



ELBIT IMAGING LTD. | Financial Results for 2nd Quarter 2009



August 31, 2009

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KEY FINANCIAL DATA
AND PRESENTATION BY CFO
OF SIGNIFICANT FINANCIAL RESULTS
FOR Q2 2009

FINANCIAL RESULTS

Three months ended June 30, 2009 compared to corresponding period in 2008

The Company share in Loss of Q2 2009 was NIS 207.1 million as compared to **Net Profit** in Q2 2008 of NIS 15.6 .

This decrease is attributable mainly to the followings Items:

We recorded in the second quarter accounting loss in the amount of NIS 170 million which was mainly resulted from increase in the market price of Plaza Centers debentures which are measured at fair value as compared to accounting gain from resulted from such item in Q2 2008.

in Q2 2009 the company did not recorded revenues from sale of trading property as compared to revenues from sale of trading property recognized of NIS 329 million in the corresponded period.

Consolidated revenues for three months period ended June 30, 2009 were NIS 167.5 million (US\$ 42.7 million) compared to NIS 496.3 million reported in the corresponded period of 2008.

Revenues from commercial centers decreased in Q2 2009 to NIS 21.8 million (US\$ 5.6 million) from NIS 352.7 million in the corresponded period due to the fact that in Q2 2009 we did not recorded revenues from sale of trading property as compared to revenues from sale of trading property recognized of NIS 329 million in the corresponded period. Such revenues in Q2 2008 is attributable to the sale of the Plzen Plaza commercial center in the Czech Republic

Cost of commercial centers in Q2 2009 decreased to NIS 48.7 million (US\$ 12.4 million) compared to NIS 278.4 million in Q2 2008. This decrease is due to the fact that in Q2 2008 results include the cost of sales attributable to the sale of the Plzen Plaza commercial center as compared to no such costs in Q2 2009.

Revenues from hotels operations and management increased to NIS 101.9 million (US\$ 26 million) as compared to NIS 98.3 million reported in the corresponded period last year. This increase is attributable to: (i) an increase in revenues mainly attributable to the Radisson SAS Bucharesti hotel in Romania which was opened at the end of Q2 2008 offset by; (ii) a decrease in revenues from our existing hotels mainly due to the global economic slow down and; (iii) the devaluation of the Pound (the functional currencies in which our hotels in the UK operates) against the NIS.

FINANCIAL RESULTS (CONT.)

Costs and expenses from hotels operations and management in Q2 2009 increased to NIS 91.9 million (US\$ 23.4 million) compared to NIS 85 in Q2 2008. This increase is attributable mainly to expenses related to the Radisson SAS Bucharesti hotel which was opened at the end of Q2 2008; offset in part by reduction in direct expenses, as well as devaluation of the Pound against the NIS.

Revenues from sale of medical systems in Q2 2009 decreased to NIS 15.9 million (US\$ 4 million) compared to NIS 17.5 million reported in the corresponded period in 2008.

Costs and expenses of medical systems operations in Q2 2009 increased to NIS 16.1 million (US\$ 4.1 million) compared to NIS 14.3 million reported in the corresponded period in 2008.

Revenues from sale of fashion merchandise is attributed to the operations of Elbit Trade & Retail Ltd. which increased to NIS 27.9 million (US \$ 7.1 million) in Q2 2009 compared to NIS 27.8 million in the corresponded period in 2008. This increase is attributed mainly to the opening of new stores by Elbit Trade & Retail Ltd. during 2009 offset by a decrease in sales of existing stores as result of the global economic slow down.

Cost and expenses of fashion merchandise decreased to NIS 28.5 million (US\$ 7.3 million) in Q2 2009 compared to NIS 31 million reported in the corresponded period last year.

Research and development expenses decreased to NIS 16.7 million (US\$ 4.3 million) in Q2 2009 compared to NIS 17.6 million reported in the corresponded period last year. These costs are attributable to the operations of InSightec.

General and administrative expenses decreased to NIS 16.3 million (US\$ 4.2 million) in Q2 2009 compared to NIS 18.7 million in Q2 2008.

Financial expenses net increased to NIS 189.6 million (US\$ 48.4 million) in Q2 2009 compared to financial income, net of NIS 6.6 million reported in the corresponded period last year. Such increase derives mainly due to increase in loss recorded due to change in fair value of financial instruments (mainly loss from Plaza Centers debentures and net of gain from swap transaction in the amount of NIS 170 million , as well as gains from marketable securities, all measured at fair value through profit and loss) of NIS 141.7 million (US\$ 36.2 million) as compared to gain from change in fair value of financial instruments of NIS 46.5 in Q2 2008 ; and

Other expenses, net increased to NIS 53.6 million (US\$ 13.6 million), compared to NIS 0.9 million reported in corresponded period last year. The other expenses in Q2 2009 include mainly write-down of trading property in the amount of NIS 47 million(\$12.0 million) attributable to commercial centers in Eastern Europe..

FINANCIAL RESULTS (CONT.)

Loss before taxes in Q2 2009 was NIS 297 million (US\$ 75.8 million) as compared to profit before tax of NIS 51.4 million in the corresponded period in 2008.

Tax benefits in Q2 2009 were NIS 43.9 million (US\$ 11.2 million) as compared to NIS 3.3 million in the corresponded period last year. The tax benefits in Q2 2009 are mainly attributable to reversal of deferred tax liability in respect of timing differences mainly in connection with PC's financial instruments measured at fair value through profit and loss.

Loss from continuing operations in Q2 2009, was NIS 253.2 million (US\$ 64.6 million) compared to profit from continuing operations of NIS 54.8 million reported in the corresponded period last year.

Profit from discontinuing operation, net in Q2 2009 was NIS 1.2 million (US\$ 0.3 million) compared to NIS 1.2 million reported last year..

Loss in Q2 2009 was NIS 252 million (US \$64.3 million) of which NIS 207.1 million (US\$ 52.8 million) is attributable to the equity holders of the Company and NIS 44.8 million (US\$ 11.4 million) is attributable to the minority interest.

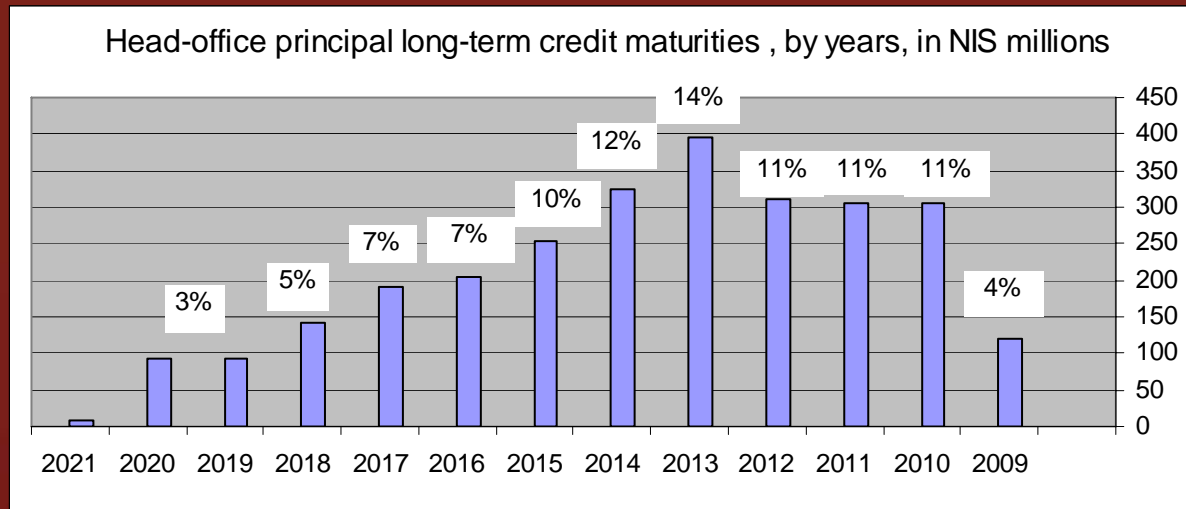
Net Profit in Q2 2008 was NIS 56 million of which NIS 15.6 million is attributable to the equity holders of the Company and NIS 40.3 million is attributable to minority interest.

Mr. Dudi Machluf the Company's CFO



FINANCIAL STRENGTH & LIQUIDITY

- Positive working capital of NIS 4,511.
- Cash balances of NIS 2,146m.
- Owners' equity of NIS 2,338m (The Company does not revalue it's assets).
- Consolidated debt of NIS 6,140m.
- Cash at Company's head office of NIS 1,039m.
- Gross debt at Company's head office of NIS 2,739m.
- Net debt at Company's head office of NIS 1,700m.



FINANCIAL STRENGTH (CONT.)

Composition of Cash and Debt

As of June 30 2009

Nis Millions	Cash and cash equivalents	Short-term deposits and long term financial items	T o t a l
Head office	670	369	1,039
Plaza centers	575	429	1,004
Hotels	55	22	77
In Sightec	16	0	17
Mango	5	4	9
Sub Total	<u>1,322</u>	<u>824</u>	<u>2,146</u>
Financial Instruments + Derivatives		343	343
Total	<u>1,322</u>	<u>1,168</u>	<u>2,489</u>

	Short-term credit (*)	Long-term credit	T o t a l
Head office	277	2,462	2,739
Plaza centers	644	1,375	2,019
Hotels	265	958	1,223
In Sightec	0	0	0
Mango	31	1	32
Sub Total	<u>1,217</u>	<u>4,796</u>	<u>6,013</u>
Financial Instruments + Derivatives	127	0	127
Total	<u>1,344</u>	<u>4,796</u>	<u>6,140</u>

	Net debt
Head office	(1,700)
Plaza centers	(1,016)
Hotels	(1,146)
In Sightec	17
Mango	(23)
Financial Instruments + Derivatives	217
Total	<u>(3,650)</u>

(*) Major part of the short term credit is classified as such, for accounting and other reasons, and the Company's management is of the opinion that repayment of same will not be due within the next 12 months.

PLAZA CENTERS

- ❑ 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.
- ❑ Development activities limited to six 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 and Koregaon Park in India.
- ❑ The remainder of Plaza's development pipeline projects are either in the design phase or waiting permitting. commencement of these projects will depend, amongst other things, on the availability of external financing.
- ❑ 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.
- ❑ During the first quarter Plaza opened two shopping and entertainment centres namely :Riga plaza in Latvia and Liberec Plaza in the Czech Republic.
- ❑ Since the period end, Plaza has agreed financing for 50% of its Koregaon Park development project in Pune, India (Total financing of circa USD 45 million).
- ❑ Plaza and its joint venture partner MKB Bank acquired a 27% interest in Dream Island from a company controlled by Sir Bernard Schreier. Plaza and MKB, as a 50:50 joint venture, now hold an 87% interest in the project.

PLAZA CENTERS (CONT.)

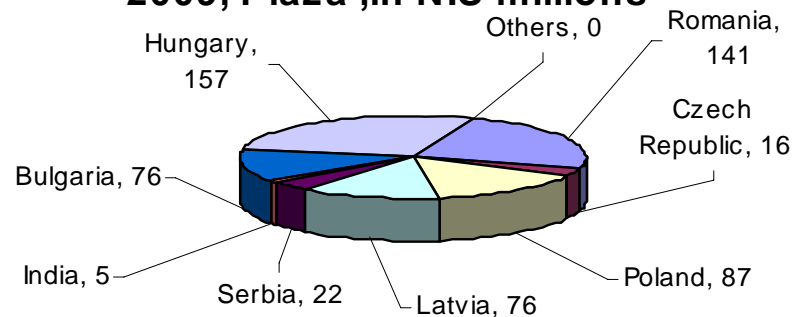
Asset realization throughout the period

	1-12 2008	H1 2009	Q2 2009
	NIS Millions	NIS Millions	NIS Millions
Sale of trading property	439	0	0
Cost of trading property sold	(233)	0	0
Gain from sale of centers	206	0	0

The gain in 1-12 2008 stems from price adjustments on the Hippodrome and from the sale of Plzen Plaza in Q2 2008. During H1 2009 there were no Centres Sold.

	1-12 2008	H1 2009	Q2 2009
	NIS Millions	NIS Millions	NIS Millions
Plaza :opening balance of trading property	1,738	3,047	3,674
Investment for the period in Commercial centers Projects	1,391	417	126
Investment for the period in Real Estate projects in India	313	5	0
Firstly consolidation of the Obuda Island project	0	157	9
Disposals	(233)	0	0
Capital reserves + capitalizations+impairment ,net	(162)	148	(35)
Total trading property in Plaza Centers books	3,047	3,774	3,774
<u>In Elbit's financial statements</u>			
Elbit's share in Real Estate projects in India including Capital reserves and capitalization	232	257	257
Total trading property in Elbit's books	3,279	4,030	4,030

Investments in projects Jan-June 2009, Plaza ,in NIS millions



PLAZA CENTERS (CONT.)

Consolidation of the Company's financial strengths and liquidity

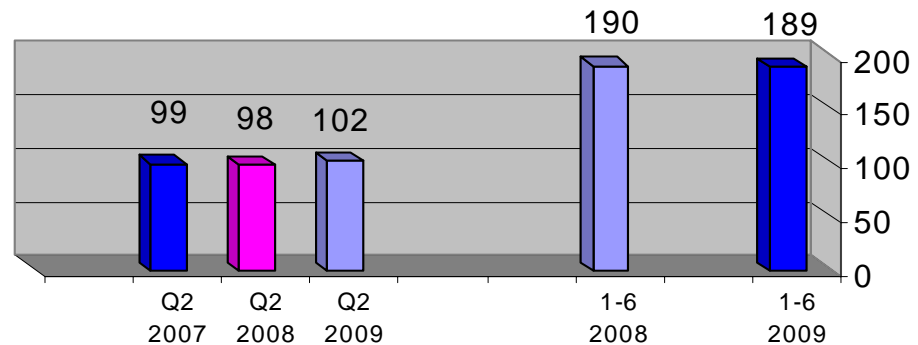
- Positive working capital of €711 million.
- Cash and cash equivalents balances of €138 million (€181 million - including short term and long term balances)
- Shareholders' equity of €583 million.
- Consolidated borrowings of €365 million.
- The Company's shareholder's equity of €583 million represents €2.00 per share. The Company does not revalue its assets.
- Net asset Value for December 31 ,2008 of €2.40 per share according to external evaluator.

HOTEL DIVISION

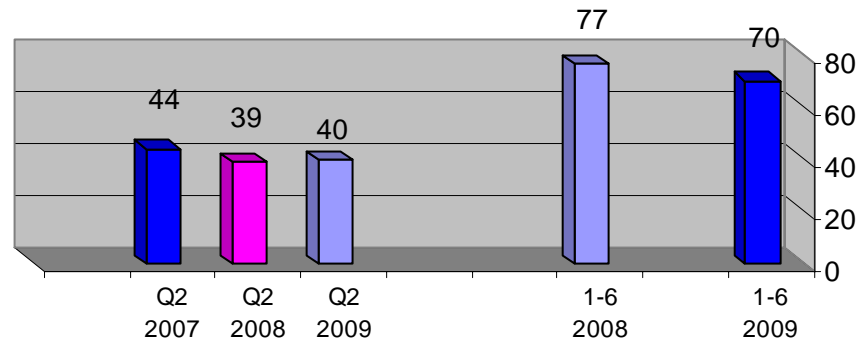
This increase in revenues is attributable to: (i) an increase in revenues mainly attributable to the Radisson SAS Bucharesti hotel in Romania which was opened at the end of Q2 2008 offset by; (ii) a decrease in revenues from our existing hotels mainly due to the global economic slow down and; (iii) the devaluation of the Pound and the Romanian LEI against the NIS.

Currency	Average rate Q2 2008	Average rate Q2 2009	Change
NIS/EURO	5.31	5.54	4.35%
NIS/GBP	6.70	6.31	-5.93%
NIS/LEI	1.48	1.32	-10.94%

Revenues from Hotels operations in NIS millions

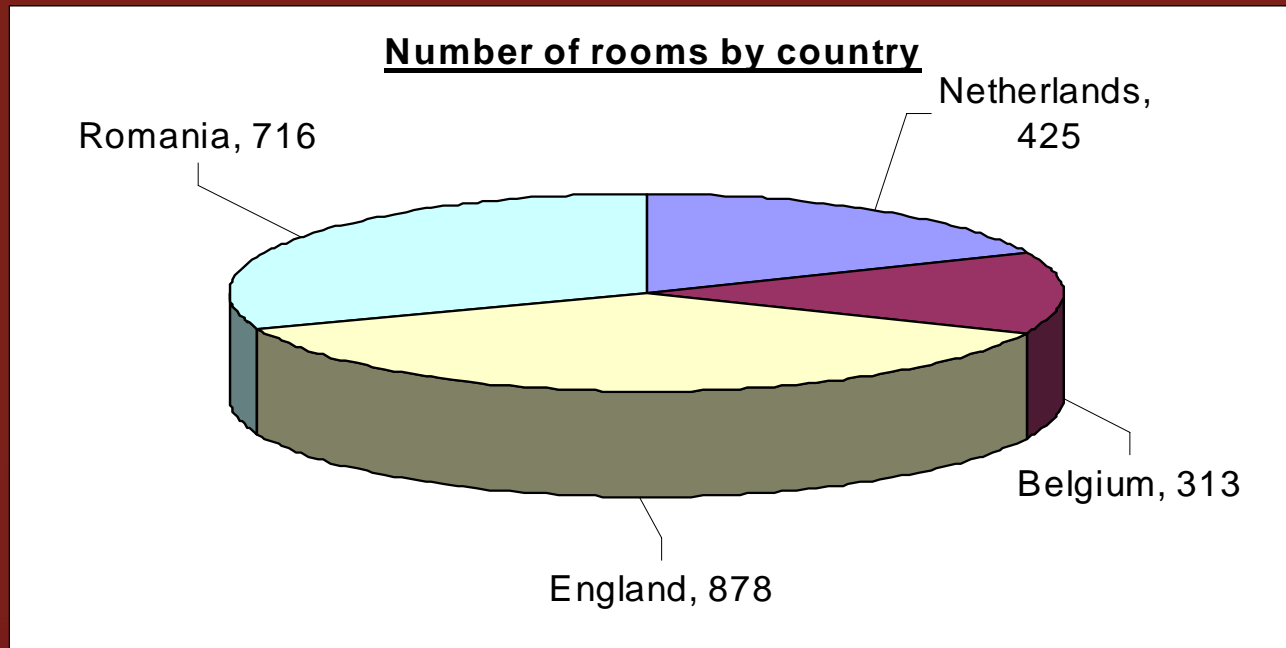


GOP from Hotels operations in NIS millions



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.
- The cost of the hotels in our financial statements, as of 30.06.2009 is NIS 1,510 million.



INDIA DIVISION- Real Estate

- As of June 30 ,2009 the Company invested a total of NIS 752 million in It's real estate projects in India.
- The real estate projects are related to the 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.

	H1 2009
	NIS Millions
India: Investment opening balance , at 31.12.2008	679
Investments for Q1 2009	15
Investments for Q2 2009	-
Capital Reserves/Others	58
Balance at 30.6.2009 (Including Plaza centers share) (*)	752
Item in the FS:	
Am ount - part of the "Trading property" Item (**)	505
Am ount - part of the "P repayments and other assets" Item (**)	220
Am ount - part of the "Investment property" Item	27
	752

(*) Not including three other projects in India for the construction of comercial 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.

Overview:

InSightec

- So far, Elbit Imaging has invested a total of approximately \$85 million in InSightec. As of June 30, 2009, our cost of investment has been depreciated in full, down to 0 value.
- InSightec's cumulative investment in R&D amounted to date to above \$130 million, fully depreciated to the profit and loss account. 1

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.

During Q2 The company reported that a team at the University Children's Hospital Zurich has completed a feasibility study testing the use of non-invasive transcranial MR-guided focused ultrasound surgery (TcMRgFUS) for the treatment of neuropathic pain. This is the first study in the world to test non-invasive transcranial focused ultrasound as a treatment modality for functional brain disorders. The results of this study set the ground for extensive brain study addressing the areas of functional diseases like Parkinson and Epilepsy, brain tumors and stroke.



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