STANDARD
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Maalot

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Plaza Centers N.V.

July 22, 2013

Rating Update

Downgrading the rating to ilB from ilBB+ due to further deterioration in liquidity; the rating outlook is negative.

Chief Credit Analyst: Alice Kedem alice_kedem@standardandpoors.com (03)7539739
Secondary Credit Analyst: Gil Avrahami gil_avrahami@standardandpoors.com ,(03)7539719

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Summary:

- The liquidity of Plaza Centers NV remains "weak" according to our methodology with strong dependency on asset realization so as to service the following debts.

- Since the last rating activity in March 2013, the Company agreed on several transactions but we estimate that the realization pace is insufficient to catch up with significant gap between the sources available today for repayment and the expected repayments in the coming 12 months.

- In our estimate, without a significant acceleration of the realization pace it appears that the Company will find it difficult to repay its debts already in the coming 12 months.

- Therefore, we downgrade the rating of Plaza Centers, which is engaged in the planning, development and establishment of commercial centers in Central and Eastern Europe, to ilB from ilBB+.

- The negative rating outlook reflects our estimate in respect of the many challenges faced by the Company in implementing its realizations plan considering the remaining short period of time until maturities.

The Rating Activity

On July 22, 2013, Standard & Poor's Maalot downgraded the rating of Plaza Centers N.V which is engaged in the planning, development and establishment of commercial centers in Central and Eastern Europe, to ilB from ilBB+. The rating outlook is negative.

Major Considerations for the Rating

Downgrading the rating of Plaza Centers reflects the additional deterioration in the Company's liquidity, inter alia, in view of the shortened period of time remaining to the coming maturities. We continue to define the Company's liquidity as "weak" in view of the strong dependency on proceeds from selling assets in the immediate and short terms compared to the high maturities of the Company in the coming 12 months.

In our estimate, the scope of cash and investments available for sale today, after receiving approximately € 25 million from selling assets P one in India and Prague 3 in the Czech Republic are insufficient to meet the coming payments, which are due at the end of November (Polish debentures) and at the end of December 2013 (Israeli debentures) amounting to an aggregate € 31 million (including interest expenses). Furthermore, in order to be prepared to the next payment of € 63 million that matures at the end of June 2014, the Company is required to realize assets in an extremely large scope, the likelihood of which seems at this stage relatively low.

The Company's plan includes realization of some active commercial centers and realizations of plots of land in the coming year. In our estimate, without a significant acceleration of the realization pace it appears that the Company will find it difficult to repay its current maturities already in the coming 12 months. Furthermore, the macro economic conditions prevailing in Europe, which may reduce the appetite of the investors in the type of assets held by the Company, and particularly plots of land in Eastern European countries might challenge the Company's ability to execute its plan.

Moreover, the debt arrangement taking place in the level of the parent company, Elbit Imaging Ltd. (D) although decreases the probability for dividend distribution in the next year, but the ramifications of such arrangement on the Company are not yet clear and they may limit the financial flexibility, particularly in debt recycling issues.

Based on our criteria, the liquidity level of Plaza Centers is "weak". We estimate that the sources available to the Company in the second half of 2013 and the first half of 2014 are:

- Cash and financial assets for sale amounting to € 33 million (our estimate after realization of assets P One in India and Prague 3 in the Czech Republic);
- And cash flows from operating activities of existing assets, net of general and administrative expenses, amounting to € 10 million.

The Company has a plan to realize additional assets in the coming 12 months, which it estimates at € 150 million, but since such realizations are virtually uncertain at this stage according to our criteria, we do not consider them as a certain source of liquidity.

Our assumptions as to the use of funds of the Company for the corresponding period are:

- Payment of current maturities in respect of banks and debentures amounting to € 110 million (including interest expenses);
- And capital expenditures (capex) of € 10 million in which the Company has flexibility in adjusting the rate of initiating new projects to the rate of creating cash flows.

The Rating Outlook

The negative rating outlook reflects our estimate on the Company's ability to implement its strategic plan and realize assets in the short term so as to meet its obligations on time at the end of 2013 and June 2014.

We will consider additional downgrading of the rating if we see further delays in asset realizations or if we believe that deterioration in the market conditions impairs the feasibility of the Company's future cash flows.

We may take a positive rating activity should an improvement will occur in the Company's liquidity state, such that the risk of non compliance with the debt repayment will decrease significantly.

Related study

- Methodological article: "Methodology: estimating the liquidity level to the issuer" September 27, 2011. The above article may be found in the website of S&P Maalot in the following link: http://www.maalot.co.il/publications/MT20120322152416.pdf

- Methodological article: "Methodology: credit rating process (English), April 15, 2008. The above article may be found in the website of S&P Maalot in the following link:

  http://www.maalot.co.il/publications/MT20120529105527.pdf

List of ratings

	Current rating	From previous rating
Plaza Centers N.V		
The issuer's rating	**ilB/ Negative**	**ilBB+/ Negative**
Series A Debentures	**ilB**	**ilBB+**
Series B Debentures	**ilB**	**ilBB+**
