
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of **August 2018**

Commission File Number 000-28996

ELBIT IMAGING LTD.
(Translation of Registrant's Name into English)

7 MOTA GUR STREET, PETACH TIKVA 4900102
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____

Attached hereto and incorporated by reference herein are the following documents:

- 99.1 [Operating and Financial Review and Prospects for the six-month period ended June 30, 2018.](#)
- 99.2 [Unaudited Interim Consolidated Financial Data for the six-month period ended June 30, 2018.](#)
- 99.3 [Designated Disclosure with Respect to the Company's Projected Cash Flows.](#)

Exhibits 99.1, 99.2 and 99.3 of this Report on Form 6-K are hereby incorporated by reference into Elbit Imaging Ltd.'s Registration Statement on form F-1 (Registration Statements No. 333-194519), Registration Statement on Form f-3 (Registration Statement No. 333-172122) and Registration Statements on form s-8 (Registration Statements No. 333-117509, 333-130852, 333-136684 and 333-152820), and to be a part thereof from the date on which this report is submitted, to the extent not superseded by documents or reports subsequently filed or furnished.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELBIT IMAGING LTD.
(Registrant)

Date: August 23, 2018

By: /s/ Ron Hadassi
Ron Hadassi
CEO and Chairman of the Board

EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
99.1.	<u>Operating and Financial Review and Prospects for the six-month period ended June 30, 2018.</u>
99.2.	<u>Unaudited Interim Consolidated Financial Data for the six-month period ended June 30, 2018.</u>
99.3	<u>Designated Disclosure with Respect to the Company's Projected Cash Flows</u>

Operating and Financial Review and Prospects

The activities of Elbit Imaging Ltd. (“Elbit” or the “Company”) are divided into the following principal fields:

- **Medical Industries** – through our indirect holdings in two companies which operates in the field of life science: (i) InSightec Ltd. (“**InSightec**”) - InSightec operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; and (ii) Gamida Cell Ltd. (“**Gamida**”) – Gamida operates in the field of research, development and manufacture of products designated for certain cancer diseases;
- **Plots in India** – we have holdings in plots of land in India which are designated for sale (and which were initially designated for residential projects); and
- **Plots in Eastern Europe initially designated for development of commercial centers** - plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. (“**PC**”) whose business strategy is to no longer develop commercial centers but to dispose its real estate assets at optimal market conditions.

We may from time to time make written or oral forward-looking statements, including in filings with the U.S. Securities and Exchange Commission (“SEC”), in reports to shareholders, press releases and investor webcasts. Forward-looking statements include statements regarding the intent, belief or current expectations of Elbit and our management about our business, financial condition, results of operations, and our relationship with our 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 SEC including, without limitation, Item 3.D of our Annual Report on Form 20-F for the fiscal year ended December 31, 2017, under the caption “Risk Factors”. Any forward-looking statements speak only as of the date of such statement, 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 will prove to be accurate. We undertake no obligation to update or revise any forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited interim consolidated financial data for the period ended June 30, 2018 included elsewhere in this Current Report on Form 6-K and in conjunction with our consolidated financial statements and the related notes and other financial information included in our Annual Report on Form F-20 submitted to the SEC on April 27, 2018.

Six months ended June 30, 2018 compared to corresponding period in 2017

Consolidated income and revenues for the six months’ period ended June 30, 2018 amounted to NIS 0.9 million (\$ 0.25 million) compared to NIS 432 million in the corresponding period in 2017. Following is the analyses of our revenues:

- (i) Revenues from sale of commercial centers decreased in the first half of 2018 to NIS 0.9 million (\$ 0.25 million) compared to NIS 432 million in the corresponding period. Such amount in 2018 was attributable mainly to the sale of Torun (price adjustment). The revenues in 2017 are attributed mainly to the sale of Suwalki Plaza commercial center in Poland, the sale of Belgrade Plaza commercial center in Serbia and sale of plots in Bulgaria and Poland.
-

- (ii) Rental income from commercial centers amounted to nil in the first half of 2018 compared to NIS 18 million in the corresponding period. The decrease was as a result of selling all of PC's commercial centers in 2017.

Expenses and losses (income):

Our expenses and losses for the six months' period ended June 30, 2018 amounted to NIS 58 million (\$ 16 million) compared to NIS 529 million in the corresponding period in 2017. Set forth below is an analysis of our expenses and losses:

- (i) Expenses of commercial centers amounted to NIS 7 million (\$ 2 million) in the first half of 2018 compared to NIS 437 million in the corresponding period in 2017. The decrease was mainly attributable to (i) decrease in the amount on NIS 417 million in the cost of trading property sold (ii) decrease in operational expenses of commercial centers in the amount of NIS 20 million mainly due to the sale all the commercial centers during 2017.
- (ii) General and administrative expenses decreased to NIS 5 million (\$ 1.4 million) in the first half of 2018 compared to NIS 8 million in the corresponding period in 2017. The decrease was mainly attributable to cost related to additional cost in 2017 incurred by the Company due to the delay in filling of the Company's annual financial statements as of 31 December, 2016 and the replacement of accountants.
- (iii) Share in losses of associated net amounted to nil in the first half of 2018 compared to NIS 14 million in the corresponding period. The investments in InSightec and Gamida were set at zero at the end of 2017 and no more losses of associated are recorded.
- (iv) Financial expenses, amounted to NIS 42 million (\$ 10 million) in the first half of 2018 compared to NIS 72 million in the corresponding period in 2017. The decrease of NIS 30 million (\$ 8 million) related mainly to decrease in interest and CPI - linked borrowing expenses, net, attributable mainly to a decline in PC debt due to the realization of assets during 2017 and the repayment of loans in respect thereof, as well as early repayments of PC and the Company notes.
- (v) Financial income, amounted to NIS 3 million (\$ 0.8 million) in the first half of 2018 compared to NIS 1 million in the corresponding period in 2017.
- (vi) Change in fair value of financial instruments measured in fair value through profit and loss, amounted to income in the amount of NIS 18 million (\$ 5 million) in the first half of 2018 compared to nil in the corresponding period in 2017. The change in the fair value of derivative is attributable to conversion component of Elbit Medical notes C.
- (vii) Write-down, charges and other expenses, net, increased to NIS 25 million (\$7 million) in the first half of 2018 compared to income of NIS 0.1 million in the corresponding period in 2017. The write-down in the first half a year of 2018 was mainly attributable to (i) write-down in PC's trading property mainly in Poland and Greece in the total amount of NIS 15 million (\$4 million). (ii) write-down in EPI's trading property in India in the amount of NIS 3 million (\$1 million). (iii) Provision for government institutions in the amount of NIS 7 million (\$2 million) in the first half of 2018.
- (viii) As a result of the foregoing factors, we recognized loss before income tax in the total amount of NIS 57 million (\$ 16 million) in the first half of 2018 compared to NIS 79 million in the corresponding period in 2017.

Tax benefits amounted to NIS 5 million (\$1 million) in the first half of 2018 compared to income tax expenses in the amount of NIS 1 million in the corresponding period in 2017.

The above resulted in loss from continuing operation of NIS 52 million (\$14 million) in the first half of 2018, of which NIS 30 million (\$8 million) was attributable to our equity holders and loss in the amount of NIS 22 million (\$ 6 million) was attributable to the non-controlling interest. The loss in the first half of 2017 amounted to NIS 75 million of which NIS 59 million was attributable to our equity holders and loss in the amount of NIS 16 million was attributable to the non-controlling interest.

Profit from discontinued operation, net amounted to NIS 0.2 million (\$0.05 million) in the first half of 2018 compared to NIS 3 million in the corresponding period in 2017. The discontinued operations were attributable to our former hotel operations.

The following table provides supplemental information of our results of operations per segment, for the first half year ended June 30, 2018 (in NIS millions):

Segment	Plots in Eastern Europe	Medical Industries	Plots in India	Other and Allocations*	Total
Revenues	1	46	-	(46)	1
Costs and expenses	7	140	-	(140)	7
Other expenses, net	14	-	3	-	17
Segment profit (loss)	(20)	(94)	(3)	94	(23)
Unallocated general and administrative expenses					(6)
Unallocated financial expenses					(21)
Unallocated other expenses					(7)
Profit before income taxes					(57)
Income Tax					5
Profit from discontinued operation					-
Loss for the period					(52)

ELBIT IMAGING LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2018
INDEX

	<u>Page</u>
Condensed Interim Consolidated Statements of Financial Position	2
Condensed Interim Consolidated Statements of Profit or Loss	3-4
Condensed Interim Consolidated Statements of Comprehensive Income	5
Condensed Interim Consolidated Statements of Changes in Equity	6-7
Condensed Interim Consolidated Statements of Cash Flows	8 - 10
Notes to Condensed Interim Consolidated Financial Statements	11 - 26

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018	December 31, 2017	Convenience translation June 30, 2018 U.S. dollars
	NIS		
	In thousands		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	90,076	465,739	24,678
Short-term deposits and investments	10,984	10,495	3,009
Other receivables	4,102	7,222	1,124
	105,162	483,456	28,811
NON-CURRENT ASSETS			
Trading property	468,622	492,619	128,390
Deposits, loans and other long-term balances	45,935	34,874	12,585
Investments in associates and joint venture	5,347	5,592	1,465
Property, plant and equipment, net	183	830	50
	520,087	533,915	142,490
	625,249	1,017,371	171,301
CURRENT LIABILITIES			
Current maturities of long term borrowings	323,648	780,861	88,670
Suppliers and service providers	685	2,720	188
Payables and other credit balances	44,321	63,293	12,143
	368,654	846,874	101,001
NON-CURRENT LIABILITIES			
Borrowings	346,870	243,311	95,033
Other financial liability	25,929	-	7,104
Other liabilities	88,849	75,970	24,342
	461,648	319,281	126,479
SHAREHOLDERS' EQUITY			
Share capital and share premium	1,105,974	1,105,974	303,006
Reserves	(879,446)	(870,043)	(240,944)
Retained losses	(457,677)	(430,366)	(125,391)
Attributable to equity holders of the Company	(231,149)	(194,435)	(63,329)
Non-controlling interest	26,096	45,651	7,150
	(205,053)	(148,784)	(56,179)
	625,249	1,017,371	171,301

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

August 23, 2018

Date of approval of the financial statements

Yael Naftali
Chief Financial Officer

Ron Hadassi
Chairman of the
Board of Directors and Chief
Executive Officer

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended June 30,		Year ended December 31,	Convenience translation Six months ended June 30,
	2018	(*)2017	2017	2018
	NIS			U.S. dollars
	In thousands			
REVENUES AND GAINS				
REVENUES				
Revenues from sale of commercial centers	946	431,973	782,829	259
Total revenues	946	431,973	782,829	259
GAINS AND OTHER				
Rental income from commercial centers	-	18,052	31,997	-
Total gains	-	18,052	31,997	-
Total revenues and gains	946	450,025	814,826	259
EXPENSES AND LOSSES				
Cost of commercial centers	6,873	436,542	805,623	1,883
General and administrative expenses	5,143	8,260	14,930	1,409
Share in losses of associates, net	-	14,053	20,202	-
Financial expenses	42,042	71,730	112,296	11,517
Financial income	(3,069)	(1,071)	(1,811)	(841)
Change in fair value of financial instruments measured at fair value through profit and loss	(18,013)	-	-	(4,935)
Write-down, charges and other expenses, net	25,050	(117)	101,120	6,864
	58,026	529,397	1,052,360	15,897
Loss before income taxes	(57,080)	(79,372)	(237,534)	(15,638)
Income taxes (tax benefits)	(5,239)	(1,225)	11,244	(1,435)
Loss from continuing operations	(51,841)	(78,147)	(248,778)	(14,203)
Profit (loss) from discontinued operations, net	280	2,734	(152,903)	77
Loss for the year	(51,561)	(75,413)	(401,681)	(14,126)

(*) Reclassified (discontinued operation). Refer to Note 8.

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended June 30,		Year ended December 31,	Convenience translation Six months ended June 30,
	2018	(*)2017	2017	2018
	NIS			U.S. dollars
	In thousands			
<u>Attributable to:</u>				
Equity holders of the Company	(29,919)	(58,745)	(338,034)	(8,197)
Non-controlling interest	(21,642)	(16,668)	(63,647)	(5,929)
	(51,561)	(75,413)	(401,681)	(14,126)
<u>Loss from continuing operations</u>				
Equity holders of the Company	(30,199)	(61,132)	(185,132)	(8,274)
Non-controlling interest	(21,642)	(17,015)	(63,647)	(5,929)
	(51,841)	(78,147)	(248,779)	(14,203)
<u>Profit (loss) from discontinued operation, net</u>				
Equity holders of the Company	280	2,387	(152,903)	77
Non-controlling interest	-	347	-	-
	280	2,734	(152,903)	77
<u>Loss per share - (in NIS)</u>				
Basic and diluted earnings (loss) per share:				
From continuing operation	(3.29)	(8.50)	(20.14)	(0.90)
From discontinued operations	0.03	0.30	(16.64)	0.01
	(3.26)	(8.20)	(36.78)	(0.89)

(*) Reclassified (discontinued operation). Refer to Note 8.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Year ended December 31,	Convenience translation Six months ended June 30, 2018 U.S. dollars
	2018	(*)2017	2017	
	NIS			
	In thousands			
Loss for the period	(51,561)	(75,413)	(401,681)	(14,126)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translation of foreign operations	(12,676)	(18,498)	(13,597)	(3,473)
Reclassification adjustments relating to foreign operations disposed of in the year	1,995	-	213,848	547
	(10,681)	(18,498)	200,251	(2,926)
Items not to be reclassified to profit or loss in subsequent periods:				
Additions during the period	-	(9,999)	9,763	-
	-	(9,999)	9,763	-
Other comprehensive income (loss)	(10,681)	(28,497)	210,014	(2,926)
Comprehensive loss	(62,242)	(103,910)	(191,667)	(17,052)
Attributable to:				
Equity holders of the Company	(39,367)	(84,215)	(127,918)	(10,785)
Non-controlling interest	(22,875)	(19,695)	(63,749)	(6,267)
	(62,242)	(103,910)	(191,667)	(17,052)
<u>Loss from continuing operations</u>				
Equity holders of the Company	(39,647)	(81,869)	(198,441)	(10,862)
Non-controlling interest	(22,875)	(19,752)	(63,935)	(6,267)
	(62,522)	(101,621)	(262,376)	(17,129)
<u>Profit (loss) from discontinued operation, net</u>				
Equity holders of the Company	280	(2,346)	70,895	77
Non-controlling interest	-	57	(186)	-
	280	(2,289)	70,708	77

(*) Reclassified (discontinued operation). Refer to Note 8.

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium	Other reserves	Stock-based compensation reserve	Foreign currency translation reserve	Retained earnings	Gross amount	Non-controlling interests	Total shareholders' equity	
Balance at January 1, 2018	1,105,974	(270,437)	226	(599,832)	(430,366)	(194,435)	45,651	(148,784)	
Adjustments related to initial application of IFRS9 (refer to Note 3)	-	-	-	-	2,607	2,607	3,198	5,805	
Net loss for the period	-	-	-	-	(29,919)	(29,919)	(21,642)	(51,561)	
Other comprehensive loss	-	-	-	(9,452)	-	(9,452)	(1,229)	(10,681)	
Stock-based compensation expenses	-	-	50	-	-	50	118	168	
Balance at June 30, 2018 (unaudited)	1,105,974	(270,437)	276	(609,284)	(457,678)	(231,149)	26,096	(205,053)	
	Share capital and share premium	Other reserves	Revaluation of property, plant and equipment	Stock-based compensation reserve	Foreign currency translation reserve	Retained earnings	Gross amount	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2017	1,105,974	(292,212)	304,770	27	(800,350)	(406,698)	(88,489)	137,103	48,614
Loss for the period	-	-	-	-	-	(58,745)	(58,745)	(16,668)	(75,413)
Other comprehensive income (loss)	-	-	(15,492)	-	(15,658)	5,680	(25,470)	(3,027)	(28,497)
Stock-based compensation expenses	-	-	-	30	-	-	30	349	379
Transaction with non-controlling interest	-	670	-	-	-	-	670	(670)	-
Cancellation of stock based compassion	-	2,864	-	-	-	-	2,864	(2,864)	-
Balance at June 30, 2017 (unaudited)	1,105,974	(288,678)	289,278	57	(816,008)	(459,763)	(169,140)	114,223	(54,917)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium	Other reserves (*)	Revaluation of property, plant and equipment	Stock-based compensation reserve	Foreign currency translation reserve	Retained losses	Attributable to shareholders of the company	Non-Controlling interest	Total shareholders' equity
	NIS in thousands								
Balance -January 1, 2017	1,105,974	(292,212)	304,770	27	(800,350)	(406,698)	(88,489)	137,103	48,614
Loss for the year	-	-	-	-	-	(338,034)	(338,034)	(63,647)	(401,681)
Other comprehensive income (loss)	-	-	(1,960)	-	200,518	11,556	210,114	(100)	210,014
Stock based compensation expenses	-	-	-	199	-	-	199	503	702
Disposal as a result of sale of subsidiary (see Note 8)	-	-	(302,810)	-	-	302,810	-	(6,433)	(6,433)
Change in holding rate in subsidiary	-	1,537	-	-	-	-	1,537	(1,537)	-
Forfeiture of stock options granted	-	20,238	-	-	-	-	20,238	(20,238)	-
Balance -December 31, 2017	1,105,974	(270,437)	-	226	(599,832)	(430,366)	(194,435)	45,651	(148,784)

(*) Includes transactions with non-controlling interest reserve and hedging reserve.

	Share capital and share premium	Other reserves	Stock-based compensation reserve	Foreign currency translation reserve	Retained earnings	Gross amount	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2018	303,006	(74,092)	62	(164,338)	(117,908)	(53,270)	12,507	(40,763)
Adjustments related to initial application of IFRS9 (refer to Note 3)	-	-	-	-	714	714	876	1,590
Loss for the year	-	-	-	-	(8,197)	(8,197)	(5,929)	(14,126)
Other comprehensive loss	-	-	-	(2,590)	-	(2,590)	(336)	(2,926)
Stock based compensation expenses	-	-	14	-	-	14	32	46
Total comprehensive loss for the period	303,006	-	14	(2,590)	(7,483)	(10,059)	(5,357)	(15,416)
Balance at June 30, 2018 (unaudited)	303,006	(74,092)	76	(166,928)	(125,391)	(63,329)	7,150	(56,179)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Year ended December 31,	Convenience translation Six months ended June 30,
	2018	2017	2017	2018
	NIS			U.S. dollars
	In thousands			
Cash Flows From Operating Activities				
Loss for the period	(51,561)	(75,413)	(401,681)	(14,126)
Adjustments to profit (loss):				
Tax expenses recognized in profit and loss	(5,239)	(2,239)	11,164	(1,435)
Finance expenses recognized in profit and loss, net	20,960	(79,565)	344,434	5,742
Income tax paid in cash	(4)	(40)	(1,856)	(1)
Depreciation, amortization and other (including impairment)	28,495	(16,597)	119,694	7,806
Profit from realization of subsidiary (Appendix A)	-	-	(56,544)	-
Share in losses of associates, net	-	14,053	20,202	-
Profit from realization of assets and liabilities	-	(2,226)	(3,204)	-
Stock based compensation expenses	168	379	719	46
Capital gain from sale of investment	(1,346)	-	(759)	(369)
Change in trade accounts receivables	76	5,676	10,000	21
Change in receivables and other debit balances	1,506	11,332	(21,657)	413
Change in inventories	-	(66)	187	-
Change in trading property	-	166,639	385,127	-
Change in suppliers and service providers	(2,096)	66	(1,301)	(574)
Change in payables and other credit balances	1,192	5,650	29,287	327
Net cash provided by (used in) operating activities	(7,849)	219,973	433,812	(2,150)

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

Cash flows from investing activities

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Year ended December 31,	Convenience translation Six months ended June 30,
	2018	2017	2017	2018
	NIS			U.S. dollars
	In thousands			
<u>Cash flows from financing activities</u>				
Interest paid in cash	(26,747)	(41,896)	(75,584)	(7,329)
Proceeds from long-term borrowings	-	15,974	16,364	-
Repayment of long-term borrowings	(503,748)	(221,643)	(460,523)	(138,013)
Proceeds from issuance of convertible notes	174,976	-	-	47,939
Net cash used in financing activities	(355,519)	(247,565)	(519,743)	(97,403)
Increase (decrease) in cash and cash equivalents	(376,402)	(2,030)	373,275	(103,124)
Cash and cash equivalents at the beginning of the period	465,739	89,688	89,688	127,600
Net effect on cash due to currency exchange rate changes	739	(1,943)	2,776	202
Cash and cash equivalents at the end of the period	90,076	85,715	465,739	24,678
(a) Proceeds from realization of investments in subsidiaries:				
Working capital (excluding cash), net	-	3,794	1,426	-
Long term deposits	-	-	9,302	-
Property, plant equipment and other assets	-	9,035	705,809	-
Bank loans	-	-	(231,631)	-
Deferred taxes	-	-	(92,309)	-
Non- controlling interests	-	-	(6,433)	-
Profit from realization of subsidiaries	-	2,226	56,544	-
	-	15,055	442,708	-

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - CORPORATE INFORMATION

- a. Elbit Imaging Ltd. ("Elbit" or "the Company") was incorporated in 1996 under the laws of the State of Israel. The Company's securities are listed on the NASDAQ Global Select Market (ticker symbol: EMITF) and on the Tel Aviv Stock Exchange ("TASE"). Following debt restructuring plan approved in 2014 the Group main focus is to reduce corporate debt by early repayments following sale of assets and to continue with efficiency measures and cost reduction where possible.
- b. The Group engages, directly and through its investee companies, in Israel and abroad, mainly in the following areas:
 - Medical industries and devices - through the Company indirect holdings in two companies which operates in the field of life science: (i) INSIGHTEC which operates in the field of development, production, and marketing of treatment-oriented medical systems, based on a unique technological platform combining the use of focused ultrasound and magnetic resonance imaging for the purpose of performing noninvasive treatments in human beings; and (ii) Gamida which operates in the field of research, development and manufacture of products designated for certain cancer diseases.
 - Plots in India - plots designated for sale which were initially designated to residential projects.
 - Plots in Eastern Europe initially designated for development of commercial centers - includes plots in Eastern Europe (and in Greece) held by our subsidiary Plaza Centers N.V. ("PC") whose business strategy is to no longer develop commercial centers but to dispose of its real estate assets at optimal market conditions.
 - With regards to the sale of Radisson hotel Complex in Bucharest Romania on December, 18 2017, see Note 8. Accordingly, this operation is presented in these financial statements as discontinued operation.

NOTE 2: - BASIS OF PREPARATION

The interim condensed consolidated financial data for the six months period ended June 30, 2018 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

Selected explanatory notes are, however, included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2017.

The interim condensed consolidated financial statements as of June 30, 2018 were authorized by the Board of Directors on 23 August 2018.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2: - BASIS OF PREPARATION (Cont.)**

Rates of exchange of NIS, in effect, in relation to foreign currency (in NIS) are as follows:

	Period of six months ended June 30 2018	Year ended December 31 2017
US Dollar (\$)	3.65	3.467
Euro (€)	4.263	4.153
Romanian New Lei (RON)	0.916	0.8912
Indian Rupee (INR)	0.0534	0.0544

Scope of change in the exchange rate, in effect, of the NIS in relation to the foreign currencies (%):

	Period of six months ended June 30 2018	Year ended December 31 2017
US Dollar (\$)	5	(10)
Euro (€)	3	3
Romanian New Lei (RON)	3	(3)
Indian Rupee (INR)	(2)	(4)

NOTE 3: - NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments, including adoption of IFRS 15 Revenue from Contracts with Customers, and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Financial instruments:

With respect to the initial adoption of IFRS 9, "Financial Instruments" ("the Standard"), the Company chose to adopt the provisions of the Standard retrospectively without restatement of comparative figures.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (Cont.)

The new accounting policy regarding financial instruments is as follows:

1. Financial assets:

Financial assets within the scope of the Standard are measured upon initial recognition at fair value with the addition of transaction costs that can be directly attributed to the financial asset's acquisition, excluding financial assets that are measured at fair value through profit or loss whereby the transaction costs are carried to profit or loss.

a) Debt instruments are measured at amortized cost when the following criteria are met:

The Company's business model consists of holding the financial assets for collecting contractual cash flows therefrom; and the contractual cash flow terms of the financial asset provide entitlement to cash flows which only include principal payments and interest on the unpaid principal on predetermined dates. After initial recognition, the instruments in this category are presented according to their terms at cost with the addition of directly attributable transaction costs using the amortized cost method.

2. Impairment of financial assets:

The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are not measured at fair value through profit or loss.

The Company has financial assets bearing short-term credit such as trade receivables in respect of which it is required to adopt the relief prescribed in the model and measure the provision for loss in an amount which is equivalent to the expected credit losses throughout the instrument's term. The Company chose to adopt the relief in respect of these financial assets.

3. Derecognition of financial assets:

A financial asset is only derecognized when the following criteria are met:

- The contractual rights to the cash flows from the financial asset expire; or
- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (Cont.)

4. Financial liabilities:

Financial liabilities within the scope of the Standard are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability, excluding financial liabilities measured at fair value through profit or loss whose transaction costs are carried to profit or loss.

5. Compound financial instruments:

Convertible notes that are denominated in foreign currency contain two components: the conversion component and the debt component. The liability conversion component is initially recognized as a financial derivative at fair value. The balance is attributed to the debt component. Directly attributable transaction costs are allocated between the liability conversion component and the liability debt component based on the allocation of the proceeds to each component.

6. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

If the exchange or modification is not substantial, the Company is required to update the carrying amount of the original liability by discounting the modified cash flows discounted at the original effective interest rate and recognize a gain or loss in profit or loss.

When evaluating whether the change in the terms of an existing liability is substantial, the Company takes into account both quantitative and qualitative considerations.

7. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (Cont.)****Initial adoption of IFRS 9, “Financial Instruments”:**

In July 2014, the IASB issued the final and complete version of IFRS 9, “Financial Instruments” (“the new Standard”), which replaces IAS 39, “Financial Instruments:

The effect of the initial adoption of the new Standard on the Company’s financial statements is as follows:

Derecognition of financial liabilities:

The Company modified the terms of previously issued notes during 2016. Accordingly, the Company accounted for the modification in conformity with the provisions of IAS 39.7A by adjusting the effective interest rate so that the updated cash flows, discounted at the new interest rate, will correspond to the carrying amount of the notes prior to said change in terms. According to the new Standard, the Company accounts for the modification by recognising the difference between the discounted updated cash flows, after the change in terms and using the original effective interest rate, and the carrying amount to profit or loss. The effect of the above changes on the Company’s financial statements is as follows:

In the consolidated statements of financial position:

	As previously reported	The change	According to IFRS 9
	NIS in thousands		
As of January 1, 2018			
notes at amortized cost	780,861	(5,805)	775,056
Retained losses	(430,366)	2,607	(427,759)
Non-controlling interests	45,651	3,198	48,258

Revenue from Contracts with Customers:

The accounting policy on revenue recognition based on IFRS 15, “Revenue from Contracts with Customers” (“the Standard”) adopted effective from January 1, 2018 retrospectively without restatement of comparative figures and is as follows:

1. Revenue recognition:

According to the Standard, revenue from contracts with customers is recognized in profit or loss when the control over the asset or service is transferred to the customer. Revenue is measured and recognized at the fair value of the consideration that is expected to be received based on the contract terms, less the amounts collected in favor of third parties (such as taxes). Where a contract contains elements of variable consideration, the entity will estimate the amount of variable consideration to which it will be entitled under the contract. Revenue is recognized in profit or loss to the extent that it is probable that the economic benefits associated with the contract will flow to the Company and that the costs incurred or to be incurred in respect of the contract can be measured reliably.

The initial adoption of IFRS 15 do not have an impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - THE COMPANY FINANCIAL POSITION

As of the financial statements' approval date, the Company's standalone financial position includes liabilities to Series I notes in the aggregate principal amount of approximately NIS 231 million which is due until November 2019. In addition, until November 2019 the Company has certain operational expenses and other current liabilities for its ongoing operations in the amount of approximately NIS 31 million.

The Company has prepared a projected cash flow that outlines the relevant resources until November 2019 that are expected to serve the repayments to Series I notes which includes the following resources : (i) cash and cash equivalents (on a standalone basis) of approximately NIS 68 million; (ii) proceeds from payments on account of the sale of the Company's plot in Bangalore (India) in the amount of approximately NIS 52 million based on the current valuation which is lower than the sale agreement signed on March 2018 as mentioned in Note 9 1.; (iii) proceeds from the Company's plot in Chennai in the amount of NIS 28 million based on term sheet signed as mention in Note 10 2 (iv) proceeds from sale of the Company's shares in Elbit Medical (see also Note 10 4).

The Company's management and board of directors are of the opinion, based on the projected cash flow and the assumptions described, that the Company can execute its plans and that it would be able to serve its indebtedness in the foreseeable future.

In light of the foregoing, the Company's management and board of directors are of the opinion that no significant doubts exist as to the Company's ability to act as going concern.

NOTE 5: - GOING CONCERN AND LIQUIDITY POSITION OF SUBSIDIARIES AND AFFILIATES

1. Plaza Centers NV ("PC") board and management estimate that there are significant doubts regarding PC's ability to serve its entire debt according to the current repayment schedule of PC notes. Moreover, it is expected that PC will not be able to meet its entire contractual obligations in the following 12 months.

As of June 30, 2018 PC is not in compliance with Coverage Ratio Covenant ("CRC") as defined in the restructuring plan. This may entitle the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

In addition, based on trust deeds in case of material deterioration in PC's business and substantial suspicion exists that the PC will not be able to repay the notes on time, the bondholders may declare immediate repayment of notes.

In the case that PC's bondholders would declare their remaining claims to become immediately due and payable, PC would not be in a position to settle those claims and would need to enter to an additional debt restructuring or might cease to be a going concern. As at the date of these financial statements PC bondholders have not taken steps to assert their rights.

A combination of the abovementioned conditions indicates the existence of a material uncertainty that casts significant doubt about PC's ability to continue as a going concern.

2. Gamida's auditor' report with respect to Gamida's financial statements as of June 30, 2018 includes emphasize of matter with respect to going concern uncertainty. Gamida is making efforts to raise additional capital for its operations by a private placement and / or public offering on NASDAQ.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 6: - SEGMENT REPORTING**

The chief operating decision-makers (CODM) have been identified as the Chairman of the board who serves as the CEO as well and the CFO. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assess the performance of the Group's segments based on Net Operating Income.

For the purpose of this interim financial information the following business segments were identified:

- Medical industries
- Plots in India
- Plots in Eastern Europe initially designated for development of commercial centers

Six months period ended June 30, 2018:

	Plots in Eastern Europe	Medical industries (i)	Plots in India	Equity method adjustment	Total
Segment revenues	946	45,505	-	(45,505)	946
Segment profit (loss)	(20,345)	(94,567)	(3,359)	94,567	(23,703)
Financial expenses	-	-	-	-	-
Share in losses of associates, net	-	-	-	-	-
Unallocated general and administrative expenses					(5,143)
Unallocated other income					(7,275)
Unallocated financial expenses, net					(20,960)
Loss before income taxes					(57,081)

(i) Includes mainly investments in associates and therefore not included in the total revenues and other income.

Six months' period ended June 30, 2017:

	Commercial and entertainment centers	Medical industries (i)	Plots in India	Equity method adjustment	Total
Segment revenues	450,025	39,817	-	(39,817)	450,025
Segment profit (loss)	14,028	(12,158)	(835)	12,565	13,600
Financial expenses	(3,513)	-	-	-	(3,513)
Share in losses of associates, net	-	(9,106)	-	(4,947)	(14,053)
Unallocated general and administrative expenses					(8,260)
Unallocated financial expenses					(67,145)
Loss before income taxes					(79,371)

(i) Includes mainly investments in associates and therefore not included in the total revenues and other income.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: - SEGMENT REPORTING (Cont.)

Year ended December 31, 2017:

	Plots in Eastern Europe	Medical industries and devices	Plots in India	Other activities and allocations	Equity method adjustments	Total
Revenues	814,826	117,488	-	-	(117,488)	814,826
Segment profit (loss)	(36,929)	(135,445)	(55,422)	-	135,445	92,450
Financial income (expenses)	(5,281)	-	-	-	-	(5,281)
Share in losses of associates, net	-	(15,156)	-	-	(5,047)	(20,202)
Adjustments:						
Unallocated general and administrative expenses						(14,930)
Unallocated other expenses						532
Unallocated financial expenses						(107,015)
Financial income						1,811
Loss before income taxes						(237,534)
Additions to segment assets	7,895	-	-	-	-	7,895
Unallocated						3,156
Total additions						11,051
Depreciation and amortization of segment assets	52	-	-	-	-	52
Unallocated						28,951
Total Depreciation and amortization						29,003
Impairment of segment assets	47,700	-	43,057	-	-	90,757
Unallocated						-
Total Impairment						90,757
Assets and Liabilities						
December 31, 2017:						
Segment assets	305,503	-	187,509	5,845	-	498,856
Equity basis investments	-	-	-	-	5,437	5,437
Unallocated						513,078
Total Assets						1,017,371
Liabilities						
Segment liabilities	54,792	-	38,477	-	-	93,269
Unallocated liabilities						1,072,887
Total Liabilities						1,166,156

- (i) Includes mainly revenues from commercial centers under operation until their sale and consideration from sales of trading property.

NOTE 7: - FINANCIAL INSTRUMENTS

a. Financial risks:

During the six-months period ended June 30, 2018 there have been no significant changes in the Group's financial risk management. Objectives and policies are consistent with those disclosed in Note 20 (c) to the consolidated financial statements as at and for the year ended December 31, 2017.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 7: - FINANCIAL INSTRUMENTS (Cont.)**

b. Fair value of financial instruments:

1. The following table presents the book value and fair value of the Group's financial liabilities, which are presented in the financial statements at other than their fair value:

	<u>Book Value</u>	<u>Fair Value</u>
	<u>(In thousands NIS)</u>	
Notes*)		
As of June 30, 2018	670,512	551,854
As of December 31, 2017	1,024,168	911,051

*) Fair value of notes is based on the market price of the notes in the TASE as of the June 30, 2018.

2. The fair value of derivative (conversion component) is based on Level 3 in fair value hierarchy.

The following table provides the fair value reconciliation as at June 30, 2018:

	Derivative
	(In thousands NIS)
Balance as at issuance date (*)	42,213
Change in fair value of financial instruments measured at fair value through profit and loss	(18,013)
Translation reserve	1,729
Balance as at June 30, 2018	25,929

(*) Refer to Note 9 (2) with respect to issuance of convertible notes by the Company's subsidiary.

Fair value measurement technique:

The fair value of the derivative (conversion component) was calculated using binomial model. The main parameters used in the model are as follows:

Significant unobservable inputs	Range
Discount rate (%)	0.71-0.96
Risk-free interest rate (%)	15
Expected volatility (%)	47.15-37.97

Significant increases/ (decreases) in discount rate, risk-free interest rate or expected volatility would result in a significantly lower/ (higher) fair value measurement.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 7: - FINANCIAL INSTRUMENTS (Cont.)****Description of significant unobservable inputs to valuation**Valuation process

For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the Group uses its valuation processes to decide its valuation policies and procedures and analyses changes in fair value measurements from period to period.

The CFO is responsible for ensuring that the final reported fair value estimation is in compliance with IFRS and proposes adjustments when needed. The value of the derivative was determined by Elbit Medical management relying on experienced independent specialist.

NOTE 8: - DISCONTINUED OPERATIONSSale of the “Radisson complex”

Following the closing and consummation of the transaction as described in Note 19 to the Company’s annual financial statements as of December 31, 2017, the Company has ceased to operate the “Radisson Complex” hotel activity, and accordingly the said activity was classified as discontinued operation including comparative information.

Results of discontinued operations:

	Six months ended June 30		Year ended December 31
	2018	2017	2017
	NIS in thousands (except for per-share data)		
Revenues from hotel operations and management	-	62,664	130,142
	-	62,664	130,142
Expenses and losses			
Cost of hotel operations and management	-	52,377	105,678
Financial expenses, net	-	8,906	20,103
Other income, net	(280)	(339)	(669)
	280	(60,944)	(125,112)
Profit (loss) from discontinued operations before income taxes	280	1,720	(5,030)
Income tax (income) expenses	-	(1,014)	80
Profit (loss) from discontinued operations	280	2,734	(5,110)
Gain from sale of hotels	-	-	(55,835)
Release of capital funds as a result of the sale of hotels	-	-	213,848
Total profit from discontinued operations	280	2,734	152,903
Basic and diluted earnings per share	-	0.30	(16.64)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - DISCONTINUED OPERATIONS (Cont.)

Reclassification of comparative information:

	Six months ended June 30 2017		
	As previously reported	Amendment	As presented in these financial statements
	NIS in thousands		
Revenues			
Revenues from sale of commercial centers	431,973	-	431,973
Revenues from Hotels operations and management	62,664	(62,664)	-
Total revenues	<u>494,637</u>	<u>(62,664)</u>	<u>431,973</u>
Gains and other			
Rental income from commercial centers	18,052	-	18,052
Total gains	<u>18,052</u>	<u>-</u>	<u>18,052</u>
Total revenues and gains	<u>512,689</u>	<u>(62,664)</u>	<u>450,025</u>
Expenses and losses			
Cost of trading properties sold and commercial centers operation	436,542	-	436,542
Hotels operations and management	52,377	(52,377)	-
General and administrative expenses	8,260	-	8,260
Share in losses of associates, net	14,053	-	14,053
Financial expenses	80,636	(8,906)	71,730
Financial income	(1,071)	-	(1,071)
Write-down, charges and other expenses, net	(456)	339	(117)
	<u>590,341</u>	<u>(60,944)</u>	<u>529,397</u>
Loss before income taxes	<u>(77,652)</u>	<u>(1,720)</u>	<u>(79,372)</u>
Income taxes expenses (tax benefits)	(2,239)	1,014	(1,225)
Loss from continuing operations	<u>(75,413)</u>	<u>(2,734)</u>	<u>(78,147)</u>
Profit from discontinued operations, net	-	2,734	2,734
Loss for the year	<u>(75,413)</u>	<u>-</u>	<u>(75,413)</u>
Attributable to:			
Equity holders of the Company	(58,745)	-	(58,745)
Non-controlling interest	(16,668)	-	(16,668)
	<u>(75,413)</u>	<u>-</u>	<u>(75,413)</u>
Loss from continuing operations			
Equity holders of the Company	(58,745)	(2,387)	(61,132)
Non-controlling interest	(16,668)	(347)	(17,015)
	<u>(75,413)</u>	<u>(2,734)</u>	<u>(78,147)</u>
Profit from discontinued operation, net			
Equity holders of the Company	-	2,387	2,387
Non-controlling interest	-	347	347
	<u>-</u>	<u>2,734</u>	<u>2,734</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 8: - DISCONTINUED OPERATIONS (Cont.)****Statement of Cash flows**

The statement of cash flows includes the following amounts relating to discontinued hotels operations:

	Six months ended June 30		Year ended December 31
	2018	2017	2017
	NIS in thousands (except for per-share data)		
Operating activities	-	17,473	49,142
Investment activities	-	(2,674)	297,875
Financing activities	-	35,564	(157,948)
Net cash provided by discontinued operations	-	50,363	189,069

NOTE 9: - SIGNIFICANT EVENTS DURING THE PERIOD

1. Sale agreement of Plot in India:

In January 2018, the Purchaser of the 100% interest in an SPV (100% subsidiary of EPI (a jointly controlled subsidiary in which the Company and its subsidiary PC each hold a 50% stake)), that holds property in Bangalore, India, (the "Agreement" and the "Purchaser" respectively), has given notice that all remaining payments under the Agreement will be stopped until a mutually acceptable solution is reached due to a proposed change (initiated by the Indian authorities) which could potentially impact the development of the land

In March 2018, EPI and the Purchaser signed an amended revised agreement as follows: The Purchaser and EPI have agreed that the total purchase price shall be increased to INR 350 Crores (approximately NIS 184 million, the Company's share approximately NIS 92 million). As of the financial statements' approval date, the Purchaser paid EPI INR 67.5 Crores (approximately NIS 36 million, the Company's share approximately NIS 18 million).

Additional INR 70.5 Crores (approximately NIS 37 million, the Company's share approximately NIS 18.5 million) will be paid by the Purchaser in unequal monthly instalments until the Final Closing. The Final Closing will take place on 31 August 2019 when the final instalment of INR 212 Crores (approximately NIS 111 million, the Company's share approximately NIS 55.5 million) will be paid to EPI accompanied by the transfer of the outstanding share capital of the SPV.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: - SIGNIFICANT EVENTS DURING THE PERIOD (CONT.)

2. On February 19, 2018 the subsidiary Elbit Medical has completed a public offering of notes convertible into ordinary shares of Elbit Medical and secured by a pledge on a portion of Elbit Medical's holdings in INSIGHTEC Ltd. and Gamida Cell Ltd. (the "Notes"). The main terms of the Notes are:
- (1) Total amount raised: NIS 180 million (approx. US\$ 49 million);.
 - (2) Maturity Date: March 1, 2022.
 - (3) Interest: Annual interest of 5% in the first two years and 10% in the remaining period, payable twice a year - in March and September.
 - (4) Conversion: Each NIS1.47 par value in Notes convertible into one Elbit Medical ordinary share.
 - (5) Certain covenants as loan to value: certain limitations including on the ability of Elbit Medical to distribute dividends or raise additional debt.
 - (6) Collateral: The Notes are secured by a pledge on 75% of Elbit Medical's holdings in INSIGHTEC Ltd. and Gamida Cell Ltd in a "value to loan" ratio of 200%.
 - (7) Use of Proceeds:
 - (a) payment of all expenses in connection with the issuance of the Notes (approximately NIS 6 (approx. US\$ 1.7 million));
 - (b) NIS 18 million (approx. US\$ 5 million) were deposited with the trustee for interest payments due on the Notes for the first two years;
 - (c) NIS 4 million (approx. US\$ 1 million) for ongoing operational expenses; and
 - (d) The remaining proceeds was used to repay Elbit Medical's intercompany debt to the Company (approximately NIS 153 million (approx. US\$ 44 million)).

In April, 2018 the balance of Elbit Medical's debt to the Company, in the total amount of approximately NIS 2 million (approximately USD 580 thousand) was converted to approximately NIS 2 million par value Notes.

The effective interest rate of debt component of convertible notes is 16.7%.

With respect to conversion component of the notes issued, refer also to Note 7(b)(2).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: - SIGNIFICANT EVENTS DURING THE PERIOD (Cont.)

3. Motion to reveal and review internal documents:

In March 2018, a Shareholder of the Company has filed a motion with the Financial Department of the District Court in Tel-Aviv to reveal and review internal documents of the Company and of PC, with respect to the events surrounding that certain agreements that were signed in connection with the Casa Radio Project in Romania and the sale of the US portfolio. Such events were previously announced by the Company and are detailed in notes 4.c.1.c and 13.b.12 to the consolidated financial statements for the year ended December 31, 2017. The Company and PC are currently examining the motion with its legal advisors and intend to respond in due course.

4. In May 2018, a third party has filed a legal claim in the court of Greece against Helios Plaza AE ("HP"), a fully owned subsidiary of Plaza which holds land property in Athens ("Land Property"). The claimant is claiming from HP an amount of EUR 2.96 million based on a certain allegedly agreement that was claimed to be agreed in 2010, and has also filed a request for an injunction with respect to the Land Property in order to secure its claim. In June 2018, the injunction was granted until final decision regarding the main dispute. At this preliminary stage, PC and its legal advisors are unable to estimate the probability of the claim and its possible implication if any.

Due to these new circumstances the sale of the Land Property was put on hold, and PC is discussing with the existing potential buyer the options forward. PC recorded a write-down of EUR 1.15 million which reflect expected transaction costs.

5. Redemption of the Polish notes:

In May 2018, further to the decision of the Israeli Series A and Series B Bondholders of PC, PC has redeemed in full the series of notes issued in Poland at their principal amount together with interest accrued to the maturity date in total amount of EUR 11 million. Upon completion of the redemption, PC has no outstanding notes issued in Poland.

6. On June 8, 2018 Olive Software Inc. (an affiliate in which the Company indirectly held 16% of the outstanding share capital) ("Olive") was merged into another corporation in a cash transaction. In consideration for its holdings in Olive, the Company received approximately \$1.8 million gross (NIS 5.4 million). The Company recognized a profit of NIS 1.3 million in the financial statements.

The Transaction includes certain commitments and warranties towards the Purchaser and undertaking to indemnify the Purchaser under certain circumstances.

7. On June 28, 2018 the company has received written notification from the Nasdaq Stock Market ("Nasdaq") dated June 26, 2018, indicating that the Company is no longer in compliance with the continued listing requirement under Nasdaq Listing Rule 5450(b) (3)(C) because the market value of its publicly held shares ("MVPHS") was below \$15,000,000 for 30 consecutive business days. Under Nasdaq rules, publicly held shares is defined as shares not held directly or indirectly by an officer, director or any person who is the beneficial owner of more than 10% of the total shares outstanding of the Company.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: - SIGNIFICANT EVENTS DURING THE PERIOD (Cont.)

Pursuant to Nasdaq Listing Rule 5810(c)(3)(D), the applicable grace period to regain compliance is 180 calendar days, or until December 24, 2018. The Company can cure this deficiency if the Company's MVPHS closes at \$15,000,000 or more for a minimum of ten consecutive business days during the grace period.

According to the Nasdaq notice to the Company, in the event the Company does not regain compliance within 180 calendar days, the Company may consider applying to transfer its securities to The Nasdaq Capital Market assuming it meets the Capital Market's continued listing requirements.

The Company intends to monitor its MVPHS during the prescribed grace period and is considering all options that would allow its ordinary shares to remain listed on Nasdaq. During this time, the Company's ordinary shares will continue to be listed and trade on Nasdaq. The Company's business operations are not affected by the receipt of the notification.

NOTE 10: - SUBSEQUENT EVENTS

1. On July 2, 2018, the Company was issued by Israeli court a decision in a lawsuit brought by the Company against the Israeli Tax Authority relating to VAT assessments issued to the Company and relating to the period from April 2006 to June 2011. In the decision, the court accepted in part the Israeli Tax Authority's position. Accordingly, the Company is required to pay the Israeli Tax Authority a payment of NIS 11.5 million in connection with the VAT assessments for the years 2006-2011 (including interest and linkage to the Consumer Prices Index, and after setting off approximately NIS 10 million in VAT refunds due the Company). The impact on the statement of the profit and loss amounted to NIS 6 million.
2. In July, 2018 EPI has signed a term sheet with a local Indian partner (the "Buyer" in respect to the sale of EPI's subsidiary ("SPV") that holds the 74.7 acre plot in Chennai, India (the "Plot") (the "Term Sheet"). Under the terms of the Term Sheet, the Buyer shall have a period of 60 (sixty) days to undertake a due diligence process solely with respect to the SPV, following which definitive agreements for the sale of the SPV, in consideration for INR 110 Crores (approximately NIS 57 million, subject to adjustment with respect to the previous amount deposited and the existing cash in the SPV) shall be signed and closing shall take place on the same day. It is hereby noted that the aforementioned transaction is still subject to satisfactory due diligence results.

As a result, the Company recorded losses in the total amount of NIS 2.9 million to reflect the purchase price based on term sheet.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: - SUBSEQUENT EVENTS (CONT.)

3. Sale agreement of up to 50% of the share capital of Elbit Medical LTD:

On August 8, 2018, the Company announced that it has signed a Share Purchase Agreement ("SPA") with an SPV related to Exigent Capital Group ("SPV") for the sale of between 11,574,146 ordinary shares of Elbit Medical Technologies Ltd. ("Elbit Medical") (5% of its outstanding share capital) and 115,741,467 ordinary shares of Elbit Medical (50% of its outstanding share capital) (the "Maximum Quantity") for a price per share of NIS 0.96 (approximately \$0.26).

Under the terms of the SPA, the SPV is to purchase 11,574,146 shares of Elbit Medical on or before August 27, 2018, which date may be deferred by up to seven (7) days upon the SPV's prior written request (the: "Initial Closing").

During the period from the Initial Closing until November 26, 2018, the SPV may purchase additional shares up to the Maximum Quantity (including the shares purchased at the Initial Closing), at the Per Share Price, but it is not obligated to do so.

If, prior to November 26, 2018, the Company receives a binding, irrevocable offer from a third party to acquire Elbit Medical shares for a price per share (the "Offer Price") at least 7.5% higher than the Per Share Price, then the SPV shall have the right of first refusal ("Right of First Refusal").

In addition, in such event, the SPV shall have the right to tag-along with such sale of shares to the offeror. In the event that the SPV does not exercise its Right of First Refusal, the SPV shall be entitled to compensation as specified in the SPA.

The parties also entered into a three-year voting agreement (that will become effective only if and to the extent that the SPV will purchase from the Company shares of Elbit Medical that constitutes at least 10% of Elbit Medical's outstanding share capital) regarding the appointment of directors in the Company.

During the term of the voting agreement, each party shall have a right of first offer with respect to any sale of shares by the other party, subject to certain exceptions.

4. On July 18, 2018, the Company announced that its board of directors approved, subject to the completion of the Initial Closing of the transaction mention in 3 above, a new plan for the repurchase of the Company's Series I notes ("Notes"), commencing on August 26, 2018 for a total consideration of up to NIS 70 million (approximately \$19 million) ("Plan"). The repurchases will be made on the Tel Aviv Stock Exchange or in privately negotiated transactions. The Plan does not require the Company to acquire any or a specific amount of Notes, and it may be modified, suspended, extended or discontinued without prior notice. Notes repurchased by the Company will immediately be canceled. The Company is exploring the possibility of raising funds in a public offering or private placement. Such fundraising, its terms, scope and timing, are subject to approval by the Company's relevant organs, the receipt of regulatory approvals (if necessary), and other factors such as market conditions.
5. Request to reveal document

An indirect subsidiary of PC in Romania (which holds plot of land outside Bucharest) received a request from Romanian authorities to reveal documents regarding the years in 2007-2011 as part of an ongoing investigation procedures. PC is unaware of the subject of investigation and any illegal acts or irregularities which may cause investigation initiated.

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

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

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

The first three Warning Signs as described above exists in the Company's financial statements for June 30, 2018. Therefore, the Company publishes this Projected Cash Flow of the Company (on a standalone basis) and the assumptions upon which it is based:

	June 30, 2018- December 31, 2018 (NIS Thousands)	January 1, 2019- December 31, 2019 (NIS Thousands)	January 1, 2020- June 30, 2020 (NIS Thousands)
Opening balance: Cash and cash equivalents	68	123	67
<u>Projected Sources</u>			
<u>Sources from realization of assets and business:</u>			
Cash flow from sale of our holdings in plot in India (Bangalore site) (1)	4	48	-
Cash flow from sale of our holdings in plot in India (Chennai site) (2)	28	-	-
Cash flow from selling our medical shares (3)	111	-	-
Cash flow from selling our medical shares (4)	-	85	-
Total Sources	143	133	-
<u>Projected uses:</u>			
<u>Debt service:</u>			
Buy back of Series I (5)	70	-	-
Principal payment to Series I notes holders (6)	-	169	-
Payments to our subsidiary Plaza centers NV (7)	7	-	-
<u>Other operating expenses</u>			
General and administrative expenses	4	8	3
Other non-recurring expenses (8)	7	12	3
Total Uses	89	189	6
Closing balance: Cash and cash equivalents	123	67	61

Assumptions and explanations pertaining to the above table:

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

Euro/NIS exchange rate	4.179
Indian Rupee/NIS exchange rate	0.0526
Euro Libor rate (%)	-
Elbit Medical share price on the TASE	0.96

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

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

- (2) This amount is based on realization of our shares in the company that holds the Chennai project, according to the consideration that was determined in the term sheet signed on July, 2018.

The ability to complete the transaction depends, inter alia, on the following factors: (i) that the buyer will conclude the due diligence process without any materials negative findings; (ii) execution of offshore payments from India are subject to substantive regulations. Changes in the regulations (as was done in previous years) might cause delays in payments or even inability to execute the transaction in its current structure; (iii) The transaction is quoted in Indian Rupee (“**INR**”) and therefore any change in the INR/NIS exchange rate might affect the net proceed in NIS; and (iv) the buyer’s ability to consummate the transaction.

- (3) Those amounts are based on realization of our shares in Elbit Medical according to SPA agreement signed on August 2018. For further details regarding the said transaction see the Company’s press release dated August 8, 2018.

The main factors that might affect the transaction and the consideration to the Company are: (i) according to the SPA, the buyer is obligated to purchase from the Company shares representing 5% of Elbit Medical’s outstanding share capital and he has the right to purchase additional shares representing 45% of Elbit Medical’s outstanding share capital. There is no certainty that the buyer will exercise his right to purchase the additional shares; (ii) the buyer’s ability to consummate the transaction.

- (4) Those amounts are based on realization of our shares in Elbit Medical. The price of Elbit medical share was based on the share purchase agreement signed in August 2018.

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

- (5) During July 2018 the Company announced a buyback plan for its (Series I) notes for a total consideration of up to NIS 70 million.
- (6) The outstanding (Series I) notes As of June 30, 2018 (including principal and accrued interest) is NIS 229 million and it is due in November, 2019.

The outstanding (Series I) notes in the projected cash flow in the total amount of NIS 169 million is after taking into account the buyback plan mentioned in Section (5) above.

- (7) The Company has an outstanding debt to PC in the amount of approximately Euro 1.7 million. The debt (principal and interest) is due on June 30, 2018. The principal and the interest payments to PC can mainly be affected by the Euro/ NIS exchange rate.
- (8) The non-recurring expenses are mainly payments to governmental institutes following the court a decision in a lawsuit brought by the Company against the Israeli Tax Authority relating to VAT assessments for the years 2006-2011.

In its decision, the court accepted in part the Israeli Tax Authority's position. Accordingly, the Company is required to pay the Israeli Tax Authority a payment of NIS 11.5 million in connection with the VAT assessments for the years 2006-2011 (including interest and linkage to the Consumer Prices Index, and after setting off approximately NIS 10 million in VAT refunds due the Company).

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

Item	Amount (NIS million)	Additional information
Plot in Kochi, India	5	Based on transaction signed on January 14, 2016 for the sale of this plot. For additional information see "Item 4 - Information on the Company – History and Development of the Company – Recent Events – Agreement for the sale of Land Plot in Kochi, India".
Share in PC (45%)		Due to the significant debt burden of PC and the going concern note included in PC's financial statements, the Company assume that its equity position in PC is negligible.
Vendor loan in respect of the sale of our holding in Radisson	34	Represents the principal and interest payments with respect to the vendor loan which was granted by the Company to the Purchased of the Radisson Blu Hotel. The vendor loan is due 3 years from the closing date (i.e.: December 2020). Subsequent to this date, the Company will be required to deposit a depreciated deposit in favor of the indemnification of the purchaser until 2023.
Total	39	

There were no material differences between the projected cash flow and actual cash flow in 2018 and therefore the Company does not attach a comparison table between them.

This Section contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential" or similar words and includes relating to: (i) the possibility of completing the transaction for the sale of Elbit Medical's shares; (ii) executing the buyback plan for the Notes (Series I); and/or (iii) the sale of any of the plots in India. Forward-looking statements are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company's control, and cannot be predicted or quantified and consequently, actual results may differ materially from those projected, expressed or implied in the forward-looking statements. Such risks and uncertainties include, without limitation, the risk that the Company will not succeed in selling Elbit Medical's shares, the risk that the parties will fail to satisfy conditions precedent for closing the transaction, the risk that the buyer of Elbit Medical's shares will be unable to complete the transaction and purchase Elbit Medical shares, the risk that the Company will decide to suspend the buyback Plan for the Notes (including due to market conditions), and risk that the Company will be unable to sale the plots in India (inter alia due to market conditions or lack of demand for such plots in India). More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the Securities and Exchange Commission (SEC), including the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 27, 2018. Any forward-looking statements contained in this Section speaks only as of the date of this report, 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 in this Section will prove to be accurate. We undertake no obligation to update or revise any forward-looking statements.