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Plaza Centers N.V.
Watch Report and Notice on withdrawal of the Rating-
July 2013

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Plaza Centers N.V.

Rating of series (issue)	B1	Rating Outlook : Negative

Midroog gives notice where it lowers the rating of bonds in circulation from Ba1 to B1 and leaving the negative rating outlook for the rated series in circulation of Plaza Centers N.V (Plaza Centers and/or the Company).

In addition, following the request of the Company, Midroog gives notice on rating withdrawal for said series.

The following is the breakdown of the rated series of bonds in circulation:

Bond Series	Number of security	Date of Initial issuance	Balance adjusted to Bonds index July 2013 NIS in millions *)	Annual interest rate	Linkage	Maturity of bonds
Series A	1109495	6/2007	295	4.5%	Index	2013-2017
Series B	1109503	2/2008	595**	5.4%	Index	2013-2015
Total			**890**			

*) After repayment of the bond principal at the beginning of the month.
**) Without neutralizing self holdings of the Company, which were not delisted from trading, in the amount of NIS 16 million par value.

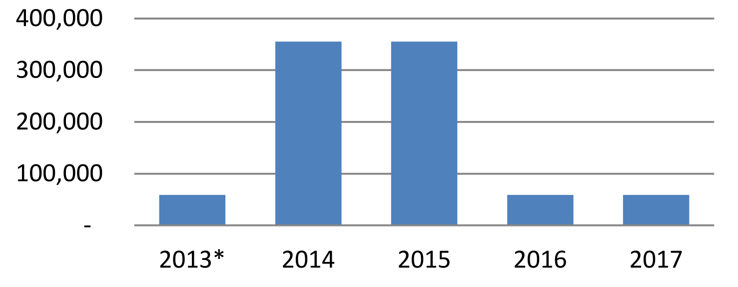
The downgrading of the rating is based on the continued erosion of the liquid balances of the Company relative to the high maturities on bonds expected for the Company. The Company's challenges to promptly create sources of liquidity became intensified compared to the previous rating and that is due to erosion in liquidity because of delays in realization of assets – mainly the Torun Plaza, where the Company estimated that it will be able to realize such asset in 2013 while creating a significant residual flow. It is indicated that although the Company managed to realize several assets during the period, they were sold in residual flow that is lower than previous forecasts. The challenge in realization of assets stems from the fact that the Company's assets mainly include lands in weak economies and income producing commercial centers whose value potential was not yet exhausted. Moreover, it is indicated that in the course of the period that elapsed from the previous rating, operational parameters of income producing assets did not improve significantly so Midroog estimates that the value potential and their realization capability were not improved; as of the date of this rating report, the Company maintains liquid balances of approximately € 33 million in the consolidated (Solo - € 24 million) while its corporate debt service needs (principal and interest) until the end of 2013 include approximately € 33 million in respect of Polish bonds and bonds issued in Israel, and this is apart from the ongoing operational expenses of the Company.

Nevertheless, even if the Company is successful in creating liquidity for 2013, Midroog estimates that the Company will struggle to make the bond payments (principal and interest), which amount to € 80 million in 2014 and that is in view of the Company's quality of sources, as aforementioned. Furthermore, in order to create sources of a better quality to service the bonds for the mid- long term, the Company will have to improve the occupancy rates in its income producing assets as well as making investments in the development and appreciation of its assets, which will hinder its ability in view of the liquidity challenges it faces.

Accordingly, downgrading the rating reflects the increased probability under which the Company will not be able to create cash flows on time against the current maturities.

Leaving negative rating outlook stems from the challenges facing the Company to execute its plans to create cash flow sources for bond debt service in the short term. These actions are expected to be carried out in a challenging environment, such that there is a risk for additional delays in the Company's plans. As far as the Company is unsuccessful in meeting its liabilities in a timely manner, it is probable that an additional downgrading of the rating would have been carried out.

Plaza Centers – Amortization Schedule of Israeli bonds – NIS in thousands



*) August 2013 until December 2013

Plaza Centers – Selected Financial Ratios as of 31.12.2012

		31.12.2012	31.12.2011	31.12.2010	31.12.2009
Total revenues		41,593	23,462	37,641	16,045
Gross profit		21,208	8,613	16,788	3,075
Gross profit rate		51%	37%	45%	19%
EBITDA net of revaluations		5,455	-7,726	1,108	-14,507
Financial income (expenses)		-16,540	73,986	-21,177	-18,120
Net profit (loss)		-85,927	13,864	14,248	-64,712
Liquidity balances (cash, short term deposits and securities for sale)		76,154	86,931	164,899	140,225
Malls under construction		780,963	850,229	807,887	707,287
Investment property, net		14,489	272,348	238,702	13,399
Financial debt		475,007	716,352	761,069	447,532
Financial debt, net		398,853	629,421	596,170	307,307
Shareholders' equity and minority interest		449,146	550,162	624,449	574,709
Total balance sheet		958,005	1,348,526	1,426,296	1,059,621
Cap		931,100	1,282,187	1,386,474	1,024,678
Cap, net		854,946	1,195,256	1,221,575	884,453
Shareholders' equity and minority interest to total balance sheet		46.9%	40.8%	43.8%	54.2%
Debt to CAP		51.0%	55.9%	54.9%	43.7%
Net debt to CAP, net		46.7%	52.7%	48.8%	34.7%
Shareholders' equity to total balance sheet, net of cash		50.9%	43.6%	49.5%	62.5%
FFO		-18,688	-34,963	-18,616	-10,623

The rating outlook

Factors that might improve the rating or the rating outlook:

• Generating significant cash flows from selling the Company's assets, including lands whilst maintaining the financial strength

• Improvement in the economies of India, Eastern Europe, mainly Romania, Serbia and Poland that will lead the Company to develop its activity.

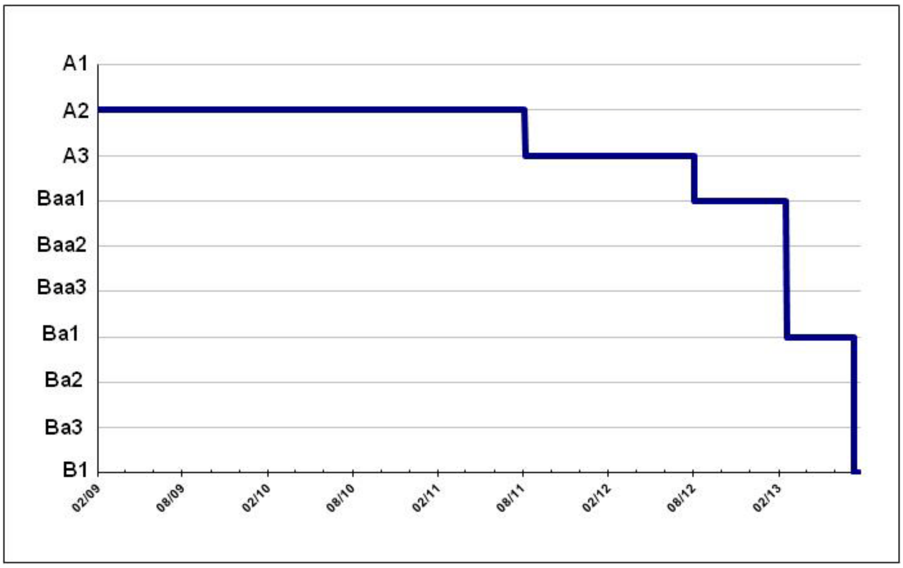
Factors that might impair the rating:

• A significant decline in the level of the Company's liquidity and the financial profile of the Company.

• Continued sensitivity of the Company on the raising ability in the capital market.

• Negative changes in the markets, in which the Company operates, including continuing slow-down in the real estate sector, in general, and in the field of commercial centers in particular.

Rating History Diagram



Details of the issuer

The Company, Plaza Centers N.V. (hereinafter: "**the Company**") is a subsidiary of the Elbit Imaging Ltd. and it forms part of the "Europe Israel Group". The Company was incorporated in Netherlands and its Ordinary shares are registered for trading on the main listing on the main board of the London Stock Exchange (LSE) as well as on the Warsaw Stock Exchange (WSE).

The Company specializes in the initiation, marketing, occupying and sale of commercial centers and it operates in the real estate development field (primarily commercial centers) in developing countries and has been doing so for more than a 17 years. Initially, the Company was engaged in development projects for commercial centers in Hungary and following that it gradually expanded its activities into additional Eastern European countries and also into India. In 2010, the Company commenced its activity in income producing real estate segment in the U.S under a holding in an investment fund, which among others, Elbit Imaging is a partner in that fund. After two years, the Company realized its holdings in the U.S with high profits so today; the Company has no significant holdings in the U.S. As of the date of this report, the Company operates in 8 countries across Central and Eastern Europe and also in India.

Elbit Imaging Ltd., which holds approximately 62% of the shares in the Company, is under creditor arrangement. The rest of the shares in the Company are held by the public.

Methodological reports:

Analysis of real estate companies - Methodological report – August 2009

Real estate companies Methodology, November 2008

The reports are published in the website of Midroog: www.Midroog.co.il

Previous report: March 2013 watch report
Date: July 31 2013

Key Financial Terms

Term	**Definition**
Interest expenses	Financing expenses from the statement of income
Cash interest expenses	Financing expenses from the statement of income after adjustments to non cash flow financial expenses from cash flow statements.
Operating profit EBIT	Profit before taxes and financial +non-recurring expenses (income)
Operating profit before amortizations EBITA	EBIT + amortization of intangible assets
Operating profit before depreciation and amortizations EBITDA	EBIT + depreciation + amortization of intangible assets
Operating profit before depreciation amortizations and rental/operating lease fees EBITDAR	EBIT + depreciation + amortization of intangible assets + rental fees +operating lease fees
Assets	The total of the Company's assets in the balance sheet.
Financial Debt	Short-term debt + current maturities of long-term loans + long-term debt +operating leasing liabilities.
Net Financial Debt	Financial debt – cash and cash equivalents – short-term investments.
Capitalization (CAP)	Debt + shareholders' equity (including minority interests) + long term deferred taxes in the balance sheet.
Capital Expenditures (Capex)	Gross investments in equipment, machinery and intangible assets.
Funds from Operations (FFO) (*)	CFO before changes in working capital and before changes in asset and other liability items
Cash flow from Operations (CFO) (*)	Cash flows from operating activities from the consolidated cash flow statements.

Retained Cash Flow * (RCF) (*)	Funds from operations less dividends paid to shareholders
Free Cash Flow (FCF) (*)	Cash flows from operating activities (CFO) – capital investments - dividends

(*) We draw your attention that payments and receipts of interest, tax and dividend received from investees contained in the IFRS statements will be included in the calculation of operating cash flows even if not recorded as operating cash flows.

Rating scale of liabilities

Investment Grade	Aaa	Liabilities that are rated with a rating of Aaa are, in Midroog's judgment, of the best quality and involve a minimal credit risk.
	Aa	Liabilities that are rated with a rating of Aa are, in Midroog's judgment, of a high quality and involve a very low level of credit risk.
	A	Liabilities that are rated with a rating of A considered by Midroog to be in the upper part of the middle grade and involve a low level of credit risk.
	Baa	Liabilities that are rated with a rating of Baa involve a moderate level of credit risk. They are considered to be liabilities with a medium grade, and as such they might possess certain speculative characteristics.
Speculative Investment Grade	Ba	Liabilities that are rated with a rating of Ba possess, in Midroog's judgment, speculative elements, and involve a significant level of investment risk.
	B	Liabilities that are rated with a rating of B are considered by Midroog to be speculative, and involve a high level of credit risk.
	Caa	Liabilities that are rated with a rating of Caa have, in Midroog's judgment, a weak status and involve very high credit risk.
	Ca	Liabilities that are rated with a rating of Ca are very speculative and may be in a state of insolvency or it may be close to that state, with some sort of chance of the repayment of the principal and the interest.
	C	Liabilities that are rated with a rating of C are rated at the lowest grade and generally are in a state of insolvency, where the chances that the payments of the principal or the interest being paid are weak.

Midroog applies numerical modifiers 1, 2 and 3 in each of the rating categories from Aa to Caa in each of the categories. Modifier 1 indicates that the bonds are to be found at the higher end of the rating category in which it belongs, which is denoted in letters. Modifier 2 indicates that the bonds are to be found in the middle of the rating category; whereas modifier 3 indicates that the bonds are to be found in the lower end of its rating category, which is denoted in letters.

Report No.: CRE090313000M

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