



## **ELBIT MEDICAL IMAGING LTD. ANNOUNCES THIRD QUARTER 2005 RESULTS**

**Tel Aviv, Israel - December 12, 2005-** Elbit Medical Imaging Ltd. (NASDAQ: EMITF) ("EMI" or the "Company") today announced its consolidated results for the third quarter of 2005, and for the nine-month period ended September 30, 2005.

Net Income for the third quarter of 2005 totaled NIS 78.7 million (US \$17.1 million), compared with a net Income of NIS 90.4 million in the corresponding period of 2004.

Revenues for the Third quarter of 2005 totaled NIS 289.2 million (US \$62.9 million), compared with revenues of NIS 255.5 million in the corresponding period of 2004.

Mr. Shimon Yitzhaki, President of Elbit Medical Imaging commented: "The net income reflected in the third quarter includes only a part of the profit deriving from the first stage of the transaction with the Klépierre Group of France (for the sale of four operational shopping centers in Poland) ("Stage A Transaction"), in an aggregate amount of NIS 172 million (\$ 37 million) net, after the realization of a debit capital reserve from foreign currency translation adjustments, in the aggregate amount of approximately NIS 58 million (\$ 13 million). The total increase in the Company's equity, as a result of the implementation of this part, reached therefore to approximately NIS 230 million (\$ 50 million). These results do not include additional profit of approximately NIS 130-150 million (\$ 28-33 million) deriving from the completion of Stage A Transaction, which it is anticipated will be included in the results of operations in the fourth quarter of 2005 and during 2006, However, part of this additional profit is subject to the fulfillment of certain terms specified in the Stage A Transaction Agreement.

The Company's shareholders equity has increased in the third quarter of 2005 by approximately NIS 160 million (\$ 35 million) and is expected to increase in the fourth quarter of 2005 to approximately NIS 1 billion (\$ 217 million) as a result of the completion of the merger by way of an exchange of shares between the Company and Elscint Limited, which transaction was successfully consummated on November 23, 2005) and without taking into consideration the results of the fourth quarter of 2005.

The current ratio of the Company as of September 30, 2005 is 1.20 compared with 0.75 at the corresponding date last year, reflecting the excess of the free liquid funds of the Company over its current liabilities, which provides the Company with additional resources for its future investments and activities.

The recent acquisition of the Hypodrome site in a prime location in central Budapest, on November 15, 2005, offers an attractive opportunity to continue our tradition of successful development of shopping mall projects in Hungary."

Following the consummation of the various "exit" transactions which commenced during 2004, and in consequence of the change to the Company's business model as specified below, the Company's management believes that the historical presentation format its statement of operations ("Multiple – step form") is no longer a meaningful measure and presentation of the Company's business activities.

During the course of the past two years, the major part of the Company's business activities have evolved from the entrepreneurship, development and operation of various commercial real estate assets in the medium to long term, into the entrepreneurship and development of such assets supported by short term management and operation activities with the principal objective of enabling the Company to perform and implement rapid exits and the prompt realization of its assets expeditiously following the completion of construction, and/or into the construction of assets under pre-sale development agreements executed with third parties (such as investment or management companies on the basis of turnkey construction agreements). This new business model is intended to reap the advantages of the Company's strengths and expertise in the entrepreneurship and development of projects, rather than investing precious financial and manpower resources for the operation of its assets for the long term.

Accordingly, as and from the third quarter of 2005, the Company has decided to adopt a new method for the presentation of its consolidated statement of operations reports, whereby all expenses are presented in one group, which are deducted as a whole from the total revenues which are also represented in one group ("Single – step form"). In the view of the Company's management, this new method of presentation more adequately and suitably reflects the nature of the Company's operations on a consolidated basis, in the light of the Company's modified strategy and goals. Corresponding figures for the previous accounting periods have been reclassified, accordingly.

#### **About Elbit Medical Imaging Ltd.**

EMI is a subsidiary of Europe Israel (M.M.S.) Ltd. EMI's activities are divided into three principal fields: (i) ownership, operation, management, acquisition, expansion and development of commercial and entertainment malls in Europe, primarily in Eastern and Central Europe; (ii) ownership, operation, leasing, management, acquisition, expansion and development of hotels in major European cities and ownership, operation and management of a commercial and entertainment mall in Israel through its subsidiary, Elscint Ltd.; and (iii) research and development in the image guided focused ultrasound activities through its subsidiary, InSightec - Image Guided Treatment Ltd.

*Any forward looking statements with respect to EMI's business, financial condition and results of operations included in this release are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements, including, but not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development and the effect of EMI's accounting policies, as well as certain other risk factors which are detailed from time to time in EMI's filings with the Securities and Exchange Commission.*

#### **For Further Information:**

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**ELBIT MEDICAL IMAGING LTD.  
CONSOLIDATED BALANCE SHEETS**

	<u>Sep 30</u> <u>2005      2004</u>		<u>Dec 31</u> <u>2004</u>	<u>Sep 30</u> <u>2005</u> Convenience translation US\$'000
	NIS in thousands			
<b>Current Assets</b>				
Cash and cash equivalents	551,715	510,419	345,745	119,990
Short-term deposits and investments	260,511	276,642	278,021	56,657
Trade accounts receivable	25,664	37,852	39,102	5,582
Receivables and other debit balances	73,681	67,159	66,140	16,025
Inventories	23,205	7,633	7,331	5,047
	<u>934,776</u>	<u>899,705</u>	<u>736,339</u>	<u>203,301</u>
<b>Long-Term Investments and Receivables</b>				
Long-term deposits, debentures, loans and receivables	60,800	113,438	113,785	13,223
Investments in investees and other companies	60,237	120,541	71,608	13,101
	<u>121,037</u>	<u>233,979</u>	<u>185,393</u>	<u>26,324</u>
<b>Fixed Assets</b>	<u>2,789,157</u>	<u>3,360,902</u>	<u>3,527,988</u>	<u>606,602</u>
<b>Other Assets and Deferred Expenses</b>	<u>33,825</u>	<u>49,768</u>	<u>55,859</u>	<u>7,356</u>
<b>Assets Related to Discontinuing Operations</b>	<u>12,911</u>	<u>14,893</u>	<u>14,700</u>	<u>2,808</u>
	<u>3,891,706</u>	<u>4,559,247</u>	<u>4,520,279</u>	<u>846,391</u>
<b>Current Liabilities</b>				
Short-term credits	531,164	912,614	536,937	115,521
Suppliers and service providers	74,450	82,214	74,358	16,192
Payables and other credit balances	176,571	190,265	183,446	38,402
	<u>782,185</u>	<u>1,185,093</u>	<u>794,741</u>	<u>170,114</u>
<b>Long-Term Liabilities</b>	<u>1,844,541</u>	<u>1,928,374</u>	<u>2,418,897</u>	<u>401,162</u>
<b>Liabilities Related to Discontinuing Operations</b>	<u>70,268</u>	<u>78,371</u>	<u>71,986</u>	<u>15,282</u>
<b>Convertible debentures</b>	<u>61,854</u>	<u>-</u>	<u>-</u>	<u>13,452</u>
<b>Minority Interest</b>	<u>386,781</u>	<u>446,198</u>	<u>430,687</u>	<u>84,119</u>
<b>Shareholders' Equity</b>	<u>746,077</u>	<u>921,211</u>	<u>803,968</u>	<u>162,261</u>
	<u>3,891,706</u>	<u>4,559,247</u>	<u>4,520,279</u>	<u>846,391</u>

**ELBIT MEDICAL IMAGING LTD.  
CONSOLIDATED STATEMENT OF OPERATIONS**

	Nine months ended Sep 30		Three months ended Sep 30		Year ended Dec 31	Nine months ended Sep 30
	2005	2004(*)	2005	2004 (*)	2004 (*)	2005
						Convenience translation US\$'000
	NIS in thousands					
<b>Revenues</b>						
Sale of commercial centers ,net	205,863	140,728	171,645	140,728	131,921	44,772
Commercial center operations	119,654	252,786	22,990	56,935	311,893	26,023
Hotels operations and management	187,614	160,342	66,382	51,063	218,365	40,803
Sale of medical systems	47,831	19,457	13,909	2,239	44,049	10,403
Other operational income	25,693	9,922	14,297	3,316	13,238	5,588
Others	1,958	13,207	0	1,196	16,415	426
	<u>588,613</u>	<u>596,442</u>	<u>289,223</u>	<u>255,477</u>	<u>735,881</u>	<u>128,015</u>
<b>Costs and Expenses</b>						
Commercial center operations	125,911	208,982	34,591	58,667	271,392	27,384
Hotels operations and management	182,293	146,866	68,683	47,692	207,152	39,646
Sale of medical systems	30,758	13,963	11,170	4,956	26,039	6,689
Other Operational Expenses	29,136	2,417	15,141	782	3,655	6,337
Research and development expenses, net	43,285	30,747	16,628	9,652	38,158	9,414
General and administrative expenses	31,867	31,225	8,783	11,684	43,627	6,931
Share in Losses of associated companies, net	9,054	9,609	3,813	1,333	15,968	1,969
Financial expenses, net	91,287	54,143	26,727	27,046	53,569	19,854
Other Expenses	49,033	47,952	18,079	20,545	51,428	10,664
	<u>592,624</u>	<u>545,904</u>	<u>203,616</u>	<u>182,357</u>	<u>710,988</u>	<u>128,887</u>
<b>Profit (loss) before income taxes</b>	(4,011)	50,538	85,607	73,120	24,893	(872)
Income taxes	12,219	18,150	27,993	1,061	15,804	2,657
<b>Profit (loss) after income taxes</b>	(16,230)	32,388	57,614	72,059	9,089	(3,530)
Minority interest in results of subsidiaries, net	55,143	30,533	20,604	15,872	27,448	11,993
<b>Profit (loss) from continuing operation</b>	38,913	62,921	78,218	87,931	36,537	8,463
Profit (loss) from discontinuing operation, net	(1,358)	3,305	519	2,457	6,810	(295)
cumulative effect of accounting change at the beginning of the year	(622)	-	(17)	-	-	(135)
<b>Net income</b>	<u>36,933</u>	<u>66,226</u>	<u>78,720</u>	<u>90,388</u>	<u>43,347</u>	<u>8,032</u>
<b>Earnings (loss) per share - (in NIS)</b>						
Basic earnings (loss) per share:						
From continuing operation	1.77	2.74	3.57	3.83	1.59	0.39
From discontinuing operation	(0.06)	0.14	0.02	0.11	0.30	(0.01)
cumulative effect of accounting change at the beginning of the year	(0.03)	-	-	-	-	(0.01)
Basic earnings per share	<u>1.68</u>	<u>2.88</u>	<u>3.59</u>	<u>3.94</u>	<u>1.89</u>	<u>0.37</u>
Diluted earnings per share	<u>1.68</u>	<u>2.80</u>	<u>3.59</u>	<u>3.79</u>	<u>1.84</u>	<u>0.37</u>

(\*) Reclassified as a result of a change from "Multiple step form" into the "Single step form" - see above.