Fund for Investment in Commercial Real-Estate in the U.S.

JUNE 2010 – Investors Presentation

Elbit Imaging Ltd.

PLAZA CENTERS

EDT RETAIL

U.S. Investment Analysis

History has presented us with a rare window of opportunity, occurring only once in decades, of which we intend to take full advantage

Background: Striving to Identify Trends and Opportunities Early (Eastern Europe Case)-
14 years ago, at the time when The Elbit Group began the initiation and development activities in Eastern Europe, those markets offered yields ranging between 13% - 15%, while Western markets were only offering 5 - 7% yields.

The group has the ability, experience and know-how built during the last 14 years, as well as the financial resources, to take advantage of this rare opportunity.

The Fund's Goals:
Today, U.S. real estate market conditions have created an opportunity for acquisition of shopping centers at yields ranging between 7% and 10%, with immediate rent proceeds, and without development risks.
When the world emerges from the current crisis, within 2-3 years in our view, we will be able to sell those properties at much more favorable yields ranging between 5% - 7%.

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14-Year Track Record (1)

- **A vast and extremly well established network of business connections with most anchors and large international tenants –**
  - The Elbit Group has constructed, and continues to construct, a portfolio of over 50 malls
  - These activities have allowed the Group to establish long-term and close personal and business relationships with the management bodies of its anchor tenants and large lessees, such as Mango, Zara, C&A, Match, Peek & Cloppenburg, Tesco, H&M and other major international retailers
  - These business contacts will be utilized to enhance the tenant mix in the acquired malls
- **Extensive business relationships with large international funds and real-estate players –**
  - The Elbit Group's relationships with major property owners will be used by the Fund in sourcing single investments portfolios of attractive retail properties.

14-Year Track Record (2)

- **Significant access to U.S. and international funding sources –**
  - EPN and its sponsors have rich experience of equity and debt raising around the world, and in Israel, and "wide-ranging" business relationships with decision makers in the West-European, U.S. and Israeli credit and capital markets.
  - These contacts will be utilized for the benefit of the fund, including financing the acquisition of retail properties and upgrading their existing debt structure

- **The Group experience –**
  - The Elbit Group has extensive experience of shopping center and mall management and operation, and in creating an optimized anchor and tenant mix

- **Local expertise –**
  - EPN and its sponsors have a successful track record of building high performing local teams. We are already building such a team in the U.S., composed of experienced local branch managers.
  - The team will provide active day-to-day transaction involvement and asset management

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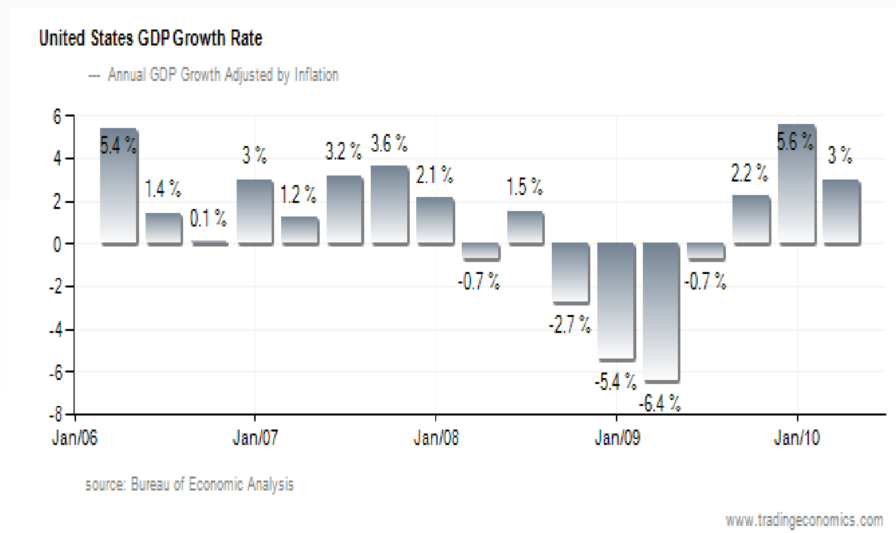
Why the U.S. and Why Now?

- **The American Real-Estate Market – Purchase and Lease**
  - Today's property valuations are the lowest experienced in the past 15 - 20 years, notwithstanding an ongoing solid cash flow and stable rental income based on lease agreements in place of the assets.
  - While there have been very few transactions in the market in the last 12 to 18 months, we see that the yield rates have increased by 2% - 3% such that yields from the disposal of leading shopping malls has risen from 5% - 7% in 2007 to 7%-10% today.

- **The Real-Estate Market and the REIT Funds**
  - The U.S. retail real estate market has been, until today, dominated predominantly by REIT funds.
  - These funds, in light of the severe financial crisis, are currently focused more on stabilizing their structure and less on new acquisitions, which results in reduced competition greater opportunity for investors ready to do business.
  - The market void has not been filled by new players, as many of potential investors' core businesses have been severely impacted leaving them with very little attention to analyze new opportunities.
  - Ambitious players, equipped with experience, solid strategy, financial firepower and a focused approach, will be able to locate and conclude, highly attractive acquisitions and joint ventures at great value.

U.S. Economy - Crisis

- GDP contraction in 2008 and 2009 (see below)
- Unemployment rate rose to 10.1%
- Bank financing disappeared
- Average cap rates increased substantially (see below)
- There was negative net retail space absorbtion in 2008 and 2009
- Retail asking rates dropped by as much as 40% in some markets



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U.S. Economy - Present

- Strong GDP growth 5.6% annualized in Q4 2009
- Unemployment rate is slowly decreasing (9.9%)
- Credit availability is growing
- Retail sales are increasing
- Huge increase in retail expansion plans
- Vacancy levels and rental levels have started to stabilize

U.S. Investment Model

- **Acquisition of Assets**:
  - Focus on acquisition of higher quality (primarily A, A-) U.S. retail properties
  - Stable and dominant assets to be acquired from capital seeking owners and lenders

- **Holding and Maintaining the Assets:**
  - Willing to hold the assets for a period of three to five years, until U.S. assets are traded again, following the recession, at their historical yields and values
  - Engage in active asset management during the holding period, so as to preserve the properties' cash flow, enhance tenant mix and position the assets to outperform competitive properties

- **Selling the Assets with a High Profit:**
  - The ultimate goal is to sell the assets as a portfolio or individually, to realize the highest value to the investors

Fund Target Assets Characteristics

The venture is focused on acquisitions of U.S. shopping centers
The acquired shopping centers' characteristics:

- **Location and Character:**
  - Dominant properties that display commercial stability in their trade areas.
  - Located in major metropolitan markets
  - Location allowing limited current and future competition
- **Tenant Mix:**
  - Properties that demonstrate superior tenant mix and composition in the fashion and commerce branches
  - Outstanding above average anchors and tenant mix
- **Stable Income and Proceeds:**
  - Long term and solid income and rent cash flow
  - Low vacancy in prior periods, both up and down markets, currently, and projected in the future

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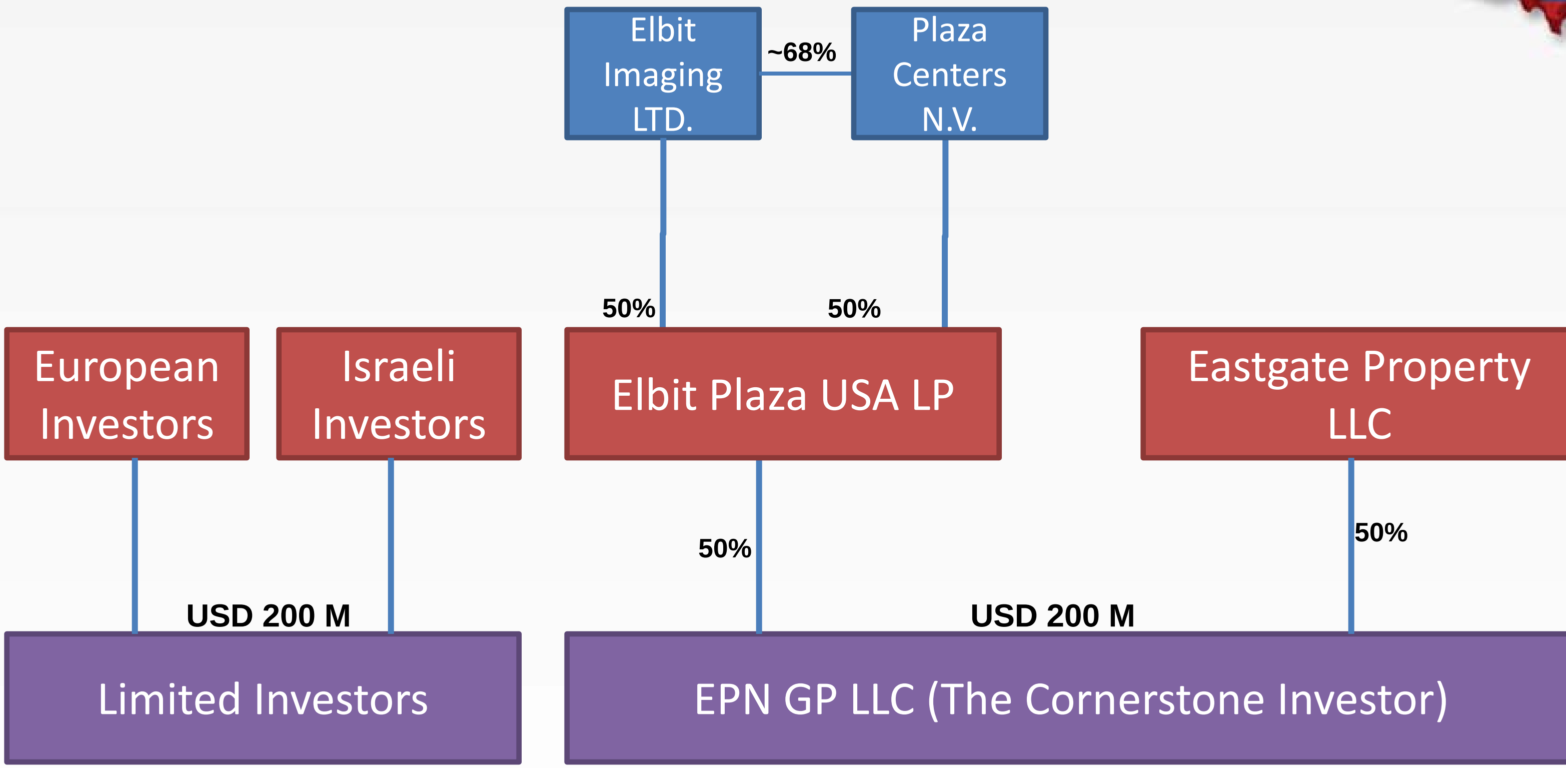
The Fund Structure

The Fund Structure



Legend:
- Business Partnerships
- EPN Business Entities
- Business Partnerships Invested Parties

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The Fund Structure

- **EPN GP, LLC is a joint venture between:**
  - Elbit Plaza USA LP and
  - Eastgate Property LLC

- **Eastgate Property LLC is an affiliate of an investment manager based in the US**
  - The US based investment manager has been investing primarily in Eastern European markets since 1993
  - As at 31 December 2009, the US based investment manager had approximately US$3.8 billion in assets under management (of which approximately US$800 million is dedicated to real estate) across nine active funds held on behalf of institutional investors

- **EPN is in the process of raising a Fund totaling US$400 million, with Elbit Plaza USA and Eastgate each committing US$100 million of seed equity towards the investment program; to date, a total of US$227 were comitted**
- **This will enable EPN to fund property investments valued up to $1 Billion**

Management Structure

Chief Executive Officer / Managing Principal

Mr. Alexander Berman serves as CEO and the managing senior officer of EPN Investment Management L.L.C., responsible for strategic decisions and overall management Including personnel and transactions.

Mr. Berman started his career as a Certified Public Accountant and has over 25 years of management, investment, finance, and business development experience in the United States and internationally. From 1999 to March 2009, Mr. Berman was an executive with General Growth Properties, Inc., one of the most prominent U.S. mall developers, owners and operators, where he was a Corporate Officer. He most recently led GGP’s international expansion as Founder and Head of GGP International and previously held the position of GGP’s Senior Vice President of Capital Markets and Finance.

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MDT Deal

MDT- Overview

- **Macquarie DDR Trust (Trust)**
  - Is an Australian registered investment scheme which invests in community shopping centers in the US. It was jointly owned by **Macquarie Group Limited (Macquarie) -** a global provider of banking, financial, advisory, investment and funds management services - and **Developers Diversified Realty Corporation (DDR) -** a REIT listed on the New York Stock Exchange
  - After its inception in 2003, the Trust's share price peaked at **1.37 AUD** per share in 2007, but afterwards because of the crisis, the share price went spiralling to **0.05 AUD**.
- **DDR**
  - Provides property management services for all of the Trust's properties as set out under role of the Property Manager below. As at 30 June 2009, DDR owned and managed approximately **690 retail operating and development properties** (totaling approximately **151 million square feet**) located across 45 US states and certain other regions (including Puerto Rico, Brazil and Canada).
  - DDR is a self-administered and self-managed real estate investment trust operating as a fully integrated real estate company which acquires, develops and leases shopping centers.

MDT- Legal Structure

Structure Prior to Recapitalization

MDT

Unsecured debt 108

100% → **US REIT I**

US REIT I	
Assets	41
Value	1,264
Debt	918

	Longhorn I	Longhorn II	Longhorn III
Value	103	183	49
Debt	85	145	39

	Bison	Homart	Revolver	Individual
Value	184	382	334	28
Debt	109	268	263	9

100% → **US REIT II**

US REIT II	
Assets	38
Value	219
Debt	194

US REIT II: 49.99%
DDR: 50.00%

Mervyn's LLC	
Assets	31
Value	224
Debt	227

US REIT II: 90.33%
DDR: 9.67%

Venice	
Assets	7
Value	118
Debt	89

Amounts in US$ millions

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Transaction Stages

- **Private Placement and acquiring Macquarie's share- 15.3%**
  - The introduction of EPN GP, LLC as the Cornerstone Investor through a AUD 9.5 million Cornerstone Placement. The Cornerstone Placement was completed at a price of AUD 6.7 cents per Unit (representing a Trust value of approximately US$55 million)
  - In addition, EPN acquired Macquarie's total holding of Units according to the above value and reached a total holding of 15.3%
- **Entitlement Offer and sub-underwriting- reaching 48%**
  - An Entitlement Offer at an issue price of AUD 5.5 cents per New Unit to raise AUD 198.9 million. The Cornerstone Investor has committed to act as sub-underwiter; As a result of the Entitlement Offer, EPN reached a total investment in MDT of **US$116** million and a holding of **48%**,
  - EPI acquired Macquarie's 50% interest in the US Manager for US$2.7 million and will run the fund jointly with DDR (50/50)

Shopping Centers Portfolio (REIT I + Venice)

Before Entitlement Offer

In USD millions	
Value *	1,264
Secured Debt	918
Unsecured Debt	108
NAV	**238**
LTV	81%

Cash injection as a result of the deal

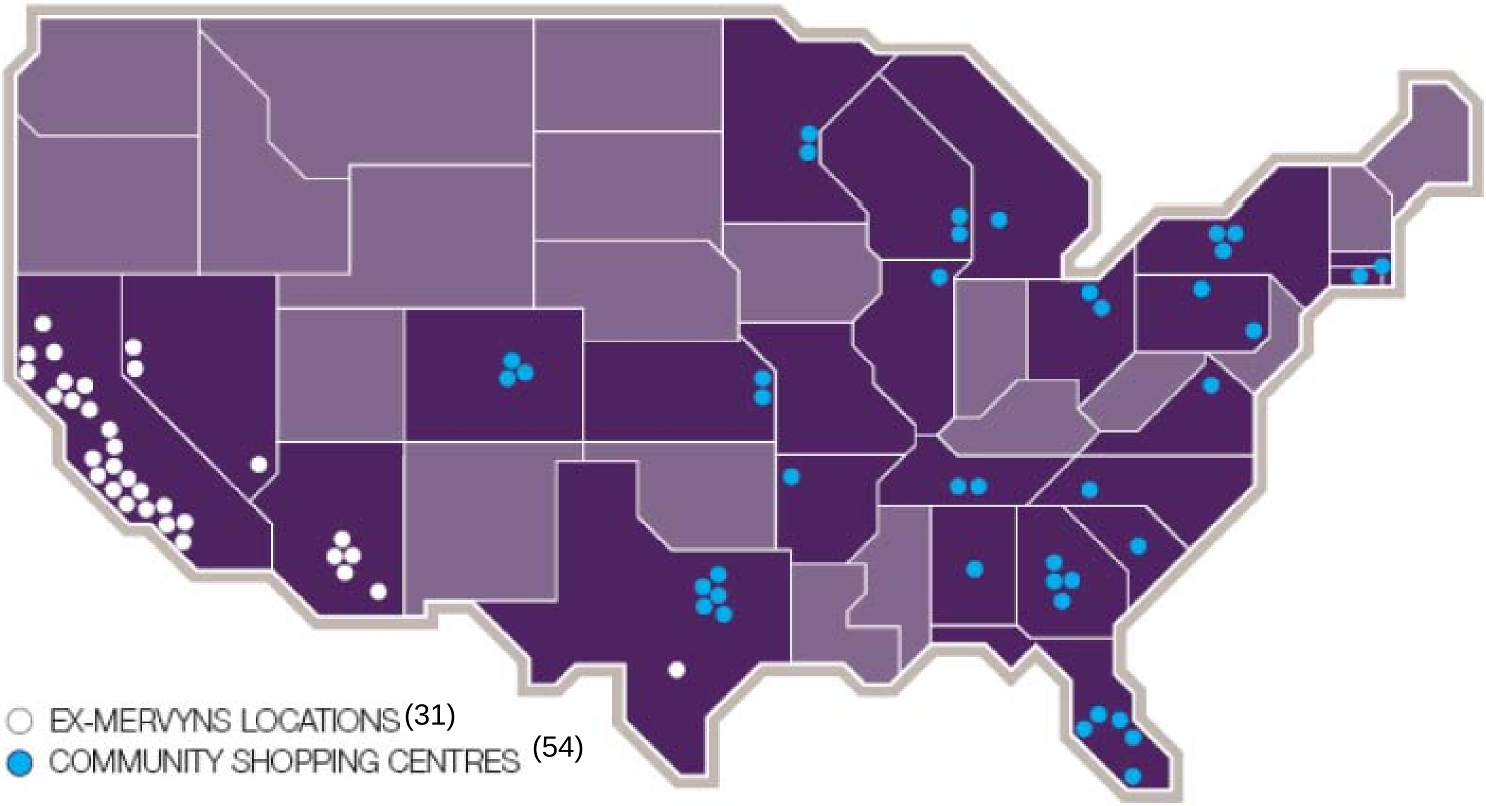
US$ 183M
(AU$210M)

After Entitlement Offer

In USD millions	
Value	1,264
Secured Debt	843
Unsecured Debt	-
NAV	**421**
LTV	67%

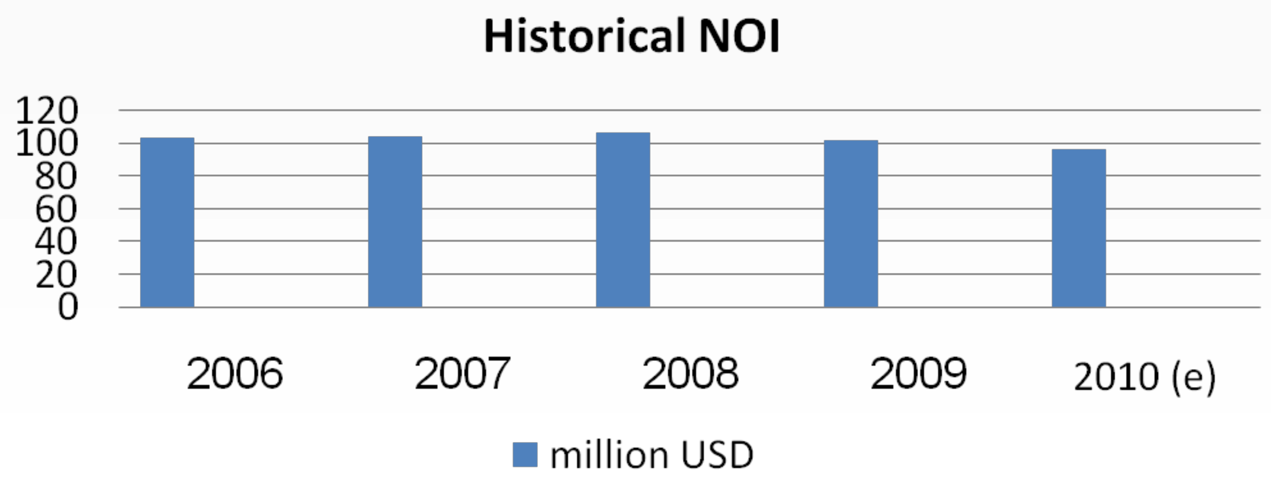
* According to latest published valuations

The Company’s Assets (1)



The Company's Assets (2)

- **Total Owned Square Feet (Thousands):** 13,395 (Shopping Centers: 10,942, Single Box: 2,453)
- **Average Occupancy:** 88.77% (% leased today)
- **Average Rent Per Square Foot:** $11.76 *(in place rents today)*
- **The Trust's rental revenue** remains relatively stable with over 80% of its Annual Base Rent derived from large and junior anchor retailers which predominantly have a national presence and are secured by relatively long-term leases



The decrease in the NOI between 2008 - 2010 was mainly caused by the sale of some assets by MDT.

Portfolio Overview (1)

Group	Number of assets (*)	Square feet (millions)	2009 NOI (millions) (**)
Premium Properties	9	3.3	$35,857
Above Average Properties	31	6.2	$48,973
Average Properties	11	2.1	$14,986
Below Average Properties	3	0.6	$1,998
TOTAL	**54**	**12.2**	**$101,814**

(*) Number of assets after splitting 5 shopping centers to 2 parts for evaluation matters.
(**) According to EPN estimation

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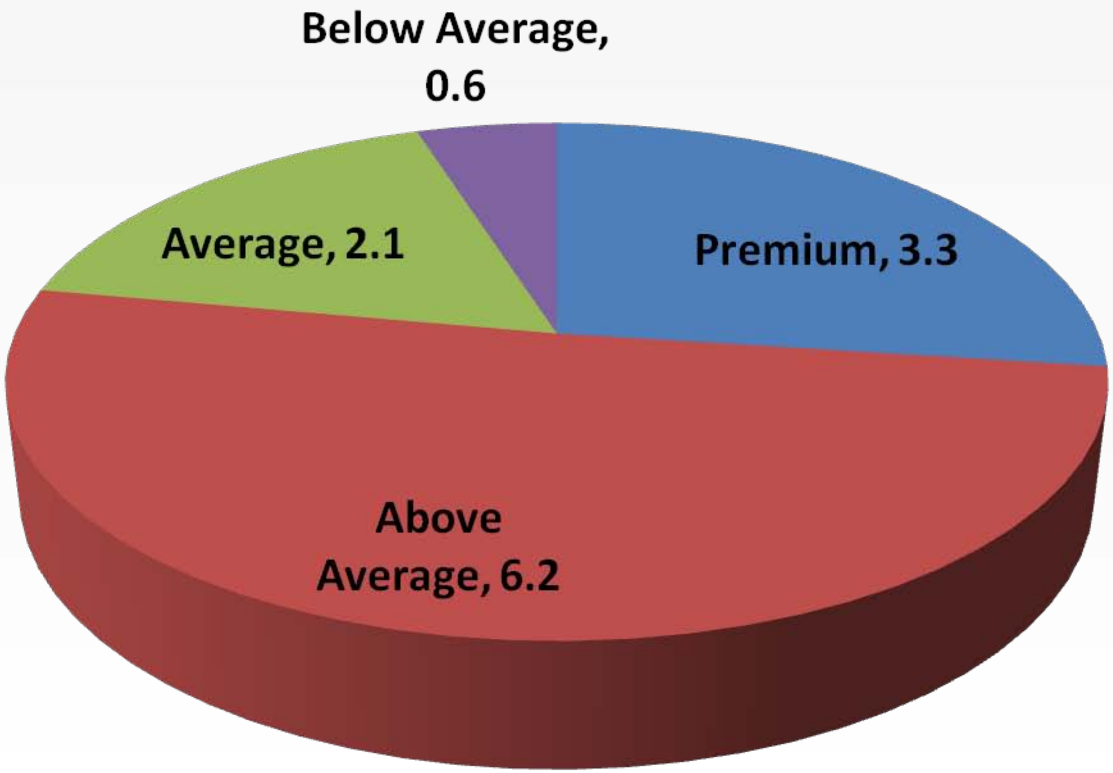
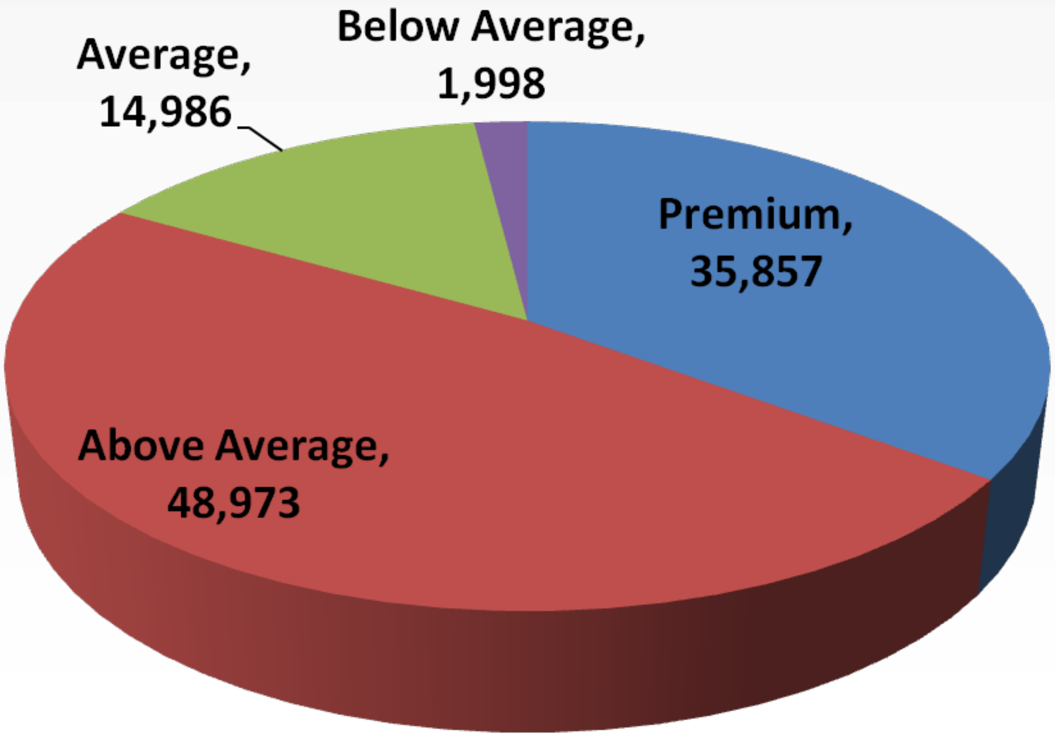
Portfolio Overview (2)

Qulity Distribution (by total sqf millions)



Portfolio Overview (3)

Qulity Distribution (by total NOI USD



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Portfolio Overview (4)

Key Tenants

- **The Trust's Shopping Centre Portfolio has a diversified income base:**
  - Approx. 460 tenants, with the largest tenant representing 5.9% of the portfolio's Annual Base Rent.
  - No single lease more than 1.9% of Annual Base Rent.
  - Over 80% of the rental revenue predominantly derives from large and junior anchor retailers which have a national presence.

Rank	Tenant	Market Capitalization (USD millions)	% of ABR	Owned GLA (sqf '000s)	No. Leases
1	TJX Companies	18,971	5.9%	655.4	17
2	PetsMart	3,986	4.7%	389.1	17
3	Kohl's	16,881	4.7%	811.1	9
4	Best Buy	19,205	3.3%	328.2	7
5	Dick's Sporting Goods	3,344	2.6%	254.9	5
6	Bed Bath & Beyond	12,100	2.6%	246.3	8
7	Wal-Mart	201,633	2.2%	304.9	4
8	Jo-Ann Stores	1,205	2.1%	200.9	5
9	Home Depot	59,656	2.0%	219.0	2
10	Gap	16,505	2.0%	149.7	8
	Total		**32.2%**	**3,559.4**	**82**

Main Assets

Shoppers World, Framingham, MA

- Square Feet: 778,476 (including cinema)
- Year Built: 1994/1997
- Occupancy: 100.00%
- Primary Market median hh inc.: $85,069
- 2009 NOI: $12,506,346

- Major Anchors

Anchor	SQF
Toys R Us	45,000 SF
T. J. Maxx	39,884 SF
Marshall's	50,081 SF
Best Buy	50,090 SF
Kohl's	103,276 SF

Woodfield Village Green, Chicago, IL

- **Square Feet:** 509,041
- **Year Built:** 1993/1998
- **Occupancy:** 90.50%
- **Primary Market median hh inc.:** $70,253
- **2009 NOI:** $6,124,666

Major Anchors

Anchor	SQF
Off 5th	30,273 SF
Nordstrom Rack	40,000 SF
Marshall’s	40,000 SF
Michael’s	33,008 SF
Borders	30,000 SF

Riverdale Village Outer Ring, Miniapo, Minnesota

- **Square Feet:** 497,667
- **Year Built:** 1999
- **Occupancy:** 81.77%
- **Primary Market median hh inc.:** $68,546
- **2009 NOI:** $3,666,505

Major Anchors

Anchor	SQF
Old Navy	20,000 SF
Jo-Ann's	45,850 SF
Sears	132,700 SF
Best Buy	45,948 SF
Kohl's	86,841 SF

Riverdale Village Inner Ring, Miniapo, Minnesota

- **Square Feet:** 280,380
- **Year Built:** 1993-2003
- **Occupancy:** 98.64%
- **Primary Market median hh inc.:** $68,546
- **2009 NOI:** $3,622,129

- **Major Anchors**

Anchor	SQF
Petsmart	19,141 SF
Ulta Salon	10,300 SF
Border's	21,641 SF
J.C. Penny	93,480 SF
DSW Shoe Warehouse	25,136 SF

Fairfax Towne Center
Washington D.C., VA

- **Square Feet:** 253,298
- **Year Built:** 1994
- **Occupancy:** 99.33%
- **Primary Market median hh inc.:** $110,342
- **2009 NOI:** $3,990,868

- **Major Anchors**

Anchor	SQF
Safeway	61,322 SF
T.J. Maxx	37,246 SF
Bed Bath & Beyond	39,669 SF
United Artists Theatre	47,230 SF
JoAnn's Stores	22,906 SF

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Carillon Place, Naples, FL

- **Square Feet:** 267,796
- **Year Built:** 1994
- **Occupancy:** 85.08%
- **Primary Market median hh inc.:** $60,917
- **2009 NOI:** $2,692,309

Major Anchors

Anchor	SQF
Walmart	50,540 SF
T.J. Maxx	32,900 SF
Total Wine and More	19,000 SF
Ross Dress for Less	25,500 SF
Beall's Outlet	21,285 SF

Connecticut Commons, Plainville, CT

- **Square Feet:** 566,481
- **Year Built:** 1999
- **Occupancy:** 92.67%
- **Primary Market median hh inc.:** $59,392
- **2009 NOI:** $5,469,032

Major Anchors

Anchor	SQF
Lowe's	135,197 SF
Lowe's Cinema	90,000 SF
Kohl's	86,854 SF
DSW Shoe Warehouse	24,123 SF
Dick's Sporting Goods	50,800 SF

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Great Northern Plaza – North

Cleveland, OH

- **Square Feet:** 476,125
- **Year Built:** 1958/1993/1998
- **Occupancy:** 98.41%
- **Primary Market median hh inc.:** $56,723
- **2009 NOI:** $5,474,414

- **Major Anchors**

Anchor	SQF
DSW Shoe Warehouse	24,841 SF
Marc's	49,373 SF
Bath & Beyond	36,859 SF
Petsmart	26,261 SF
Home Depot	113,521 SF

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Lake Walden Square, Plant City, FL

- **Square Feet:** 261,897
- **Year Built:** 1992
- **Occupancy:** 53.08%
- **Primary Market median hh inc.:** $47,546
- **2009 NOI:** $905,953

- **Major Anchors**

Anchor	SQF
Sweetbay	46,300 SF
Premiere Cinemas	25,899 SF

Cash Flow Model (1)

Main Assumptions

- **We used an average purchase yield of 8.51%**
- **We used the following estimation for the refinancing terms:**
  - 35 year amortization
  - Annuity
  - 5.5% interest
  - The refinance is reducing the principle of the original loan
- **NOI:**
  - For the valuation we used the NOI for the financial year of 2009 after the correction of the onetime elements of the income side
  - In that cash flow we are not evaluating the empty units, meaning that the sale yield is calculated on the "in place" NOI, and not on the stabilized
- **Our assumption is that we will sell the portfolios at the end of 2014, in about avg. 1.5% lower yield comparing to the purchase yields**

Cash Flow Model (2)

		2010	2011	2012	2013	2014
NOI		95,928,709	94,996,796	95,129,009	94,446,441	96,687,821
Loan repayment		-49,442,584	-51,669,541	-54,029,305	-54,189,776	-54,208,074
DSCR ratio		194.02%	183.85%	176.07%	174.29%	178.36%
Principle		-601,852	-1,777,608	-4,504,585	-5,960,075	-6,335,506
Interest		-49,246,652	-50,297,853	-49,930,639	-48,658,218	-48,311,852
Total Net Cash		46,486,125	43,327,255	41,099,704	40,256,665	42,479,746
Refinancing amount (net, after paying old debt)		0	-28,926,992	-47,057,111	3,507,626	0
Refurbishment costs		-1,508,600	-785,000	-2,787,508	-4,148,000	-198,000
Sale:						
Sale Yield	**7.00%**					
Sale Year	**2014**					
Sale Value		0	0	0	0	1,381,254,579
Total Net Cash after Sale & Refinance		44,977,525	13,615,262	-8,744,915	39,616,290	597,226,687
Average Purchase Yield (based on EPN's valuation)	**8.51%**					

Cash Flow Model (3)

EPN Share (48%)

Equity invested	**120,000,000**						
Total Net Cash after Sale	-120,000,000	21,589,212	20,420,282	18,389,854	17,332,159		
ROE		17.99%	17.02%	15.32%	14.44%		
Total Net Cash after Sale & Refinance	-120,000,000	21,589,212	6,535,326	-4,197,559	19,015,819	286,668,810	209,611,608
ROE		19.78%	5.99%	-3.85%	17.42%	262.63%	
IRR	**25.25%**						

Upside anticipated from transaction

- Huge potential in leasing vacant areas and thus increasing NOI---value
- Optimizing bank finacing structure and terms, using the new cash in the Trust
- Will enjoy the result of the anticipated yield compression on the market
- Analyzing opportunities in Mervyn's portfolio who's value was not considered in the transaction

Thank You for Your Attention

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