or applicable SEC regulations to be performed by the independent auditor for the Company.

8. Review, at least annually, the qualifications, performance and independence of the independent auditors, including the lead partner of the independent auditor. In conditioning its review and evaluation, the Committee should, at least annually, obtain and review a report by the Company's independent auditors describing (i) the auditing firm's internal quality control procedures, and (ii) any material issues raised by the most recent internal control review or by any inquiry or investigation by governmental or professional authorities, and any steps taken to deal with any such issues; and (iii) to assess the auditor's independence, all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard 1. The Committee shall be responsible for actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and for taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.
9. Review with management and the independent auditor at least annually (i) the Company's application of critical accounting policies and its consistency from period to period, and the compatibility of these accounting policies with GAAP, and (where appropriate) the Company's provisions for future occurrences which may have a material impact on the financial statements of the Company; (ii) all alternative treatments of financial information within GAAP that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) all other material communications between the independent auditor and management.

*Financial Reporting Process:*

10. In consultation with the independent auditors and management, review the integrity of the Company's financial reporting process, both internal and external.
11. Review periodically the effect of regulatory and accounting changes with the independent auditors and management on the financial statements of the Company.
12. Review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
13. Review with the independent auditor any audit problems or difficulties encountered and management's response thereto.

14. Review and discuss with management the Company's earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information) as well as financial information and earnings guidance provided to analysts.

*Internal Auditor*

15. Review and approve the internal auditor's annual or other plans.
16. Review the internal auditing set up of the Company and the performance of the internal auditor and whether the internal auditor has at his disposal the resources and tools required for the performance of his duties, considering, among others, the special needs and the size of the Company.

*Legal compliance:*

17. Review periodically, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
18. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct.

*Other duties under the Companies Law and other Applicable Laws*

19. Locate defects in the Company's business administration, including by consulting with the Company's internal auditor or with the independent auditor, and to suggest to the Board ways for correcting such defects; in the event the Committee locates such a defect that is a material defect, the Committee will hold at least one meeting in connection with such defect, with the presence of the internal auditor or independent auditor, as the case may be, and without the attendance of officers or directors who are not members of the Committee; notwithstanding this section, an officer or director may be present in order to present her or his position in connection with an issue that is within her or his responsibility.
20. Resolve, based on reasons that will be detailed in the resolution, with respect to actions as set forth in Section 255 of the Companies Law whether they are substantial actions or unsubstantial actions, and with respect to transactions as set forth in Sections 270(1) and (4) of the Companies Law, whether they are extraordinary or not, for purposes of the approval of such transactions as required by the Companies Law, and the Committee may resolve these matters in connection with a type of actions or transactions, based on guidelines that will be determined once a year and in advance.
21. Resolve whether to approve actions and transactions that require the approval of the Committee pursuant to Section 255 and 268-275 of the Companies Law.
22. The Committee will perform such other functions as assigned by the Companies Law, any applicable United States securities laws, rules and

regulations, the Company's Second Amended and Restated Articles of Association or the Board.

*Accounting Complaints and Procedures*

23. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
24. Establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
25. Establish procedures for the protection that will be afforded to employees who submit claims concerning defects in the business administration of the Company.

*Funding*

26. Funding for the engagement of independent auditors, outside counsel and other advisors, as well as ordinary administrative expenses that are necessary and appropriate in carrying the duties of the Committee shall be provided by the Company.

**I. Limitation of the Committee's Role**

With respect to the foregoing responsibilities and processes, the Committee recognizes the Company's financial management, as well as the Company's independent auditors have more time, knowledge, and detailed information regarding the Company than do the members of the Committee. Consequently, in discharging its oversight responsibilities, the Committee will not provide or be deemed to provide any expertise or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. It is also not the duty of the Committee to conduct investigations except with respect to the establishment of procedures (which may include investigations) related to accounting complaints and procedures or to assure compliance with laws and regulations and the Company's internal policies.

**J. Review of Charter**

The Committee shall review and reassess the adequacy of this Charter on an annual basis.

Last updated on July 28, 2011.