



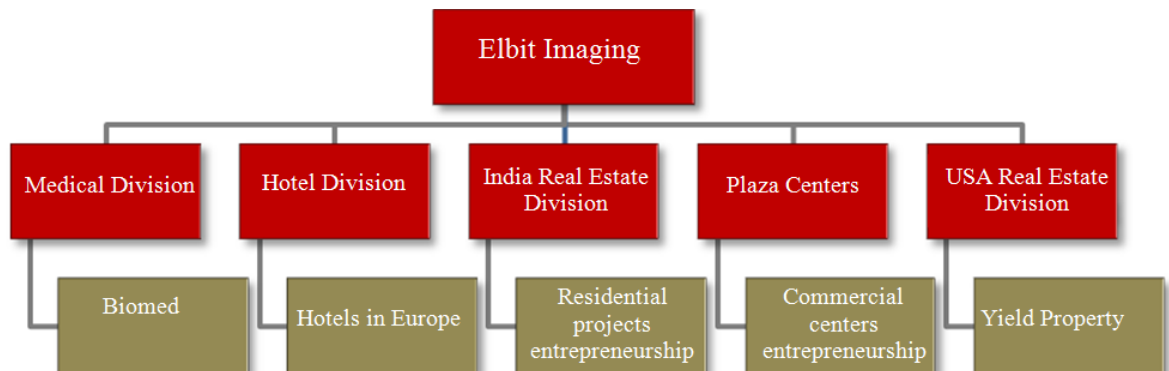
31/05/2011

Elbit Imaging Ltd.: Analysis of Sources and Uses

Legal Clarification: The information contained in this presentation is subject to the provisions set forth at the end of the chapter "General Comments Concerning Information Contained in the Presentation".

1. General

- 1.1. Elbit Group presently consists of a group of companies engaged in a variety of activities and holdings which are capable to generate cash flow. In the past few years, the Company has strengthened its main activity establishing commercial centers, which rely on considerable profitability from asset realizations by stable activities that generate a permanent, current cash flow to the Company such as yield property and entrepreneurship of residential projects.
- 1.2. The Company's long term strategy is to develop real estate platforms improving them and realize them at a high profitability while generating significant cash flow. During the past few years, in light of the macro-economic conditions in countries which the Company is active, the Company acted to expand and improve the quality of its assets for the purpose of generating the optimal conditions in order to realize its assets in due time.
- 1.3. The Company's divisions are as follows:





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- 1.4. In the past two years there has been an improvement in the Company's markets of activity. The improvement derives mainly from a significant decrease in the level of certainty which had existed in the markets. The diversity of activities over a broad range of countries facilitates efficient choice and prioritization of the activities which the Company wishes to promote, according to the market conditions in each country.
- 1.5. Another clear trend concerns a significant improvement in the financing options in the different countries. In the past two years, the Company has been active in arranging its bank debt related to finance its activities over a broad and convenient spectrum. The banking market enables financing of projects in Europe and India. The Company has obtained long term financing at low interest rates in the United States.

2. Composition of the liquidity balances and debt of Elbit Group:

- 2.1. The total debt stated in the consolidated financial statements of the Company as of 31.3.2011 amounted to approximately NIS 8,424 million. Cash balances in the consolidated financial statements of the Company amounted to approximately NIS 2,754 million such that the net debt of the Group at the balance date amounted to approximately NIS 5,670 million.
- 2.2. As derive from the Company's strategy, and with an understanding that the Company's activities may generate fluctuations in the cash flow, the Company strives to maintain, consistently, significant cash reserves.
- 2.3. The following is the composition of the liquidity balances and the consolidated debt of the company as of 31.3.2011 in a breakdown of solo debt and the debt of its subsidiaries:

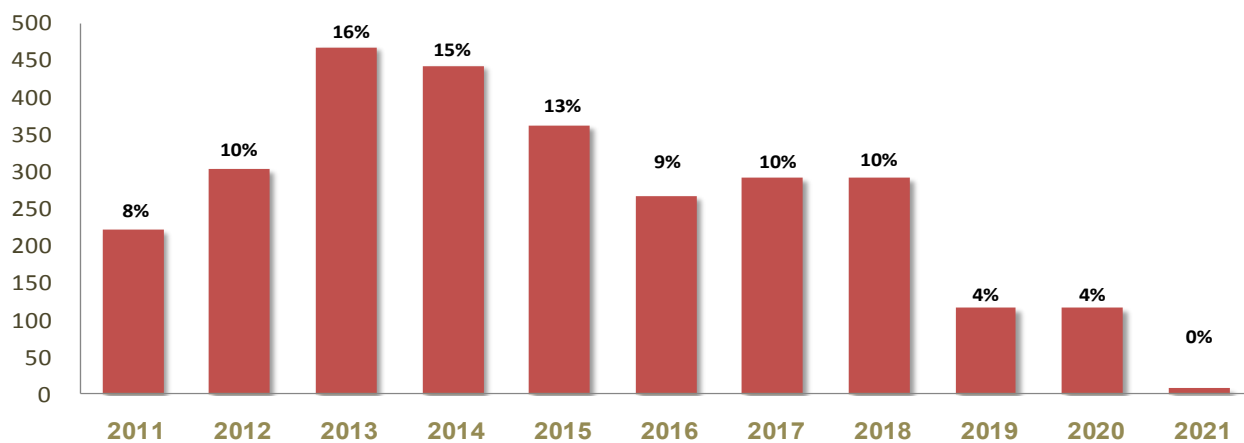


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31/03/2011	Million NIS			
Liquidity balances	Cash and cash equivalent	Long term deposits	Short term deposits	Total
Elbit solo	295	23	464	782
Plaza Centers (including US activity Plaza's share)	659	-	614	1,273
Hotels division	39	38	9	86
US division (Elbit's share)	31	8	6	45
Other	10	1	-	11
Intermediate summary	1,034	69	1,092	2,196
Plaza Centers (financial instruments and long term restricted cash)	-	515	43	558
Total	1,034	584	1,135	2,754
31/03/2011	Million NIS			
Debt balances	Short term credit	Short term credit attributed to trading property	Long term credit	Total
Elbit (headquarters)	388		2,770	3,158
Plaza Centers (including US activity Plaza's share)	676	909	2,358	3,943
Hotels division	233		359	593
US division (Elbit's share)	68		607	675
Other	55		-	56
Total	1,421	909	6,094	8,424
Net Debt				Total
Elbit solo				2,375
Plaza Centers (including US activity Plaza's share)				2,113
Hotels division				507
US division (Elbit's share)				630
Other				44
Total Net Debt				5,670

2.4. The following is the amortization table of the Company's debentures (solo):





3. Analysis of Sources and Uses:

3.1. **In the analysis of the sources and uses report specified hereinbelow, the Company presents forecasts which does not include a possible refinancing of its debentures in the next two years.**

3.2. The following is a forecast of the sources and uses of the Company solo (Elbit only) for the two years between the 31.3.2011 and 31.3.2013:

Million NIS	Period	Year	Period
	31.3-31.12.11	1.1-31.12.12	1.1-31.3.13
Cash O.B.	782	636	545

Sources:

Cash flow from realization/refinancing of hotels	297	177	0
Cash flow from dividend and realization of tradable shares (1)	81	186	53
Current cash flow from activities (2)	40	128	36
Total sources	1,200	1,126	635

Uses:

Debentures principal	221	303	74
Debenture interest	130	138	13
Bank principal	8	19	20
Bank interest	9	12	9
General & Administration expenses	50	50	12
Investments	146	60	10
Total uses	564	581	139
Cash C.B	636	545	496

(1) Including dividends from Plaza Centers, realization of tradable shares of Elbit Medical and Plaza Centers.

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(2) Including current cash flow from hotels activities, residential activities in India and activities in the United States.

3.3. The business plan of the Company for the upcoming two years, from which the sources and uses report presented hereinabove includes continuation of the development and maturity/improvement of its assets and completion of additional projects that are under development.

3.4. **Reduction of level of leverage in the Group:**

3.4.1. **In the upcoming two years, the Company is expected to reduce its debts by more than NIS 1.6 billion:** the debentures will be reduced by NIS 1.1 billion and an amount of more than NIS 500 million of the bank debt will be repaid as a result of realization of assets.

3.4.2. The following is a specification of the headquarters debt (net) in Elbit Imaging and Plaza Centers:

Million NIS	31.3-31.12.11	1.1-31.12.12	1.1-31.3.13	Total
Elbit's debentures	221	303	74	598
Plaza Centers debentures	371	111	-	483
Total	592	414	74	1,081

3.5. **The Group's structure looking forwards:**

Upon the end of the two year period specified hereinabove and subject to the realization of the business plan, the Company will continue to hold its primary divisions including:

3.5.1. Holding of its yielding properties activity in the United States.

3.5.2. Maintaining control in Plaza Centers.

3.5.3. Maintaining its holdings in the Radisson Blu hotel in Bucharest, Romania.

3.5.4. Maintaining its real estate activities in India.

3.5.5. Maintaining control in Elbit Medical.



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4. Hotel activities:

- 4.1. As part of the Company's strategy to realize assets which improvement potential is exhausted, it was decided, during 2010 to gradually realize the western european hotel activities. This strategic decision is based upon favorable data from the hotel industry in the past year and recent transactions that were consummated with respect to the hotel industry in Europe.
- 4.2. The Company's hotels, which are held directly by Elbit (solo), are recorded in the Company's books and records at amortized cost, and are not revaluated according to their economical market value. Realization of the hotels is expected to generate significant profits and an increase in the Company's equity.
- 4.3. As a result of recording the assets at their book value, the (accounting) leverage rates of that activity are high in comparison to the rest of the Company's holdings. Realization of the hotels is expected to result in a significant decrease in the extent of the Group's overall debt and a reduction in its leverage.
- 4.4. In 2010, the Company has realized its holdings in the hotels located in England, and it intends to continue with its exit/realization strategy in the upcoming two years, subject to the market conditions that will prevail in each country at which such activity is being conducted and according to the probability of generating acceptable profits for these assets.
- 4.5. One of the top-tier hotel in Elbit's hotels portfolio is the Radisson Blu Hotel in Bucharest, Romania which is a five-star hotel consisting 424 rooms located in the center of Bucharest. In addition, the complex (at an area of 84,500 sqm) includes a luxurious apartment hotel (with 294 apartments), and commercial areas. Since its opening in the second half of 2008, the hotel obtained a significant market share in the luxury hotels market in Bucharest, and is a market-leader in the main hotel's parameters. In addition, the hotel won the "Hotel of the Year" award in 2010 within the Carlson chain that includes 1,070 hotels worldwide.



4.6. The following table presents key figures of hotels held by the Company as of 31.3.2011:

31.3.2011				Millions Euro	Millions Euro
	Stars rating	Owned by Elbit	Number of rooms	Hotels value 100%	Value for Elbit
Netherlands	4	50%	768	178	99
Belgium	4	100%	306	47	47
Romania	5	77%	718	*171	139
Fair value			1,792	396	275
Total share of Elbit in debt					112
Net asset value					163

* The hotel's fair value includes commercial areas and a casino. In addition, out of the total number of the rooms, approximately 300 are suites which are part of the apartment hotel.

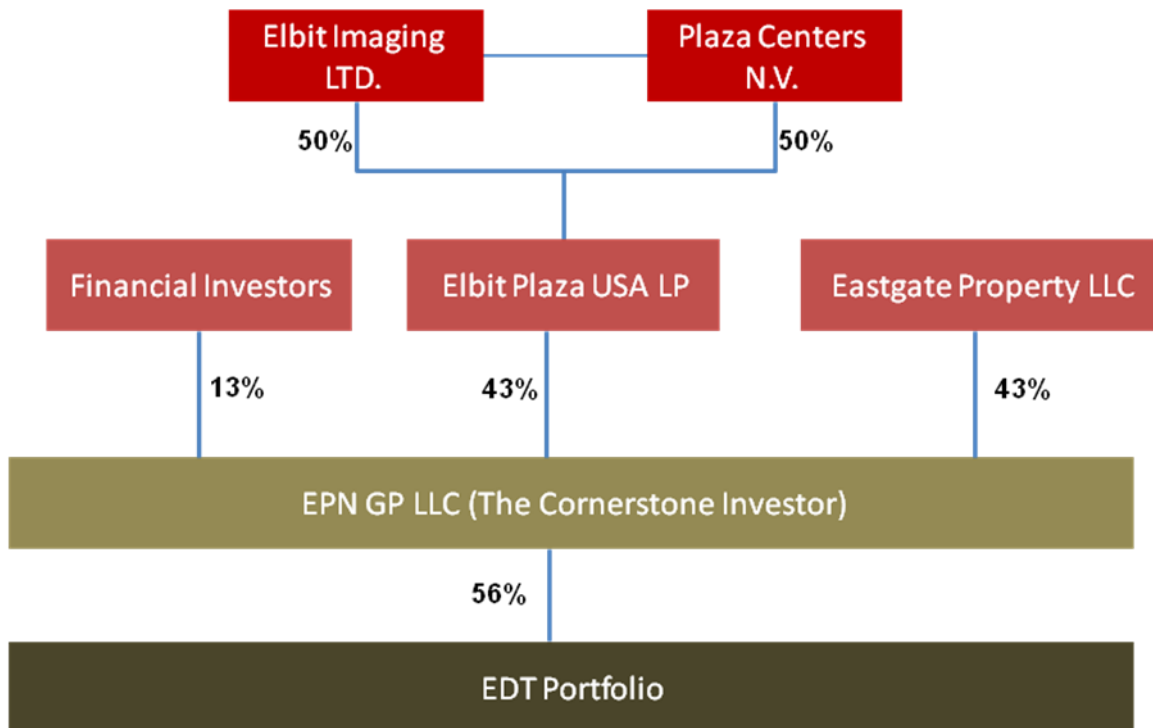
** The book value of the hotels in the financial statements, as of 31.3.2011 amounts to NIS 1,030 million.



5. Elbit Plaza United States:

5.1. The method of operation in the United States relies on the knowledge and experience that the Group accumulated in the area of commercial property, aimed at generating value by investing in quality property that yields cash flow from the day of their acquisition while generating value by improving assets in the intermediate term and realizing them at high profits as a result of a rise in the NOI and a decrease in CAP rates.

5.2. The following is the structure of holdings in the United States:



5.3. EDT holds 48 retail properties located throughout the United States.

5.4. Since the acquisition of EDT, real estate betterments and financial improvement activities were implemented, significantly improving the results of these activities, including:

5.4.1. Increase of income as a result of leasing vacant areas, replacement of tenants and betterment of lease contracts that were renewed.

5.4.2. Reduction of operation costs.

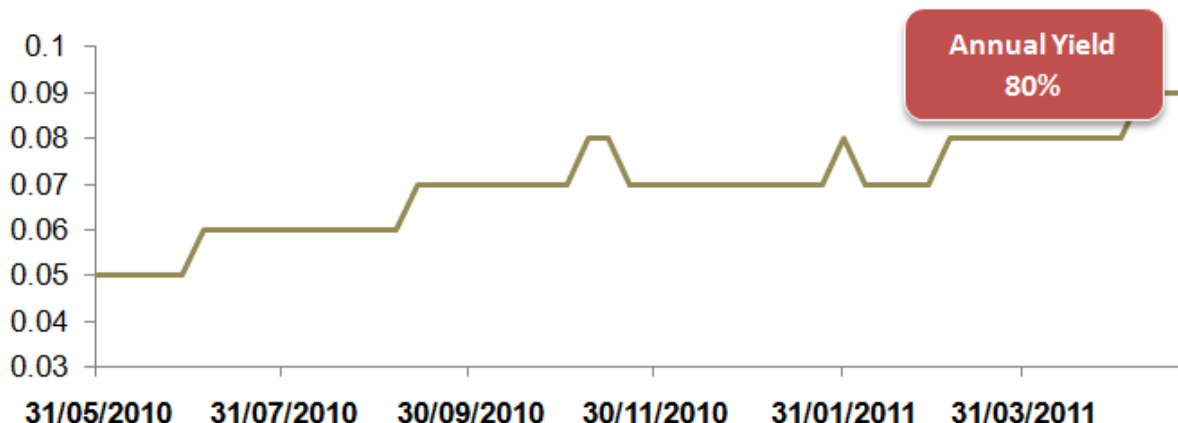
5.4.3. Transfer of management headquarters from Australia to the United States.



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- 5.4.4. Refinancing and extending most credit facilities to a long-term debt in compliance with the cash flow generated from leases (approximately half of the debt was refinanced).
- 5.4.5. Generating excess cash flow due to refinancing and improvement of debt conditions.
- 5.5. As a result of the aforesaid activities, the free cash flow which can be made available to the unitholders, has consistently increased.
- 5.6. The above improvements were reflected at EDT units' price. The following chart presents the development of the EDT units in the last 12 months.

EDT Share Price LTM



- 5.7. The following analysis presents the value of holdings in Elbit United States deriving from the value of equity held by EDT:

Million Dollars (US)	Rate	Equity	Market value	Value according to NOI yield
EDT equity 27.5.2011		541	448	695
EPN share	56%	303	251	389
Elbit + Plaza Share	43.3%	131	108	168
Elbit's share	50%	66	54	84
Plaza Centers' share	50%	66	54	84

* Market value as of 27.5.2011

** Yield rates of 7% were assumed, based upon the average of yields according to which REIT funds which invest in similar properties are traded.



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***** The current rate of holding. In the framework of an open tender offer, offered by EPN to acquire the minority share holdings of EDT, the Company estimates that its rate of holding in EDT will increase.**

- 5.8. Assets such as EDT's assets are currently in high demand and are expected to be easily realized either on a single asset basis or in clusters. Yield on these assets in the United States has decreased to levels of 6.5%-7% and they reflect a significant increase of value in comparison to their purchase price (purchase price, yield of 9%) such that realization is most likely expected to generate significant profitability and cash flow. The Company's strategy is to hold those assets in the intermediate term while enjoying a steady cash flow, and to realize them in due time.
- 5.9. The LTV rate on EDT assets amounts to 62% and enables generation of excess cash flow from refinancing or realization:

Million dollars (US)	
Book value of EDT assets	1,409
Extent of financial debt	925
Cash balance	50
Net debt	875
LTV	62%

- 5.10. EDT's units are tradable and since their purchase, their value is in a consistent pattern of increase. If necessary, the Company is capable of realizing EDT's units to generate a cash flow even though today the Company aspires to increase its rate of holding in EDT in order to exhaust growth potential and increase the flexibility of the asset management activity.



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6. Plaza Centers:

- 6.1. Plaza Centers concluded the year 2008 in a comfortable position. After realizations that generated high cash reserves without exposure to projects under implementation and while most of its lands were financed by the Company's equity. In the past few years, Plaza was engaged in improving and diversifying its asset portfolio.
- 6.2. Major activities that were implemented in the past two years:
 - 6.2.1. Completion of construction of four shopping malls in Poland (2), Czechoslovakia and Latvia, as well as an increase in cash flow owing to lease contracts.
 - 6.2.2. Receiving funding for the purpose of completing three new commercial and entertainment centers in Poland, Serbia and India, expected to be opened at the end of 2011 and the beginning of 2012. Upon their completion, NOI from the seven commercial and entertainment centers will amount to Euro 27 million.
 - 6.2.3. Investing in the activities of "Elbit-Plaza United States" (50%) parallel to investments made by Elbit.
 - 6.2.4. Promoting residential, office and commercial projects in India.
- 6.3. The following is a forecast of sources and uses of Plaza Centers for the two subsequent years between 31.3.2011 - 31.3.2013:



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Million Euro	Per period	Per year	Per period
	31.3-31.12.11	1.1-31.12.12	1.1-31.3.13
Cash O.B.	257	147	213

Sources:

Cash flow from realization of assets	-	106	-
Current activities cash flow*	21	62	16
Raising new debentures	-	53	-
Total sources	278	368	229

Uses

Debentures capital	75	75	-
Debenture interest	21	17	-
less debenture hedge transactions	(11)	(10)	-

Bank interest expenses	4	12	2
Bank capital repayment	4	5	2
New investments	22	10	3
General & Administration expenses	15	15	4

Total uses	131	125	11
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Cash C.B	147	243	218
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Dividend (subject to realization of assets)	-	30	10
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* Including cash flow from active commercial centers, activities in India, activities in United States and income from financing.



- 6.4. The following table contains information on the active assets of the Company and assets whose completion is expected during the upcoming year:

NOI (million Euro)	Q2-Q4/ 2011	2012	Representing NOI	Debt upon completion
Active assets	6.8	10.6	12.9	113.1
Under construction	1.6	16.2	18.9	114.5
Total income from assets' operating	8.4	26.8	31.8	227.6

- 6.5. In the past year, transactions were carried out in a number of countries where the Company has been active and with respect to assets which are similar to assets held by the Company; yield generated by these transactions points to continuation of the trend of a rise in the value of commercial centers. The Company estimates that in the upcoming two years some of its holdings in active assets whose improvement potential has been exhausted will be realized.
- 6.6. Plaza Centers shares constitute a tradable asset with high demand from Polish and European financial entities. Elbit Imaging holds approximately 62.3% of Plaza Centers shares, and it is capable of generating a significant cash flow from the realization of Plaza Centers shares while maintaining control of the Company.
- 6.7. Most of the plots were acquired using equity and are not pledged.
- 6.8. Plaza Centers does not have a bank debt at corporate level except for debentures.
- 6.9. Plaza Centers' debt was structured in a manner that will conform with the predicted cash flow from its activities. The following table specifies the debt of Plaza Centers as of 31.3.2011:



Million Euro	Activity	Financial debt
Net (solo) debentures *		380.4
Liquidity balances		257.0
Financial debt solo, net		123.4
Bank debt (on assets)	India	25.0
	United States	136.0
	Europe	212.0
Total		496.4
Financial instruments and restricted cash **		69.4
Financial debt, net		427.0
Equity (not revaluated)		620.0
Net debt to Net Cap		41%
Gross debt to total balance (LTV)		34%

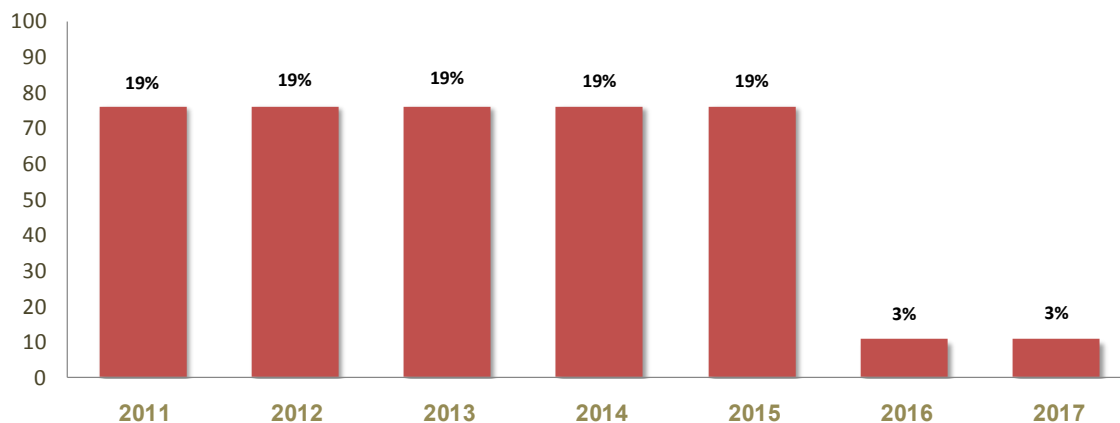
* Gross principal of the debenture in the amount of Euro 424 million less financial instruments associated with these debentures in the amount of Euro 44 million.

** Less financial instruments attributed to these debentures in the amount of Euro 44 million.



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6.10. The following chart presents the amortization schedule of the principal of the Plaza Centers debentures:





7. **Elbit Medical:**

- 7.1. Elbit Medical is a holdings company, holding InSightec (65.9%) and Gamida Cell (31.6%). Both companies are active in the bio-med market. Elbit is the largest shareholder in each company
- 7.2. InSightec is active in the fields of oncology, gynecology and neurology and develops a non-invasive, imaging treatment - the ExAblate device. ExAblate enables treatment of benign and malignant tumors treated today by invasive treatment.
- 7.3. Gamida develops treatments for chronic, incurable diseases such as cancer, different blood diseases, and autoimmune diseases. Gamida is one of the worldwide leaders in cell-based products and technologies.
- 7.4. During 2010, as part of a strategy of consolidating the structure of holdings on tradable platforms and increasing accessibility to specific resources of funds for each activity, the Company turned the activities of Elbit Medical under its ownership into a public company.
- 7.5. Elbit Imaging holds approximately 707 million shares of Elbit Medical in addition to 1,016 million options at a realization price of 0 (zero) that can be realized at all times. The rate of holding of Elbit Imaging in Elbit Medical with full dilution is 92.2%. The following is the market value of the company as of 27.5.2011 (according to a share price of NIS 0.319 per share):

	%	Million NIS
Market value as of 27.5.2011		596
Elbit's share (after realization of options)	93.5%	557

- 7.6. The Company intends to continue raising capital in Elbit Medical while diluting its holdings and realizing some of its holdings in Elbit Medical with the intention to continue and develop the company, increase share tradability and generate higher exposure of Elbit Medical to investors specializing in bio-med. Both companies are in



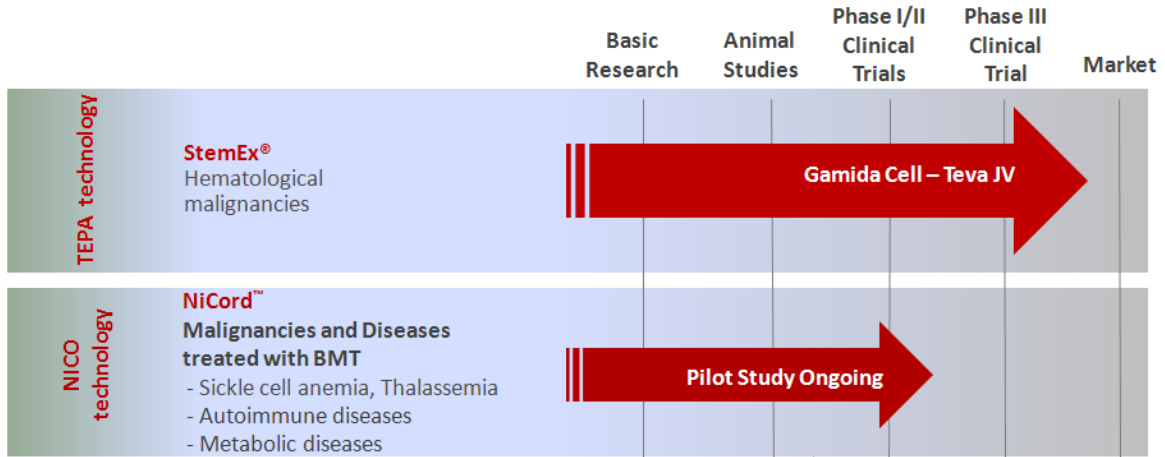
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development stages while compliance with targeted milestones may result in an additional value for Elbit Medical.

- 7.7. The Company is examining the possibility of introducing investors directly to each of the holdings and by so doing to generate an additional value of these holdings.
- 7.8. InSightec is evaluating the possibility of entering into collaboration with international medical corporations for marketing and commercializing the company's products. The aforesaid collaboration will introduce InSightec products earlier in commercial quantities.
- 7.9. **Gamida - Milestones:**
 - 7.9.1. Gamida is in Phase III to approve its main product (StemEx) by the FDA.
 - 7.9.2. For the purpose of performing clinical trials to StemEx, Gamida recruited more than 75 patients out of a required quota of 100. According to the Company's estimates, by the end of 2011, Gamida will complete the recruitment of patients and will begin the process of submitting an application for approval by the FDA.
 - 7.9.3. Gamida began a pilot clinical trial in Nicord™ and is in an advanced stage of development for this product.



7.9.3.1. **Milestones for StemEx and Nicord™:**



7.9.3.2. **InSightec- Milestones:**





8. **Elbit India:**

8.1. Activities of the group in India:

8.1.1. As part of the Company's strategy to diversify its cash flow and with the intention to generate a permanent flow the Company entered into entrepreneurial investments in residential projects in India. For that purpose, the Company established headquarters in India which relies on a local and foreign workforce and supports different projects throughout the country.

8.1.2. Projects are implemented together with local investors that establish large scale residential projects in India. The extensive experience of the Elbit Group with western construction standards, design and management of large scale projects is combined with the understanding and knowledge provided by the local partners with respect to the local population's tastes and preferences as well as the mechanisms for dealing with local bureaucracy.

8.1.3. The Group completed the significant stage of purchasing lands, in which it was required to invest significant amounts of equity without generating any short term income, and at present, the Company predicts seeing the pay off of its investments.

8.2. **Bangalore project**

A large scale residential project on a 667 dunam piece of land, in the first stage (the project can be expanded up to 1,780 dunam) on which a luxurious residential neighborhood is planned including 1,000 different types of detached houses. In accordance with an updated framework agreement, the company (Elbit Plaza India) granted the right to a local partner to develop the residential project (under full control and supervision by the company) and in return the company will receive 70% of the net cash flow (before tax) as of the first day of marketing until IRR of 20% on its total investment is achieved. Beginning of marketing of residential units is scheduled for the beginning of 2012.



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8.3. **Chennai Project (Elbit Plaza India - 80%)**

In the residential project in the city of Chennai the company was capable of consolidating and purchasing a contiguous piece of land, unique in its area, on an area of 360 dunam close to a large technology park that is expected to accommodate more than 300,000 workers in the upcoming years. The company intends to start the marketing of the project in the beginning of 2012. Setting up of the project is expected to be carried out in the framework of a combination agreement with a leading local construction company. In return, the company is expected to receive at least 35% of the proceeds of the sales of residential units and US\$ 10 million advance on the date of signing the final agreement.

8.4. **Elbit will not be required to invest any additional equity in the two construction projects.**

8.5. **The cost of the residential projects in the consolidated company financial statements amounts to approximately NIS 948 million** as of 31.3.2011 (the share of Elbit only amounts to NIS 491 million and the remaining amount constitutes the share of Plaza Centers). In addition, the Company does not have any debt against these costs.



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9. Maintaining the existing dividend distribution policy in the Company

The policy of distribution of dividends adopted by Elbit Imaging Ltd. and established by the Company's board of directors in January 2007 consists of a distribution of a dividend at a rate of 50% of the Company's net profit as specified in the Company's annual consolidated financial statements, provided that the amount of the dividend shall not exceed 50% of the cash flow that the Company derives from dividends and return of shareholder loans from subsidiaries in that year, and subject to the condition that the Company's flexibility and/or financial strength shall not be harmed as manifested in, among other matters, its ability to repay its long term debts and in respect of its predicted cash flow. The foregoing is subject to the provisions set forth by any law applicable to the Company during all periods of distribution.

The Company did not depart from its dividend distribution policy from the time it implemented this policy in January 2007.

In the Company's board of directors meeting held on May 31, 2011, the board has approved its intentions to maintain the conservative dividend distribution policy unchanged.

10. The board of directors reaction towards a possible influence of the debt Europe-Israel (M.M.S.) Ltd. has to Bank Hapoalim on the predicted cash flow of the Company and the Company's ability to repay its remaining debt to bond holders and the banks

The Company and Europe-Israel (M.M.S.) Ltd. (hereinafter "**Europe Israel**"), are two separate legal entities conducting separate business activities and having different financing and credit arrangements. Each of the aforesaid companies manages its affairs vis-à-vis its lenders and financing bodies independently, while there is no transparency or dependence between the financing arrangements of each of the aforesaid companies.

In this context, it should be emphasized that the loan agreement between Bank Hapoalim Ltd. (hereinafter, the "**Bank**") and Elbit Imaging is a separate agreement than the loan agreement between the Bank and Europe Israel, and there is no cross default provision between the two agreements.



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The outstanding debt to the Bank at Elbit's headquarters amounts to approximately US\$70 million. In accordance with the provisions set forth in the agreement entered into between Elbit Imaging and the Bank, this debt is spread over a number of years and for a long term, while the Company upholds its payment schedule to the Bank and the financial covenants specified therein.

In light of the separation between the credit arrangements and loans of Elbit Imaging and the those of Europe Israel as aforesaid, the Company's board of directors estimates that there is no influence by Europe Israel's debt in itself, on the Company's cash flow and ability to repay its outstanding debt to its bond holders or the banks in a timely manner, as presented in the sources and uses report contained hereinabove. Concerning a possible influence of Europe-Israel's debt on the distribution of dividends or the policy of distribution of dividends by Elbit Imaging, please note the reference hereinabove according to which the Company's board of directors has approved its intention to maintain the conservative dividend distribution policy applied by the Company.

For further details concerning the possible impact on the Company due to a debt of Europe Israel to the Bank, see "General Comments Concerning the Information Contained in The Presentation", List of Risk Factors, sub-section (1).



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General Comments Concerning Information Contained in the Presentation

This presentation does not constitute a proposal and/or invitation to acquire and/or allocate shares issued by Elbit Imaging Ltd. (hereinafter: "**Elbit**" and/or the "**Company**") and/or its subsidiaries.

This presentation includes partial information that the Company deemed fit to present to the investors in its securities. This information might not be contained in the other financial statements issued by the Company as published or that its manner of presentation in this presentation is different than the manner in which this information is included in the aforesaid publications. This presentation does not include the entire results and financial information of the Company and/or the Company's business plans or its entire activities, and it is not intended to supersede and/or replace the need to review reports and statements published by the Company in Israel and the United States including, the Company's F-3 Form dated 9.2.11 and Amendment no. 1 to the Form dated 7.3.11 and Appendices thereof (hereinafter, the "**F-3 Form**"), and 20-F forms of the Company for the year ending on 31.12.2009 and 2010 (hereinafter, the "**20-F Form**" and jointly with F-3 Form and other published reports and statements issued by the Company, the "**Reports**" and/or the "**Company's Reports**"), and the full financial statements of the Company included therein. In any event of discrepancy between the figures contained in this presentation and the figures contained in the Company's Reports and/or financial statements attached thereto, figures contained in the Company's Reports shall prevail.

The Company is not obligated by regulation to publish this presentation and/or the entirety of the figures and information included herein to the public in a manner in which this information is displayed herein or in general, and it does not undertake to continue to publish presentations and/or information in any manner or extent that are included in this presentation and/or preserve this format of presentation of figures and information in the future.

This presentation includes forward-looking estimates, evaluations, declarations and information (hereinafter, the "**Forward-Looking Information**"). The aforesaid Forward-Looking Information, including the realization of planned activities that are contingent upon third parties or external entities, the realization of work assumptions, plans, designs, estimates, evaluations, schedules, outcomes, the existence of prices, market conditions, etc., are based upon the Company's estimates, evaluations and expectations according to its understanding of the figures it has at the time of preparing this presentation and/or the correctness of the Forward-Looking Information at all times in the future and these, in conjunction with the actual realization of each of the activities and/or entities specified in this presentation and/or consequences thereof, might change and/or be affected by external entities that Elbit does not have the ability to predict and/or control.

Information that does not fall under the category of Forward-Looking Information is correct as of the date of preparing this presentation. The Company does not undertake to update the information contained in this presentation whether it is Forward-Looking Information or not, following its publication.

Among other matters, the Company is exposed to risk factors as specified in the Company's Reports published in Israel and the United States, including the 20-F Form filed by the Company, Item 3.D, under the heading "Risk Factors" that may affect the outcome of its activities and/or its ability to realize its plans. In addition, and without derogating from the generality of the aforesaid and/or the risk factors specified in the 20-F Form filed by the Company as aforesaid, the following factors may have material influence on the Company's activities and business performance: (a) risk factors that are related to shopping and entertainment centers: finding a suitable location is critical to the success of a shopping and entertainment center; design limitations and local opposition may postpone or prevent the construction of a commercial center; reliance on contractors and subcontractors during the construction of shopping and entertainment centers may lead to high construction costs and loss of the Company's competitive edge; delay in the completion of projects of construction of shopping and entertainment centers might affect the success of the Company;



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the Company is dependent upon third parties for the purpose of entering lease contracts and especially agreement with anchor tenants for shopping and entertainment centers when, in the event that the Company cannot enter into the aforesaid agreements, it runs the risk of price reduction; the Company is exposed to a decrease in the prices of rent and/or sale prices of shopping and entertainment centers it owns; competition in its areas of activity becomes more intense; the Company may pay to tenants that were granted with protected tenancy rights, in the event that it wishes to evacuate the area, and this may lead to excess budget; there is no guarantee that the Company will be able to implement its strategy to build successfully shopping and entertainment centers and such circumstances may result in serious damage to the performance of the Company; some of the shopping and entertainment centers are jointly owned and control of investments is maintained through cooperation with third parties; transactions aimed at purchasing commercial centers, shopping and entertainment centers purchased by the Company are subject to inherent risks that are characteristic of real estate transactions such as, yet not limited to, failure to discover flaws and defects in the framework of a due-diligence test or the ability to conduct due-diligence to a limited extent, flaws in the purchase rights, flaws and defects in the building or the ground, pollution and environmental nuisances; there might be dependency on business partners, cooperation and service providers; disputes with land owners and/or tenants and/or service providers, breach of agreements and/or insolvency by anchor tenants; failure to communicate that property management companies in general or under conditions that are desired by the Company; changes in the buying power or worsening of the economy of the relatively state that harms the financial performance of the commercial centers; decrease in the value of assets; urban and/or demographic changes and/or changes in the mixture of the population constituting a target audience of the center and affecting its profitability; changes in legislature or taxation limiting the activities of the center and/or its profitability and/or the possibility of its realization; acquisition, development and renovation of commercial centers involves significant risks for the Company and lack of an option to predict the success of future projects; this sector is affected by changes in global economy, real estate and business environment that may have an adverse effect on the Company's line of business or financial performance. (b) Risk factors that are related to the hotel business: the hotel business might be affected by economical conditions, excess demand, tourism patterns, climate and additional circumstances that are beyond the Company's control; competition in the hotel sector; acquisition, development and renovation of hotels involves significant risks for the Company and lack of an option to predict the success of future projects; dependency on business partners, joint ventures and cooperations; reliance on management agreements with Park Plaza and Rezidor Group (Radisson) that may not yield the expected result and/or terminate. In addition, a significant decline in the reputation of Park Plaza and/or Rezidor (Radisson) or the performance of the hotels owned by the Company may have an adverse effect on the Company's performance; the Company is subject to agreements with Park Plaza and the Rezidor Hotel Group when undertakings by virtue of the aforesaid agreements may result in significant costs incurred by the Company; the value of investments in the Company's hotels is exposed to a variety of risks that derive from ownership and operation of the property; the Company's title in the Bucharest hotel was undermined and in the event that the process succeeds this shall have an adverse effect on the Company's performance. (c) Risk factors that are related to residential projects: the residential construction sector is characterized by cycles and is affected by changes in global economy, real estate and business environment that may have an adverse effect on the Company's business or its financial performance; in the event that apartment buyers from the Company or apartment buyers from original buyers might encounter difficulties in financing the acquisition the Company's activities might be frustrated; the Company might accrue real estate areas in the event that it fails to complete construction of the projects and sell them with profit; it is possible that the Company cannot reach satisfactory quantities of stock for the purpose of completing construction according to the schedules that were set; the Company depends upon contractors, suppliers and service providers. (d) Risk factors that are common to the shopping and entertainment centers, hotel and residential projects: failure to comply with regulations might have an adverse effect on the Company's business performance; exposure to claims in connection with defective design and/or management caused by subcontractors; shortage of raw materials and workforce; projects intended for mixed use combining business and leisure complexes involve a number of risks when occurrence of risk in one part might affect other parts of the project; the fair



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value of the real estate properties owned by the Company might be affected by certain entities that will lead to losses as a result of decrease of value that was not taken into account in the past; environmental findings such as archaeological or ecological findings might have a serious effect on construction budget, schedules, feasibility and marketing of shopping and entertainment centers. (e) Risk factors that are related to Image Guided Treatment Business: the Company's subsidiary InSightec (hereinafter: "**InSightec**") depends upon sales of ExAblate 2000 device and this may have an adverse effect on InSightec business performance; in the event that ExAblate 2000 does not gain wide recognition as to treatment of uterine tumors, InSightec will not be able to sell a sufficient quantity to support its business activities; in the event that doctors, hospitals and HMOs cannot receive sufficient cover and reimbursement for their expenses by third parties to patients treated with ExAblate 2000, InSightec will not be able to sell a sufficient amount of devices to support its business activities; the growth of InSightec is contingent upon the ability to develop and comply with regulatory requirements for additional treatments and additional applications to the ExAblate 2000; InSightec depends on General Electric; in the event that InSightec is incapable of protecting its intellectual property its competitive edge might be harmed; third party claims for violation of copyright might force InSightec to redesign its products, obtain licenses or enter future and costly litigation on the subject of intellectual property; treatment of humans might result in bodily damage to patients if, as a result of faulty treatment or faulty process that could not have been discovered or that was not discovered during clinical trials. Such damage, if and to the extent that it occurs, may result in the filing of claims against InSightec, which may jeopardize its existence. (f) Risk factors that are related to additional activities conducted by the Company: each of the brands held by the Company in the field of retail fashion is contingent upon a single franchiser and supplier and consequently delays and interruptions might occur in the shipment of products; an increase of wages in Israel might have an adverse effect on the business performance of Elbit Trade & Retail Ltd. (hereinafter: "**Elbit Trade**"); the fashion industry is affected by changes in the taste of consumers and/or entry of competition into local markets. In the event that the manufacturer of products marketed by Elbit Trade is unable to identify current trends or if Elbit Trade errs in its acquisitions and does not purchase products that comply the consumer's preferences, Elbit Trade's sales might be affected adversely; a change in the customs rate and strikes in ports might have an adverse effect on the Company's business performance; Elbit Trade might not be able to meet the intense competition in the fashion industry and its competitors might overpower it financially, geographically or otherwise; fluctuations and/or an increase in the price of raw materials may have an adverse effect on the profitability of Elbit Trade; devaluation of the Shekel in comparison to foreign currencies may have an adverse effect on the performance of Elbit Trade; the Company's investments in venture capital are speculative by nature and may never yield income or profits. (g) Risk factors related to Israel: the security and economical conditions in Israel may affect the Company's performance; many directors, office holders and employees are obligated to serve in military reserve duty; management and enforcement of legal proceedings outside Israel might give rise to difficulties; certain provisions in Israeli company laws in connection with acquisition or takeover of a company might have an adverse effect on the Company's shareholders. (h) Risk factors related to east Europe: in the framework of the Company's activities in east Europe the Company is subject to a variety of risks such as economical risks, political instability and corruption. (i) Risk factors related to India: Hostility in India and other Asian countries might have an adverse effect on the Company's performance and financial condition; changes in the economic policy implemented by the Indian government or political instability might have an adverse effect on the Company's business; the Company is new in the Indian market and there is no certainty that its skills or experience will suffice in these areas; limitations imposed by the Indian government concerning investments in India might have an adverse effect on the Company's business performance; uncertainty concerning ownership of lands in India might expose the Company to third party claims in connection with the acquisition of lands by the Company; regulatory limitations in India in connection with repatriating capital from the country might have an adverse effect on the Company's cash flow. (j) Risk factors related to Australia: geographic distance and time differences might present difficulties in control, monitoring and management of the activities conducted in Australia; provisions set forth in the Australian corporate laws in connection with the acquisition or takeover of companies might have an adverse effect on the Company as being an (indirect)



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shareholder. (k) General risk factors: conditions and changes in the economical environment in Israel and worldwide may have an adverse effect on the Company's business performance; in the event that the Company is categorized as a passive foreign investment company (PFIC) in the United States, holders of ordinary shares of the Company might be affected adversely due to tax results; the Company is a party to a legal proceeding submitted against it; the Company encounters a significant need to finance its activities, nevertheless the Company might not be able to achieve additional financing; the high leverage of the Company might have an adverse effect on the Company's ability to operate its business; changes in the global economy, real estate and/or the business environment in which the Company operates, and/or a negative trend in the capital markets and/or a decrease in the rating of the Company or the Company's securities, if and to the extent that this should happen, might have an adverse effect on the Company's capital raising abilities; the Company's business performance is affected by seasonal changes in the different business activities conducted by the Company; the Company has one shareholder that holds a significant amount of the Company's shares and this enables him to control the Company's business activities; discontinuation of services provided by senior management members of the Company and especially Mr. Mordechai Zisser might have an adverse effect on the Company's business performance; change and/or transfer of control in the Company may result in a violation of contractual undertakings made by the Company towards third parties and/or vest third parties with rights to cancel agreements concluded by these third parties and the Company, including immediate prepayment of loans and/or credits taken by the Company; results in quarterly and annual statements of the Company might fluctuate - this may result in a decrease in the price of the Company's ordinary shares; the Company might fail to maintain successful internal audit mechanisms in accordance with Section 404 of the Sarbanes-Oxley Law dated of 2002. (l) Dispute between the controlling shareholder and Bank Hapoalim Ltd.: a dispute has arisen between Bank Hapoalim Ltd. (hereinafter, the "**Bank**") and the controlling shareholder in the Company, Europe-Israel (M.M.S.) Ltd. (hereinafter, "**Europe Israel**") which is controlled by Mr. Mordechai Zisser ("**Zisser**" jointly and severally with Europe Israel – the "**Controlling Shareholder**") concerning loans and credits of the Controlling Shareholder to the Bank that were secured, *inter alia*, through pledging some of the Company's shares held by the Controlling Shareholder (the Company is not a party to a financing agreement between the Bank and the Controlling Shareholder, and it is unaware of its details). If and to the extent that that dispute is not resolved and the Bank reaches a decision to initiate legal and other proceedings against the Controlling Shareholder, then, in this framework, the Bank might be entitled to require the immediate repayment of the loans and the credits and realize its pledge over the Company's shares pledged by the Controlling Shareholder as aforesaid (if, and to the extent that that the Bank is vested with such right as aforesaid) and then, if the aforesaid pledge is realized by the Bank on the shares held by the Controlling Shareholder, this may result in a change of the holdings and/or control of the Company. The Bank might then contend that, allegedly, in accordance with the agreement to provide banking services concluded by the Company and the Bank on 31.1.2011 (that is unrelated to agreements and arrangements reached by the Controlling Shareholder and the Bank), a change of control in the Company without the Bank's consent, in a manner that Europe Israel ceases to hold 30% of Elbit's issued and outstanding share capital, provided that there is no other person or entity with the same percentage of holdings of the Company or a higher percentage, then this shall constitute a breach that will entitle the Bank to demand the immediate repayment of the then outstanding credits and loans. As of today, the Company has enough cash reserves that enable immediate payment of its remaining debts to the Bank, if and to the extent that it is required to immediately prepay the same under the aforesaid circumstances, if and to the extent that they are realized. Breach and/or immediate repayment of the Company's undertakings to the Bank, to the extent that indeed the Bank is entitled to do so, is not defined as an event of breach in accordance with the debentures issued by the Company. It is hereby clarified that the foregoing does not constitute an opinion and/or take a position in relation to alleged claims that can be raised by the Bank as aforesaid. Additional information is contained in the 20-F Form of the Company, Item 3.D under the heading "Risk Factors". It is clarified that this list is not an exhaustive list including all the risks to which the Company is exposed. Future risks might arise that the Company did not predict and that are not included hereinabove and/or in the Company's Reports published from time to time.



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