Standard & Poor's
Maalot
S&P Global

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Plaza Centers N.V.

September 28, 2017

Rating Update

Lowering the rating to ilCC' due to our estimate that the Company shall not comply with terms of the current debt arrangement; negative rating outlook

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Rating update

Lowering the rating to ilCC' due to our estimate that the Company shall not comply with terms of the current debt arrangement; negative rating outlook

Summary:

- In our opinion, it is almost certain that the Company shall not be able to meet the amortization schedule until its end according to the current conditions.

- Our estimate is based on the decision of Company to apply to court in order to settle a dispute regarding the debt repayment from the asset realizations which could lead to stop payments and/or change in the current debt conditions, a continued increase in leverage to 90% and uncertainty regarding the Company's ability to realize assets in sufficient scope for the purpose of covering the future payments to the bondholders.

- In particular, the uncertainty continues 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 lower the Company's rating to ilCC' with negative outlook. The negative rating outlook reflects our estimate that there is almost a full certainty that in the future a payment default event shall take place according to the definitions of S&P Global Ratings.

The Rating Activity

- On September 28, 2017, Standard & Poor's Maalot lowered the rating from ilCCC' to ilCC' of Plaza Centers N.V, which is engaged in the planning, development and construction of shopping centers in Central and Eastern Europe. Negative rating outlook.

Major Considerations for the Rating

Lowering the rating reflects our estimate that there is almost a full certainty that the Company shall not be able to meet the amortization schedule until its end according to the current conditions.

Our estimate is based on the decision of Company to apply to court in order to settle a dispute regarding the debt repayment from the asset realizations which could lead to stop payments or change in the current debt conditions, a continued increase in high leverage to 90% and uncertainty regarding the Company's ability to realize assets in a sufficient scope.

The decision of the Company to apply to the court was based on the demand of holders of Series A bonds to change the distribution of payments from the asset realizations according to the terms of the existing debt arrangement, such that it will be done proportionately to all series (pro rata) such that it shall increases the payments to bondholders of Series A at the expense of bondholders of Series B. In light of these developments, we estimate that there is a risk of stopping the payments to all or to some of the bond series and/or a change in the current debt conditions in the near term. The Company had announced that the immediate payment for Series A bondholders and bondholders in Poland will be executed according to the terms of the current debt arrangement, while part of the payment to holders of Series B bonds will be deposited in trust until the dispute is resolved between the parties.

In the medium - long term range, the Company is dependent on the continued asset realization and in particular the realization of a material asset, Casa Radio in Romania, in order to cover the balance of liabilities to the bondholders which amount to € 132 million. Casa Radio is at the focus of the authorities' investigation of irregularities which in our opinion severely limits the possibility of realizing the asset or obtaining credit against it. The Company's remaining assets are projects in initial stages of development and lands in Central and Eastern Europe and India, which are characterized by a relatively high level of risk. Therefore, we believe that the Company's creditors are exposed to execution risk of the realization process of these assets in order to pay the principal and interest in future years.

Our estimate is supported by including a going concern comment in the financial statements and the concern expressed by the Company's management and board of directors regarding its ability to service the debt according to the original amortization schedule.

We estimate the Company's financial flexibility to be very low, given the leverage level of about 90%, which has increased due to negative revaluations recorded by the Company and the negative cash flow from operating activities. In our opinion, the Company's current cash flow is expected to remain negative. This is based on the interest payments and the expected general and administrative expenses, compared to rental income from one income-producing property, the Torun Mall in Poland, which was also put for sale after the realization of most of the Company's income-producing properties.

Liquidity

Based on our criteria, the liquidity level of the Company is "weak", among others, since there is a 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. In our estimate, to meet the bond payments in the next 12 months, the Company will have to successfully complete the sale of Torun Mall.

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 July 1, 2017 through June 30, 2017 are as follows:

- Cash and marketable financial assets (available for debt service) amount to EUR 6 million.
- Proceeds from asset realization of EUR 25 million

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

- Bond principal repayments of EUR 25 million;
- Negative FFO (Funds From Operations) of EUR 10 million

Rating outlook

The negative rating outlook reflects our estimate that there is almost a full certainty that a payment default event shall occur in the future according to the definitions of S& P Global ratings. This is given the application of the bondholders to the court that may lead to a stop of payments and/or a change in the current debt conditions, the uncertainty regarding the Company's ability to realize the Casa Radio asset, and the current negative cash flow and the Company's high leverage.

The negative scenario

We shall lower the rating should a stop of payments occurs or a material change in the debt arrangement conditions due to the request of the bondholders or the Company.

The positive scenario

A positive rating activity is not likely in the near future.

Methodology and related articles

- General methodology: use of rating outlook and CreditWatch, September 14, 2009.
- Methodology for assessing the management and corporate governance of corporations and insurers, November 13, 2012;
- General methodology: timing of payments, grace period, guarantees and using the ratings of D' (insolvency) and SD (selective insolvency), October 24, 2013.
- Methodology: rating a group of companies, November 19, 2013
- Methodology: rating of companies – financial ratios and adjustments, November 19, 2013
- Methodology core articles: general methodology for rating corporations November 19, 2013.
- Methodology for estimating country's risk, November 19, 2013.
- Methodology: sector risk, November 19, 2013.
- Rating scales and definitions: credit rating in local scales, September 22, 2014.
- Methodology core articles: criteria for rating issuances of non-financial companies in the local scale of Standard & Poors Maalot, September 22, 2014.
- Methodology core articles: methodology for assessing the liquidity profile of corporations, December 16, 2014;
- Methodology-general: conversion tables of S&P between the ratings in the global scale and the local scales, August 14, 2017.
- Rating definitions of S&P Global ratings, June 26, 2017.
- Opinions and interpretation: the link between the global rating scale and the Israeli rating scale, January 25, 2016.
- General methodology: the rating implications of exchanging debt, reorganization, financing arrangements and repurchases under pressure, May 12, 2009
- General methodology: methodology for using ratings in CC and CCC groups, October 1, 2012.
- Methodology: key factors in rating real estate developers, February 3, 2014.

General Details (September 28, 2017)	
Plaza Centers N.V	
The issuer's rating	
Local rating – long term	ilCC/ Negative
Issuance rating	
Unsecured senior debt	
Series A, B	ilCC
The issuer's rating history	
Local rating – long term	
September 27, 2017	ilCC/ Negative
March 1, 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	September 28, 2017 09:45
The time it was first learned about the event	September 28, 2017 09:45
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