



ELBIT IMAGING LTD. | Financial Results for 4th Quarter 2008



31 December 2008

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MAJOR DEVELOPMENTS AND THE CHAIRMAN'S STATEMENT



Mr. Mordechay Zisser, Chairman of the Board of Directors of the Company, commented:

Leading a well established global business enterprise, is tested especially in times of crises. The Elbit Imaging Group had met the current financial crisis, well prepared both in terms of its core activities, as well as with its debt structure. The Elbit Imaging Group had concluded realization of essentially all of its trading properties, well ahead of this current crisis, and yet it still maintains a streamline of real estate projects under various stages of planning and construction which do not require substantial liquidity resources. Elbit Imaging had also managed to provide an advantageous debt structure, so as to face the current crisis while in possession of substantial cash reserves.

The Company's management and employees are committed to use their utmost best to meet the challenges they are facing to act conservatively and with due care, in examining, under stringent criteria, highly attractive business opportunities arising, both in the Central and Eastern Europe markets - with which we are well acquainted, and in other territories as well.

It is now a time for our Company to start examining and reviewing those new markets which can present rare opportunities to us, including the American market. History has presented us with a rare window of opportunities, occurring only once in decades, of which we intend to take full advantage.

Some 13 years ago, our Group had begun the initiation and development activities in Eastern Europe as these markets presented yields ranging between 10%-15%, while Western markets were only presented at 4%-7% yield. In those Eastern European markets, our investment in the projects commenced with the acquisition of the land, and continued to the planning, construction and marketing of the centers - a process generally completed within 2-3 years and required considerable managerial resources, before we were able to proceed to the realization of such commercial centers and ripe the fruits of our investment. Nowadays, current U.S. real estate market conditions allow for the acquisition of operational shopping centers with yields ranging between of 9%-14%, and enjoy immediate rent proceeds.

It is my estimate, that within 2-3 years when our world recovers, Elbit will be able to realize such commercial centers, with yields ranging between 4%-7%.

Our Group has the power, the experience, the know-how and the financial resources to take advantage of these rare circumstances. We have therefore resolved to explore this unique opportunity of acquiring American shopping centers while investing our 15 year experience and extensive know-how in the development, management and improvement of same. To that end, the Group is looking into the possibility of raising, through a fund, approximately US\$ 400 million, in which Elbit's share (together with our subsidiary Plaza Centers N.V. - in equal parts) is expected to be approximately \$100 million. This will allow us to fund the acquisition of shopping centers at prices (aggregate) ranging between approximately US\$ 800 million to US\$1 billion".

KEY FINANCIAL DATA
AND PRESENTATION BY CFO
OF SIGNIFICANT FINANCIAL RESULTS
FOR Q4 2008

FINANCIAL RESULTS

Consolidated revenues in Q4 2008 were NIS 264 million compared to NIS 2,279 million reported to the previous quarter.

Revenues from sale and operation of commercial centers in Q4 2008 amounted to NIS 81 million compared to NIS 2,130 million in the previous quarter. This decrease is attributable to the sale of Arena Plaza in Hungary in Q4 2007 in the amount of approximately NIS 2 billion.

Cost of sale and operation of commercial centers in Q4 2008 amounted to NIS 72 million compared to NIS 1.1 billion in the previous quarter. This decrease is derived from the same factors mentioned above.

Revenues from hotels operations and management in Q4 amounted to NIS 100 million as compared to NIS 108 million reported in the previous quarter. This decrease is attributable to the devaluation of the Pound and the EURO against the NIS offset by part by the increase in the revenues of the hotels segment mainly due to the opening of Bucharesti Hotel in Romania.

Costs and expenses from hotels operations and management in Q4 2008 amounted to NIS 90 million compared to NIS 82 million reported in the previous quarter. This increase is attributable mainly to expenses related to the running of the Bucharesti Hotel complex , offset by the devaluation of the Pound and the EURO against the NIS.

Revenues from sale of medical systems in Q4 2008 amounted to NIS 5 million compared to NIS 14 million reported in the previous quarter.

Costs and expenses of medical systems operation in Q4 2008 amounted to NIS 13.5 million compared to NIS 19.2 million reported in the previous quarter.

Research and development expenses in Q4 2008 amounted to NIS 17 million compared to NIS 19 million reported in the previous quarter. These costs are attributable to the operations of InSightec which due to its shareholders' policy continuing in accelerated research and development efforts.

Revenues from sale of fashion merchandise in Q4 2008 amounted to NIS 32 million in 2008 compared to NIS 24 million reported in the previous quarter. This increase is attributed mainly to the opening of 8 new stores by Elbit Trade & Retail Ltd. during 2008.

Cost and expenses of fashion merchandise in Q4 2008 amounted to NIS 33 million compared to NIS 25 million reported in the previous quarter. This increase was attributable mainly to the opening of 8 new stores by Elbit Trade & Retail Ltd. as mentioned above.

FINANCIAL RESULTS (CONT.)

General and administrative expenses in Q4 2008 amounted to NIS 14 million compared to NIS 67 million reported in the previous quarter. The decrease in general and administrative expenses is mainly attributable to (i) in 2008 the Company did not record any provision for bonus payments to its directors and officers compared to bonus payments recorded in 2007 as a result of the gain generated in this year; (ii) in Q4 2008 the Company implemented efficiency, reduction and saving procedures which reduced its costs.

Financial expenses (income), net result to income of NIS 63 million in Q4 2008 compared to expenses of NIS 32 million reported in the previous quarter. The change of NIS 95 million is derived from 3 major elements: (i) increase in gain from change in fair value of financial instruments (mainly Plaza Centers Notes and Swap transactions, both measured at fair value through profit and loss) to NIS 67 as compared to NIS 7 million in previous quarter; (ii) increase in financial income to NIS 69 million as compared to NIS 27.4 million in Q4 2007 mainly due to an increase in the Group cash and cash equivalent and fluctuation in exchange rates; offset by (iii) increase in financial expenses to NIS 74 million as compared to NIS 66 million in Q4 2007.

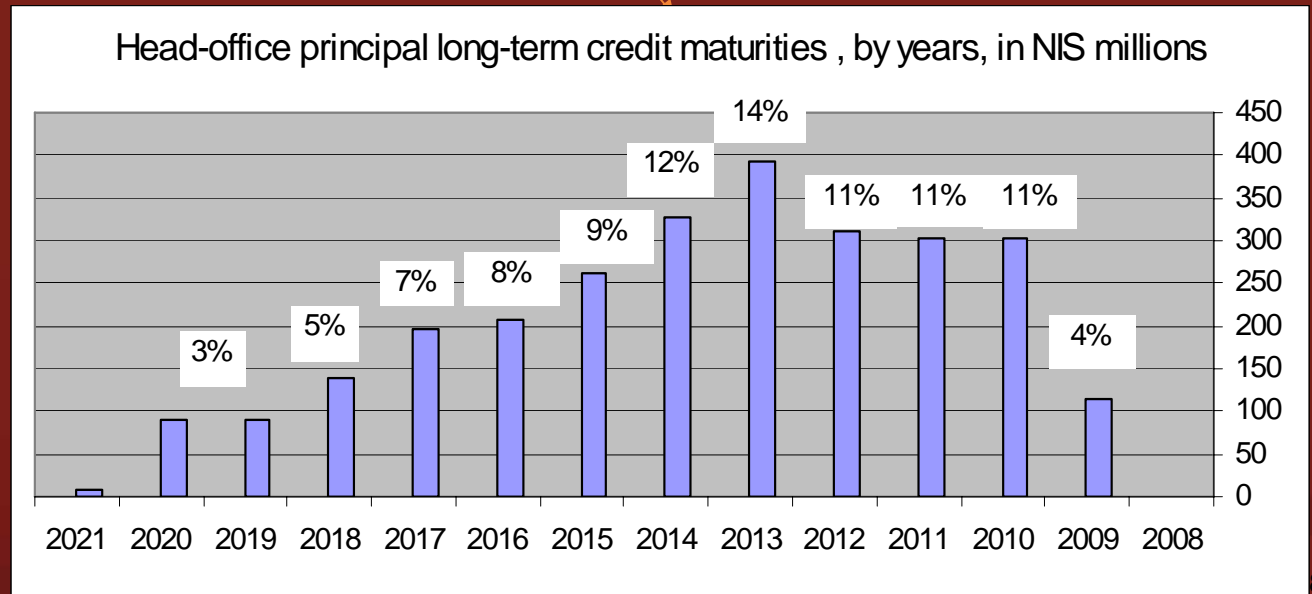
Loss in Q4 2008 amounted to NIS 4.2 million (of which NIS 6.6 million is attributable to the equity holders of the Company) as compared to income of NIS 968 million (of which NIS 617 million is attributable to the equity holders of the Company).



Mr. Dudi Machluf the Company's CFO

FINANCIAL STRENGTH & LIQUIDITY

- Positive working capital of NIS 4,178m.
- Cash balances of NIS 2,529m.
- Owners' equity of NIS 2,437m (The Company does not revalue it's assets).
- Consolidated debt of NIS 5,514m.
- Cash at Company's head office of NIS 1,184m.
- Gross debt at Company's head office of NIS 2,745m.
- Net debt at Company's head office of NIS 1,561m.



FINANCIAL STRENGTH (CONT.)

Composition of Cash and Debt

As at Dec 31 2008

Nis Millions	Cash and cash equivalents	Short-term deposits and long term Financial Items	Total
Head office	833	352	1,184
Plaza centers	774	473	1,247
Hotels	53	13	65
In Sightec	23	0	23
Mango	9	0	9
Sub Total	1,690	838	2,529
Financial instruments + Derivatives		321	321
Total	1,690	1,159	2,850

	Short-term credit	Long-term credit	Total
Head office	293	2,453	2,745
Plaza centers	368	1,146	1,514
Hotels	526	624	1,150
In Sightec	51	19	71
Mango	18	16	34
Total	1,255	4,259	5,514

	Net debt
Head office	(1,561)
Plaza centers	(267)
Hotels	(1,085)
In Sightec	(47)
Mango	(25)
Financial instruments + Derivatives	321
Total	(2,664)

PLAZA CENTERS

- Good progress on current developments under construction. Development activities limited to eight projects located in areas with the highest market demand and with favourable financing opportunities, namely Casa Radio and Miercurea Ciuc in Romania, Dream Island in Hungary, Suwalki and Zgorzelec in Poland, Liberec in Czech Republic, Koregaon Park in India and Riga in Latvia.
- Strong cash position maintained, providing ongoing support for current development activity and enabling the Company to take advantage of opportunities arising in the current market to acquire high yielding mature assets or invest in new markets.
- Joint venture signed between Plaza and Elbit to develop three major mixed use projects in India, located in the cities of Bangalore, Chennai and Kochi.
- Although Plaza's strategy in the last years is to sale its projects , Plaza is in a position where it does not have to execute forced sales of projects. If yields continue to be high on completion of the projects, it will take advantage of its experience gained over eight years in managing and running shopping malls effectively and efficiently, and hold the investment in its portfolio.

PLAZA CENTERS (CONT.)

Sale of trading property
 Cost of trading property sold
 Gain from sale of centers

year 2007	1-12 2008	Q4 2008
NIS Millions	NIS Millions	NIS Millions
2,820	439	63
(1,492)	(233)	(0)
1,328	206	62

In 2007 - The sites in question include Rybnik, Sosnowiec, Lublin and the Hippodrome, with the gain from Hippodrome recognized in the fourth quarter of 2007. The gain in 1-12 2008 stems from price adjustments on the Hippodrome and from the disposal of Plzen Plaza in Q2 2008.

Plaza :opening balance of trading property
 Investment for the period in Commercial centers Projects
 Reclassification of purchase of 50% in Elbit's share in India
 Disposals
 Capital reserves + capitalizations
 Total trading property in Plaza Centers books

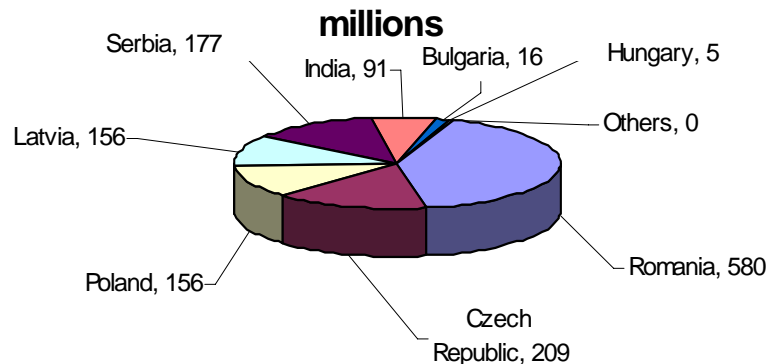
year 2007	1-12 2008	Q4 2008
NIS Millions	NIS Millions	NIS Millions
923	1,738	2,469
2,286	1,391	242
	313	313
(1,492)	(233)	(0)
21	(162)	23
1,738	3,047	3,047

In Elbit's financial statements

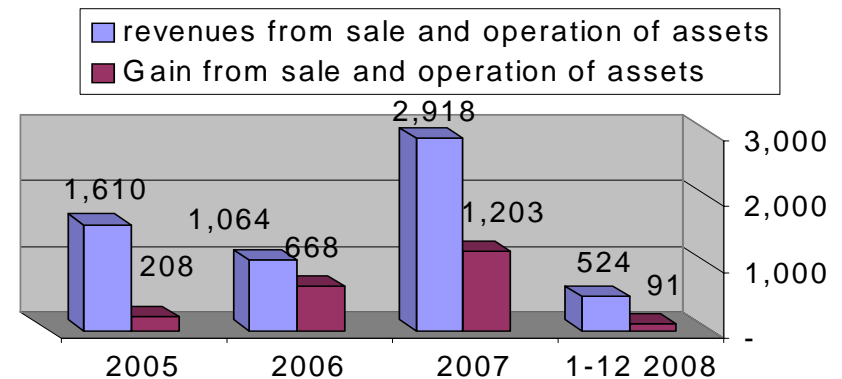
Reclassification of Elbit's share in India
 Capital reserves + capitalizations
 Total trading property in Elbit's books

	313	313
	(81)	(81)
1,738	3,279	3,279

Investments in Commercial Centers projects Jan-Dec 2008, Plaza , NIS



NIS millions



PLAZA CENTERS (CONT.)

Consolidation of the Company's financial strengths and liquidity

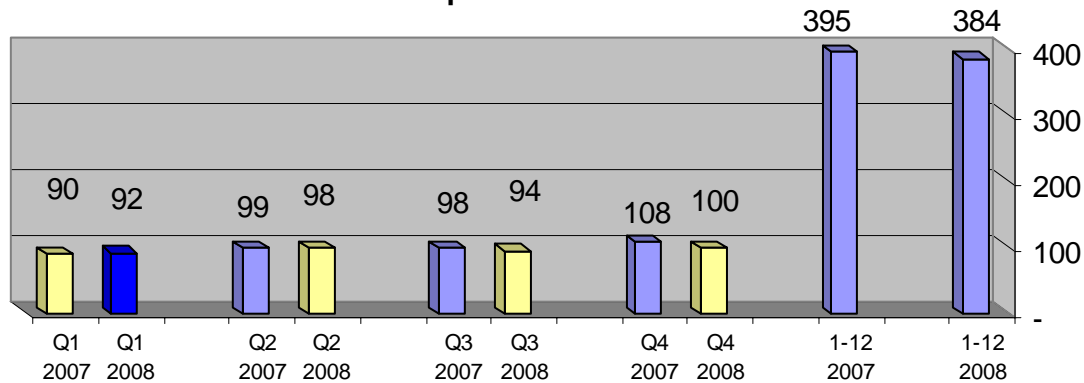
- Working capital of €698million.
- Cash and cash equivalents balances of €178 million (€235 million - including short term and long term balances)
- Shareholders' equity of €609 million.
- Consolidated borrowings of €285 million.
- The Company's shareholder's equity of € 609 million represents € 2.08 per share. The Company does not revalue it's assets.
- Net asset Value of € 2.37 per share according to external evaluator.

HOTEL DIVISION

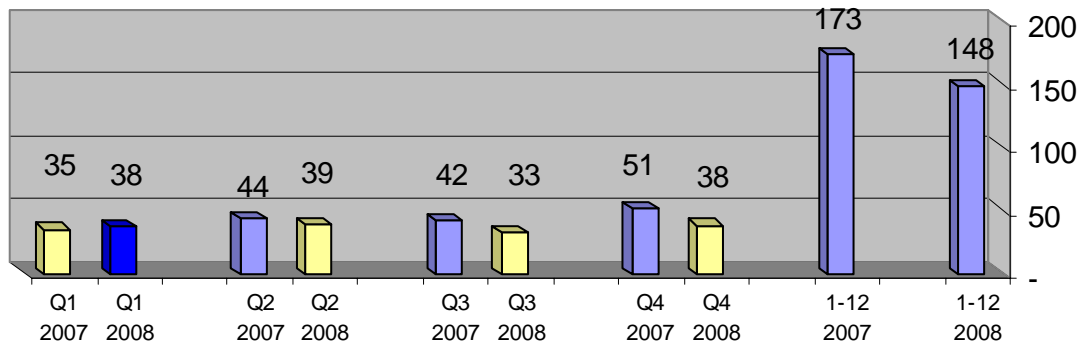
- The decrease in Revenues in 2008 compared to 2007 is attributable to the devaluation of the Pound and the EURO against the NIS offset by increase in the revenues of the hotels segment mainly due to the opening of Bucharesti Hotel in Romania.

Currency	1-12 2008	Q4 2008
NIS/EURO	-6.39%	5.95%
NIS/GBP	-28.04%	-11.76%
NIS/LEI	-15.18%	-0.70%

Revenues from Hotels operations in NIS millions

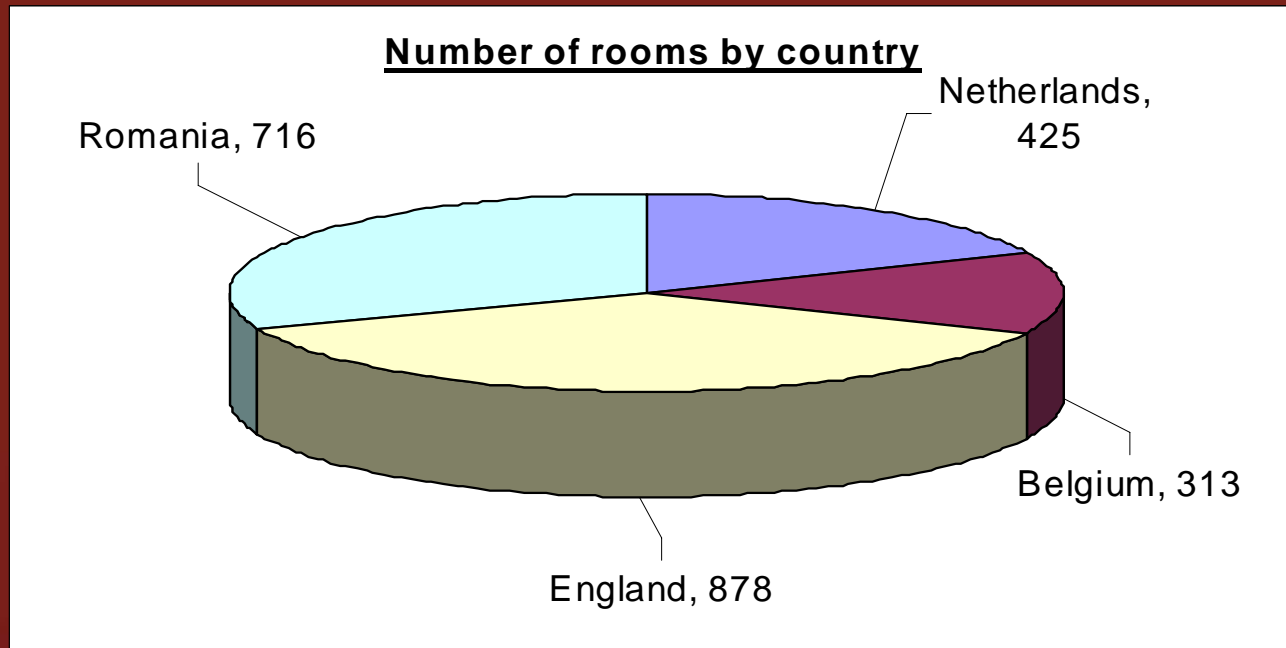


GOP from Hotels operations in NIS millions



HOTEL DIVISION (CONT.)

- Together with its partners, the Company has 2,332 rooms in operating hotels including 424 rooms in the new Radisson SAS Bucharest Hotel which was opened in June 2008.
- Cost of our hotels in our financial statements, as at 31.12.2008 is NIS 1,516 million.
- The results include the pre-opening costs of the Radisson SAS Bucharest hotel and the revenues do not fully reflect the potential of this hotel as it was only partially opened (soft opening).



INDIA DIVISION- Real Estate

- The Company invested a total of NIS 371 million in 2007 and NIS 357 million in 2008.
- Joint venture signed between Plaza Centers and Elbit, to develop three major mixed use projects in India located in the cities of Bangalore, Chennai and Kochi. The following table refers to these three projects.

	Year 2008
	NIS Millions
India: Investment opening balance , at 31.12.2007	397
Investments for Q1 2008	95
Investments for Q2 2008	168
Investments for Q3 2008	34
Investments for Q4 2008	60
Capital Reserves/Others	(75)
Balance at 31.12.2008 (Including Plaza centers share) (*)	679
Item in the FS:	
Amount - part of the "Trading property" Item (**)	458
Amount - part of the "Prepayments and other assets" Item (**)	196
Amount - part of the "Investment property" Item	25
	679

(*) Not including three other projects in India for the construction of commercial centers. These fall within the commercial Centers Division acting through Plaza centers and are part of the trading property Item.

(**) 50 % of the amount derives from Plaza centers FS.

InSightec

Overview:

- So far, Elbit Imaging has invested a total of approximately \$78 million in InSightec. As at December 31, 2008, our cost of investment has been depreciated in full, down to 0 value.
- InSightec revenues in 1-12 2008 was derived from the sale of 10 systems +services.
- InSightec's cumulative investment in R&D amounted to date to above \$100 million, fully depreciated to the profit and loss account.

Status of regulatory approvals and clinical studies

Uterine Fibroids (myoma)

The Company was granted CE and FDA approval to use the technology commercially.

Ontological Applications

The Company received CE approval to treat cancerous bone metastases.

The Company is conducting pre-clinical and clinical studies for a number of applications, as follows, and taking steps to obtain regulatory approvals for them:

- Bone metastases
- Prostate cancer
- Breast cancer
- Liver cancer

The Company is conducting initial feasibility studies into a number of neurological applications, such as: brain tumors, use of image-guided drugs, treatment for diseases of the central nervous system.

Market Size

The Company estimates the 'effective' market size to be above **\$1billion** in each of the clinical applications mentioned above.



See you on our website at:
www.elbitimaging.com