

## ELBIT IMAGING LTD. ANNOUNCES SECOND QUARTER RESULTS FOR 2010

**Tel Aviv, Israel, August 30, 2010**, Elbit Imaging Ltd. ("EI") (TASE, NASDAQ: EMITF) announced today its results for the second quarter of 2010.

Gain for the second quarter of 2010 attributable to the equity holders of the company amounted to NIS 216 million (gain including minority interest totaled to NIS 275 million), as compared to loss attributable to the equity holders of the Company in the amount of NIS 207 million (loss including the minority interest totaled to NIS 252 million) in the corresponding quarter of 2009.

Company's shareholder's equity, as of June 30, 2010 amounted NIS 2.2 billion, compared with NIS 2.1 billion as of December 31, 2009.

Our presentation to the consolidated financial statements for the second quarter of 2010 is available through our website at: [www.elbitimaging.com](http://www.elbitimaging.com) under: **"Investor Relations - Company Presentations (08/2010)."**

**Mr. Dudi Machluf, Co-CEO, Elbit Imaging, commented:** "This is the first quarter in which the US transaction is reflected in the Company's balance sheet. In the framework of the transaction, together with the partners in our US real estate fund, we gained control over EDT, a company which holds and manages commercial centers in the US, valued at of approximately USD 1.5 billion. The funds raised by EDT, used, with the consent of EDT's financing parties: (i) to repay all the outstanding loans in EDT's headquarter; and (ii) partial payment of EDT's non-recourse secured loans along with the extension of such loans. As a result, EDT is today a stable company, and its revenue will be reflected from the next quarter onwards in Elbit Imaging's consolidated income statements". **Mr. Dudi Machluf, further emphasized that:** "The Company's profit from the US transaction in this quarter is measured according to a fair value, reflecting a cap-rate of approximately 8.6% and a level of net operating income relevant at the acquisition date. We believe that a future improvement in the US commercial centers sector, followed by both decreased yields and increased income, will generate further profits for Elbit Imaging. Our US real estate fund continues to source additional transactions and we believe that the EDT transaction will pave the path to additional successes. During this quarter, Plaza Centers, our subsidiary, opened two commercial centers in Poland and continues to develop and initiate commercial centers with high demand along with attractive financing conditions, such as in Poland and in Serbia. Plaza Centers recently signed a financing agreement for the development of a commercial center in Kragujevac, Serbia, with a 60% pre-let level".

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**ELBIT IMAGING LTD.**  
**CONSOLIDATED BALANCE SHEETS**

|   | June 30, 2010            | June 30, 2009           | December 31, 2009       | June 30, 2010<br>Convenience<br>translation<br>US\$'000 |
|---|--------------------------|-------------------------|-------------------------|---|
|   | (in thousand NIS)        |                         |                         |   |
| <b>Current Assets</b>                         |                          |                         |                         |   |
| Cash and cash equivalents                     | 1,189,351                | 1,321,871               | 1,508,301               | 306,929   |
| Short-term deposits and investments           | 637,264                  | 417,978                 | 563,719                 | 164,455   |
| Trade accounts receivable                     | 80,336                   | 56,006                  | 45,049                  | 20,732  |
| Other receivable                              | 156,827                  | 158,599                 | 119,890                 | 40,472  |
| Prepayments and other assets                  | 316,792                  | 399,250                 | 335,206                 | 81,753  |
| Inventories                                   | 54,542                   | 43,792                  | 45,494                  | 14,075  |
| Trading property                              | 4,119,239                | 4,030,441               | 4,157,610               | 1,063,029   |
|   | <u>6,554,351</u>         | <u>6,427,937</u>        | <u>6,775,269</u>        | <u>1,691,445</u>  |
| Assets related to discontinued operation      | 2,244                    | 9,112                   | 2,250                   | 579   |
|   | <u>6,556,595</u>         | <u>6,437,049</u>        | <u>6,777,519</u>        | <u>1,692,024</u>  |
| <b>Non-Current Assets</b>                     |                          |                         |                         |   |
| Deposits, loans and other long-term balances  | 624,542                  | 769,795                 | 625,695                 | 161,172   |
| Investments in associates                     | 37,894                   | 49,742                  | 41,597                  | 9,779   |
| Property, plant and equipment                 | 1,626,620                | (*)1,854,858            | (*)1,787,720            | 419,773   |
| Investment property                           | 2,472,472                | 81,822                  | 80,487                  | 638,057   |
| Other assets and deferred expenses            | 25,990                   | (*)14,903               | (*)22,291               | 6,707   |
| Intangible assets                             | 51,248                   | 47,347                  | 53,486                  | 13,226  |
|   | <u>4,838,766</u>         | <u>2,818,467</u>        | <u>2,611,276</u>        | <u>1,248,714</u>  |
|   | <u><u>11,395,361</u></u> | <u><u>9,255,516</u></u> | <u><u>9,388,795</u></u> | <u><u>2,940,738</u></u>                                 |
| <b>Current Liabilities</b>                    |                          |                         |                         |   |
| Short-term credits                            | 2,578,457                | 1,344,020               | 2,218,964               | 665,408   |
| Suppliers and service providers               | 152,468                  | 179,637                 | 199,566                 | 39,347  |
| Payables and other credit balances            | 342,928                  | 260,824                 | 201,450                 | 88,498  |
| Other liabilities                             | 114,976                  | 111,866                 | 117,965                 | 29,671  |
|   | <u>3,188,829</u>         | <u>1,896,347</u>        | <u>2,737,945</u>        | <u>822,924</u>  |
| Liabilities related to discontinued operation | 19,106                   | 30,011                  | 18,630                  | 4,930   |
|   | <u>3,207,935</u>         | <u>1,926,358</u>        | <u>2,756,575</u>        | <u>827,854</u>  |
| <b>Non-Current liabilities</b>                |                          |                         |                         |   |
| Borrowings                                    | 5,924,770                | (*)4,826,152            | (*)4,347,333            | 1,528,972   |
| Other financial liabilities                   | 34,021                   | 114,112                 | 96,686                  | 8,780   |
| Other liabilities                             | 17,277                   | 15,550                  | 17,450                  | 4,459   |
| Deferred taxes                                | 26,646                   | 38,707                  | 39,264                  | 6,876   |
|   | <u>6,002,714</u>         | <u>4,994,521</u>        | <u>4,500,733</u>        | <u>1,549,087</u>  |
| <b>Shareholders' Equity</b>                   |                          |                         |                         |   |
| Attributable to equity holders of the Company | 833,261                  | (*)1,291,630            | (*)936,667              | 215,035   |
| Minority Interest                             | 1,351,451                | 1,043,007               | 1,194,820               | 348,762   |
|   | <u>2,184,712</u>         | <u>2,334,637</u>        | <u>2,131,487</u>        | <u>563,797</u>  |
|   | <u><u>11,395,361</u></u> | <u><u>9,255,516</u></u> | <u><u>9,388,795</u></u> | <u><u>2,940,738</u></u>                                 |

(\*) Retrospective application of accounting policy for classification of leases of land

**ELBIT IMAGING LTD.**  
**CONSOLIDATED INCOME STATEMENTS**

|   | Six months ended June 30 |                  | Three months ended June 30 |                  | Year ended December 31 | Six months ended June 30            |
|---|--------------------------|------------------|----------------------------|------------------|------------------------|-------------------------------------|
|   | 2010                     | 2009             | 2010                       | 2009             | 2009                   | 2010                                |
|   | (in thousand NIS)        |                  | (in thousand NIS)          |                  |                        | Convenience translation<br>US\$'000 |
| <b>Revenues and gains</b>                         |                          |                  |                            |                  |                        |                                     |
| Gain from bargain purchase                        | 384,779                  | -                | 384,779                    | -                | -                      | 99,298                              |
| Gain from changes of shareholding in subsidiaries | -                        | 78,258           | -                          | -                | 31,106                 | -                                   |
| Commercial centers                                | 47,335                   | 41,900           | 27,294                     | 21,797           | 85,466                 | 12,215                              |
| Hotels operations and management                  | 193,866                  | 188,919          | 101,386                    | 101,902          | 396,736                | 50,030                              |
| Sale of medical systems                           | 16,283                   | 24,518           | 8,045                      | 15,958           | 61,683                 | 4,202                               |
| Sale of fashion merchandise and others            | 81,320                   | 49,775           | 39,780                     | 27,866           | 118,386                | 20,986                              |
|   | <u>723,583</u>           | <u>383,370</u>   | <u>561,284</u>             | <u>167,523</u>   | <u>693,377</u>         | <u>186,731</u>                      |
| <b>Expenses and losses</b>                        |                          |                  |                            |                  |                        |                                     |
| Commercial centers                                | 76,948                   | 88,389           | 36,679                     | 48,693           | 169,253                | 19,858                              |
| Hotels operations and management                  | 163,868                  | 175,365          | 82,777                     | 91,897           | 353,229                | 42,288                              |
| Cost and expenses of medical systems operation    | 32,138                   | 33,295           | 16,223                     | 16,150           | 67,403                 | 8,294                               |
| Cost of fashion merchandise and others            | 90,409                   | 56,712           | 40,760                     | 28,484           | 134,142                | 23,331                              |
| Research and development expenses                 | 29,588                   | 33,358           | 14,259                     | 16,715           | 73,959                 | 7,636                               |
| General and administrative expenses               | 34,595                   | 33,851           | 16,135                     | 16,258           | 66,153                 | 8,928                               |
| Share in losses of associates, net                | 4,867                    | 7,510            | 2,042                      | 3,267            | 14,039                 | 1,256                               |
| Financial expenses (income) , net                 | 151,040                  | 166,961          | 49,817                     | 189,579          | 261,523                | 38,978                              |
| Impairments, charges and other expenses, net      | 17,811                   | 60,731           | 10,073                     | 53,558           | 260,225                | 4,597                               |
|   | <u>601,264</u>           | <u>656,170</u>   | <u>268,765</u>             | <u>464,601</u>   | <u>1,399,926</u>       | <u>155,166</u>                      |
| <b>Income (loss) before income taxes</b>          | 122,319                  | (272,800)        | 292,519                    | (297,078)        | (706,549)              | 31,565                              |
| Income taxes (tax benefits)                       | 17,268                   | (30,032)         | 17,164                     | (43,873)         | (35,571)               | 4,456                               |
| <b>Income (loss) from continuing operations</b>   | 105,051                  | (242,768)        | 275,355                    | (253,205)        | (670,978)              | 27,109                              |
| Profit (loss) from discontinued operation, net    | -                        | (538)            | -                          | 1,242            | 16,550                 | -                                   |
| <b>Income (loss) for the period</b>               | <u>105,051</u>           | <u>(243,306)</u> | <u>275,355</u>             | <u>(251,963)</u> | <u>(654,428)</u>       | <u>27,109</u>                       |
| <b>Attributable to:</b>                           |                          |                  |                            |                  |                        |                                     |
| Equity holders of the Company                     | 80,402                   | (186,147)        | 216,020                    | (207,142)        | (533,269)              | 20,748                              |
| Minority interest                                 | 24,649                   | (57,159)         | 59,335                     | (44,821)         | (121,159)              | 6,361                               |
|   | <u>105,051</u>           | <u>(243,306)</u> | <u>275,355</u>             | <u>(251,963)</u> | <u>(654,428)</u>       | <u>27,109</u>                       |

ELBIT IMAGING LTD.  
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

|   | Six months ended June 30. |                        | Three months ended June 30 |                         | Year ended December 31. | Six months ended June 30.           |
|---|---------------------------|------------------------|----------------------------|-------------------------|-------------------------|-------------------------------------|
|   | 2010                      | 2009                   | 2010                       | 2009                    | 2009                    | 2010                                |
|   | (in thousand NIS)         |                        | (in thousand NIS)          |                         |                         | Convenience translation<br>US\$'000 |
| <b>Income (loss) for the period</b>                                 | <u>105,051</u>            | <u>(243,306)</u>       | <u>275,355</u>             | <u>(251,963)</u>        | <u>(654,428)</u>        | <u>27,109</u>                       |
| Exchange differences arising from translation of foreign operations | (264,230)                 | 142,791                | (97,003)                   | (37,020)                | 89,638                  | (68,188)                            |
| Loss from cash flow hedge   | (8,925)                   | 399                    | (3,749)                    | 10,268                  | (2,099)                 | (2,303)                             |
| Gain (loss) from available for sale investments                     | <u>(1,934)</u>            | <u>578</u>             | <u>(4,861)</u>             | <u>8,128</u>            | <u>9,383</u>            | <u>(499)</u>                        |
|   | <u>(275,089)</u>          | <u>143,768</u>         | <u>(105,613)</u>           | <u>(18,624)</u>         | <u>96,922</u>           | <u>(70,990)</u>                     |
| <b>Comprehensive income (loss)</b>                                  | <u><b>(170,038)</b></u>   | <u><b>(99,538)</b></u> | <u><b>169,742</b></u>      | <u><b>(270,587)</b></u> | <u><b>(557,506)</b></u> | <u><b>(43,881)</b></u>              |
| <b>Attributable to:</b>   |                           |                        |                            |                         |                         |                                     |
| Equity holders of the Company                                       | (98,124)                  | (87,307)               | 140,859                    | (218,079)               | (466,459)               | (25,322)                            |
| Minority interest   | <u>(71,914)</u>           | <u>(12,231)</u>        | <u>28,883</u>              | <u>(52,508)</u>         | <u>(91,047)</u>         | <u>(18,559)</u>                     |
|   | <u><b>(170,038)</b></u>   | <u><b>(99,538)</b></u> | <u><b>169,742</b></u>      | <u><b>(270,587)</b></u> | <u><b>(557,506)</b></u> | <u><b>(43,881)</b></u>              |

**ELBIT IMAGING LTD.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

|  | Share Capital | Share premium  | Foreign currency translation adjustments | Hedging reserves | Available for sale reserve | Stock base compensation reserve | Retained earnings | Gross Amount     | Treasury stock   | holders of the Company | Minority Interest | Total shareholders' equity |
|--|---------------|----------------|--|------------------|----------------------------|---------------------------------|-------------------|------------------|------------------|------------------------|-------------------|----------------------------|
|  |               |                |  |                  |                            |                                 |                   |                  |                  |                        |                   |                            |
| <b>Balance -</b>   |               |                |  |                  |                            |                                 |                   |                  |                  |                        |                   |                            |
|  |               |                |  |                  |                            |                                 | (In thousand NIS) |                  |                  |                        |                   |                            |
| <b>January 1, 2009</b>   | 38,032        | 815,291        | (304,369)                                | (37,122)         | (4,081)                    | 43,840                          | 960,620           | 1,912,211        | (138,519)        | 1,373,692              | 1,064,091         | 2,437,783                  |
| Effect of change in accounting policy for classification of leases of land |               |                |  |                  |                            |                                 | (3,900)           | (3,900)          |                  |                        |                   | (3,900)                    |
| As restated  | 38,032        | 815,291        | (304,369)                                | (37,122)         | (4,081)                    | 43,840                          | 956,720           | 1,908,311        | (138,519)        | 1,369,892              | 1,064,091         | 2,433,983                  |
| Comprehensive income (loss)  | -             | -              | 62,085                                   | (2,099)          | 6,844                      | -                               | (533,269)         | (466,459)        | -                | (466,459)              | (91,047)          | (657,596)                  |
| Stock based compensation expenses  | -             | -              | -  | -                | -                          | 13,957                          | -                 | 13,957           | -                | 13,957                 | 36,622            | 50,579                     |
| Initially consolidated subsidiary  | -             | -              | -  | -                | -                          | -                               | -                 | -                | -                | -                      | 5,993             | 5,993                      |
| Issuance of shares to the minority by a subsidiary                         | -             | -              | -  | -                | -                          | -                               | -                 | -                | -                | -                      | 71,940            | 71,940                     |
| Exercise of shares to the minority by employees                            | 6             | 701            | -  | -                | -                          | (707)                           | -                 | -                | -                | -                      | -                 | -                          |
| Equity component of convertible debentures                                 | -             | 19,277         | -  | -                | -                          | -                               | -                 | 19,277           | -                | 19,277                 | -                 | 19,277                     |
| Purchase of the minority interest  | -             | -              | -  | -                | -                          | -                               | -                 | -                | -                | -                      | 107,221           | 107,221                    |
| <b>December 31, 2009</b>   | <b>38,038</b> | <b>835,289</b> | <b>(242,304)</b>                         | <b>(39,221)</b>  | <b>2,763</b>               | <b>57,090</b>                   | <b>423,551</b>    | <b>1,975,196</b> | <b>(138,519)</b> | <b>936,667</b>         | <b>1,194,620</b>  | <b>2,131,487</b>           |
| Effect of change in accounting policy of measurement of investing property |               |                |  |                  |                            |                                 | 9,783             | 9,783            |                  | 9,783                  | 6,901             | 16,684                     |
| As restated  | 38,038        | 835,289        | (242,304)                                | (39,221)         | 2,763                      | 57,090                          | 433,334           | 1,984,980        | (138,519)        | 946,450                | 1,201,721         | 2,148,171                  |
| Comprehensive income (loss)  | -             | -              | (168,318)                                | (8,925)          | (1,283)                    | -                               | 80,402            | (98,124)         | -                | (98,124)               | (71,914)          | (170,038)                  |
| Purchase of parent shares by a subsidiary                                  | -             | -              | -  | -                | -                          | -                               | -                 | -                | (6,053)          | (6,053)                | -                 | (6,053)                    |
| Stock based compensation expenses  | -             | -              | -  | -                | -                          | 6,394                           | -                 | 6,394            | -                | 6,394                  | 8,470             | 14,864                     |
| Employee stocks expired  | -             | 6,832          | -  | -                | -                          | (6,832)                         | -                 | -                | -                | -                      | -                 | -                          |
| Initially consolidated subsidiary  | -             | -              | -  | -                | -                          | -                               | -                 | -                | -                | -                      | 190,832           | 190,832                    |
| Issuance of shares to the minority by a subsidiary                         | -             | (15,396)       | -  | -                | -                          | -                               | -                 | (15,396)         | -                | (15,396)               | 22,342            | 6,946                      |
| Exercise of shares by employees  | 13            | 1,998          | -  | -                | -                          | (2,011)                         | -                 | -                | -                | -                      | -                 | -                          |
| <b>June 30, 2010</b>   | <b>38,051</b> | <b>829,703</b> | <b>(410,822)</b>                         | <b>(48,146)</b>  | <b>1,480</b>               | <b>54,631</b>                   | <b>513,736</b>    | <b>977,833</b>   | <b>(144,572)</b> | <b>833,261</b>         | <b>1,351,451</b>  | <b>2,184,712</b>           |

**ELI TITMINGS LTD**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

|  | Share Capital | Share premium | Cumulative Foreign currency translation adjustments | Reserving reserves | Available for sale reserve | Stock issues compensation reserve | Retained earnings | Gross Amount | Treasury stock | Total amount attributable to equity holders of the Company |
|--|---------------|---------------|---|--------------------|----------------------------|-----------------------------------|-------------------|--------------|----------------|--|
| <b>December 31, 2009</b>   | 9,816         | 216,658       | (2,983)   | (10,122)           | 712                        | 14,755                            | 109,309           | 297,498      | (35,747)       | 261,750  |
| Effect of change in accounting policy of measurement of investing property |               |               |   |                    |                            |                                   |                   |              |                |  |
| As restated  | 9,816         | 216,658       | (2,983)   | (10,122)           | 712                        | 14,755                            | 111,829           | 278,688      | (35,747)       | 244,236  |
|  |               |               |   |                    |                            |                                   |                   |              |                |  |
| Comprehensive income (loss)  | -             | -             | (43,457)  | (2,519)            | (350)                      | -                                 | 20,748            | (25,322)     | -              | (35,322)   |
| Purchase of parent shares by a subsidiary                                  | -             | -             | -   | -                  | -                          | -                                 | -                 | -            | (1,552)        | (1,552)  |
| Stock-based compensation expenses  | -             | -             | -   | -                  | -                          | 1,847                             | -                 | 1,847        | -              | 1,847  |
| Employee stock option expired  | -             | 1,700         | -   | -                  | -                          | (1,700)                           | -                 | -            | -              | -  |
| Initial recorded subsidiary  | -             | -             | -   | -                  | -                          | -                                 | -                 | -            | -              | -  |
| Issuance of shares to the minority by a subsidiary                         | -             | (3,974)       | -   | -                  | -                          | -                                 | -                 | (3,974)      | -              | (3,974)  |
| Exercise of shares by employees  | 4             | 517           | -   | -                  | -                          | (221)                             | -                 | -            | -              | -  |
| <b>June 30, 2010</b>   | 9,820         | 216,658       | (3,026)   | (12,641)           | 362                        | 14,534                            | 132,577           | 246,944      | (35,747)       | 211,198  |

## About Elbit Imaging Ltd.

Elbit Imaging Ltd. operates in the following principal fields of business: (i) Commercial and Entertainment Centers - Initiation, construction, and sale of commercial and entertainment centers and other mixed-use real property projects, predominantly in the retail sector, located in Central and Eastern Europe and in India. In certain circumstances and depending on market conditions, Elbit may operate and manage a commercial and entertainment center prior to its sale; (ii) Hotels - Hotels operation and management, primarily in major European cities; (iii) Image Guided Treatment - Investments in the research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment; (iv) Residential Projects - Initiation, construction and sale of residential projects and other mixed-use real property projects, predominately residential, located primarily in India and in Eastern Europe; (v) Fashion Apparel - distribution and marketing of fashion apparel and accessories in Israel; and (vi) Other Activities - (a) venture capital investments; (b) investments in hospitals and farm and dairy plants in India, which are in preliminary stages; and (c) wholesale trade of home applications in India.

*Any forward-looking statements in our releases include statements regarding the intent, belief or current expectations of Elbit Imaging Ltd. and our management about our business, financial condition, results of operations, and its relationship with its employees and the condition of our properties. Words such as “believe,” “expect,” “intend,” “estimate” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Actual results may differ materially from those projected, expressed or implied in the forward-looking statements as a result of various factors including, without limitation, the factors set forth in our filings with the Securities and Exchange Commission including, without limitation, Item 3.D of our annual report on Form 20-F for the fiscal year ended December 31, 2009, under the caption “Risk Factors.” Any forward-looking statements contained in our releases speak only as of the date of such release, and we caution existing and prospective investors not to place undue reliance on such statements. Such forward-looking statements do not purport to be predictions of future events or circumstances, and therefore, there can be no assurance that any forward-looking statement contained our releases will prove to be accurate. We undertake no obligation to update or revise any forward-looking statements. All subsequent*

*written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth in our filings with the Securities and Exchange Commission including, without limitation, Item 3.D of our annual report on Form 20-F for the fiscal year ended December 31, 2009, under the caption “Risk Factors.”*

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