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Plaza Centers N.V.

February 27, 2017

Rating Update

Ratification of ilCCC' rating and removal of rating from CreditWatch with negative implications due to the completion of asset realization; negative rating outlook

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Rating update

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Summary:

- Plaza Centers N.V. has realized assets in recent months in a scope adequate to meet the early repayment target of its liabilities to the bondholders, the completion of which shall confer the right of deferral of another year in the amortization schedule.

- Nevertheless, the Company's ability to repay its liabilities in the upcoming years still depends on asset realization, the majority of which is assets in development stages and lands in eastern and central Europe and India. We estimate that the Company's creditors are exposed to risks of failure of timely execution (execution risks) of the realization process of these assets.

- In particular, the uncertainty about the status of the Company's main asset, Casa Radio, which is in the focus of the inquiry of the Romanian authorities on irregularities, which in our opinion, limits the ability of the Company to sell the asset or receive a credit against the asset.

- We ratify the Company's rating of ilCCC' and remove the rating from CreditWatch since we believe that the liquidity concern is relived in the upcoming months.

- The negative rating outlook reflects the risk that the Company may go into another debt arrangement within a year. This is considering the uncertainty regarding the Casa Radio asset and in view of the Company's negative current cash flows and high leverage.

The Rating Activity

- On February 27, 2017, Standard & Poor's Maalot ratified the rating of ilCCC' of Plaza Centers N.V, which is engaged in the planning, development and construction of shopping centers in Central and Eastern Europe and at the same time has removed the rating from CreditWatch with negative implications. Negative rating outlook.

Major Considerations for the Rating

Removing the rating from the watch list with negative implications reflects our estimate that liquidity pressure on the Company has been alleviated following the asset realization performed in recent months. The ratification of ilCCC' with negative rating outlook reflects our estimate that despite meeting the target, there is a risk that the Company shall go into an additional debt arrangement in the upcoming months considering the uncertainty regarding a material asset, Casa Radio, and its current value.

In recent months, Plaza Centers has taken a number of measures which eased its liquidity pressure. In December 2016, the Company has reached an agreement with bondholders on the postponement of the deadline for early repayment of its liabilities that will ensure a deferral of a year in the amortization schedule and reducing the repayment amount to NIS 382 million. Following the agreement, the amount of approximately EUR 48 million remained for the Company's early repayment until the end of March 2017. At the same time, in recent months the Company sold assets totaling EUR 50 million, the main of which is the Suwalki mall in Poland (completed) and the Plaza Mall in Belgrade (transaction in final stages). Following the realizations, the Company announced that it shall meet the early repayment target, which shall provide a deferral of significant principal repayments for 2018 in accordance with the revised amortization schedule.

We estimate that the current cash flows are expected to remain negative. This is based on the expected interest payments and general and administrative expenses compared to rental income the expected scope of which is low or close to zero after the realization of most of the Company's income producing assets. Following the asset realization, one income producing asset remains with the Company, Torun Mall in Poland, which is for sale. The other assets of the Company are projects in preliminary development stages and lands in central-eastern Europe and India, regions characterized with relatively high risk. As a result, in order to make principal and interest payments in the upcoming years, the Company depends on the continued asset realization and in particular, the realization of a material asset, Casa Radio, in Romania, which is in the focus of the inquiry of the Romanian authorities on irregularities, which in our opinion, limits the ability of the Company to sell the asset or receive a credit against the asset.

The relative political instability in Romania, at present, may further delay the resolution of issues. Furthermore, we believe that there are limitations (environmental regulations) which may significantly impede the creation of cash flows from the project in Bangalore, India. Accordingly, we believe that the Company's creditors are exposed to risks of failure of timely execution (execution risk) of the realization process of these assets. We estimate the financial flexibility of the Company to be very low, given the high level of leverage of approximately 78%, which reduces the likelihood of a debt refinance. If negative revaluations are carried out regarding the Company's assets, they may increase even more the leverage level.

Liquidity

Based on our criteria, the liquidity level of the Company is "weak", among others, since there is a material difference between the certain sources and uses in the upcoming year and as per our estimate that the Company has no access to the capital market for debt refinance. We estimate that following the recent asset realizations, the Company shall meet the principal payments for 2017 which shall provide a deferral of one year in the amortization schedule however it should create additional cash flows from asset realizations so as to meet interest payment in December 2017.

Our base scenario does not include receipts from future asset realizations in accordance with our methodology.

We assume that the sources available to the Company from January 1, 2017 through December 31, 2017 are as follows:

- Cash and marketable financial assets (available for debt service) amount to EUR 2.5 million.
- Proceeds from asset realization of EUR 51 million

Our assumptions as to the Company's uses for the same period are as follows:

- Bond principal repayments of EUR 48 million;
- Negative FFO (Funds From Operations) of EUR 10 million

Rating outlook

The negative rating outlook reflects the risk that the Company may go into an additional debt arrangement within one year, among others, in view of the Company's high leverage level and negative cash flows from operations. Furthermore, the outlook reflects our estimate that the Company may have difficulty in performing asset realizations required to meet the repayment of its liabilities in the upcoming years, among others, considering the uncertainty of a very material asset, Casa radio, in Romania.

The negative scenario

We shall lower the rating if the Company negotiates with bondholders on material changes to be made in the terms of the existing debt arrangement or if payments are not made. Deterioration of the Company's liquidity status, among others, due to failure in asset realization or from material increase in the Company's leverage level resulting from material negative revaluations shall exert a negative pressure on the rating.

The positive scenario

We shall consider changing the rating outlook to stable if we estimate that the Company is able to realize the Casa Radio asset at the appropriate time and value, allowing covering the principal and interest payments through the end of the amortization schedule.

Methodology and related articles

- Criteria for rating issuances of non-financial companies in the local scale of Standard & Poors Maalot, September 22, 2014.
- General methodology: credit rating in local scales, September 22, 2014.
- Opinions and interpretation: the link between the global rating scale and the Israeli rating scale, January 25, 2016.
- General methodology: conversion tables of S&P among ratings in global scale and ratings according to local scales, June 1, 2016.
- General methodology: rating definitions of S&P Global Ratings, August 18, 2016.
- General methodology: use of rating outlook and CreditWatch, September 14, 2009.
- General methodology: timing of payments, grace period, guarantees and using the ratings of D' (insolvency) and SD (selective insolvency), October 24, 2013.
- Methodology core articles: general methodology for rating corporations, November 19, 2013.
- Methodology core articles: methodology for assessing the liquidity profile of corporations, December 16, 2014;
- Methodology: the rating of companies: - financial ratios and adjustments, November 19, 2013
- Methodology: rating a group of companies, November 19, 2013
- Methodology: sector risk, November 19, 2013.
- Methodology for estimating country's risk, November 19, 2013.
- Methodology for assessing the management and corporate governance of corporations and insurers, November 13, 2012;
- Methodology: key factors in rating real estate developers, August 19, 2014.
- General methodology: methodology for using ratings in CC and CCC groups, October 1, 2012.
- General methodology: the rating implications of exchanging debt, reorganization, financing arrangements and repurchases under pressure, May 12, 2009

General Details (February 27, 2017)	
Plaza Centers N.V	
The issuer's rating	
Local rating – long term	ilCCC/ Negative
Issuance rating	
Unsecured senior debt	
Series A, B	ilCCC
The issuer's rating history	
Local rating – long term	
February 23, 2017	ilCCC/ Negative
November 8, 2016	ilCCC/Watch Neg
February 25, 2016	ilBBB-/Negative
February 20, 2015	ilBBB-/Stable
November 14, 2013	D
July 19, 2013	ilB/Negative
March 21, 2013	ilBB+/Negative
December 27, 2012	ilBBB-/Watch Neg
May 21, 2012	ilBBB+/Stable
August 31, 2011	ilBBB+/ Negative
May 25, 2011	ilA/ Watch Neg
September 20, 2010	ilA/ Negative
March 2, 2009	ilA/ Stable
May 25, 2008	ilA+/ Watch Neg
February 6, 2008	ilA+/ Positive
Other details	
The time in which the event has occurred	February 27, 2017 10:57
The time it was first learned about the event	February 27, 2017 10:57
Event originator	The rated company

Credit rating watch

We are regularly monitoring the developments that may affect the credit ratings of issuers or of specific bond series we are rating. The purpose of the watch is to ensure that the rating shall be updated regularly and identify the parameters that can lead to a change in the rating.

For the list of the most updated ratings and for additional information on the watch policy of credit rating, please visit the website of Standard & Poor's Maalot Ltd. at .www.maalot.co.il

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