Free Translation Only
Plaza Centers N.V.
Rating Activity
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Plaza Centers N.V.

Rating of series (issue)	A2	Rating Outlook : Negative

Midroog gives notice where it ratifies the rating A2 and changing the outlook from stable to negative for the bonds in circulation of Plaza Centers N.V. (the Company). In addition, Midroog ratifies an identical rating for the issuance taken place in January 2011 in the aggregate amount of NIS 300 million. The purpose of the issuance is purported to refinance debts.

Series of bonds included in this rating activity:

Bond Series	Number of security	Date of Initial issuance	Par value of bonds as of the report date *	Annual interest rate	Linkage	Maturity of bonds
Series A	1109495	6/2007	353,423	4.5%	Index	2011-2017
Series B*	1109503	2/2008	1,431,194	5.4%	Index	2011-2015
Total			1,784,618			

*) Balance of the bonds is after a periodic repayment of Series A in the amount of NIS 38.1 million par value that was carried out in December 2010 and after expanding Series A in the amount of NIS 86.5 million par value and expanding Series B by approximately NIS 181 million par value, that were carried out under the issuance in January 2011.

The Company's ratification of the rating is supported by its solvency ratios and despite of the erosion that was recorded, they are still considered good for the rating level; the Company maintains high liquidity balances enabling significant financial flexibility; dispersing the activity across many countries reduces the Company's exposure to a certain market and facilitates the focus on projects promotion in countries where economy was improved and recovery from the recession was recorded, such as Poland; unencumbered lands in large scope and dispersion enable the Company the flexibility to choose regions and promotion dates for the activity; the Company presented the ability to obtain financing for certain projects it intends to promote; the expansion of the activity in the income producing real estate segment in the U.S, under investment fund, is expected to strengthen the income producing arm and reduce the activity's volatility.

C**hanging the rating outlook from stable to negative** stems from the fact that the progress pace of the Company's projects is slower than expected, among others, due to the continued economic recession in most of the eastern European countries and due to delays the Company encountered in the activity in India. Hence, the Company records low cash flows from its activity and even expects to record negative FFO in 2011. The state of the markets impedes the ability to realize assets in the short-medium range in yields the company is accustomed to realize assets. As far as the promotion of projects will meet the forecasts, in 2012, the income producing portfolio and cash flows from activity will increase; the Company's exposure increased in its activity in India. This activity which is estimated to yield in the coming years a substantial portion of the aggregate profit and cash flows embodies, in Midroog's opinion, higher risk level than the other activities of the Company, among others, in view of the fact that the activity in this country has not yet generated substantial revenues for the Company; the parent company - Elbit Imaging successfully effectuated recently several actions which resulted in unlock value and the improvement of leverage levels. Nevertheless, Midroog estimates that the Company has exposure to Elbit Imaging and its cash flow needs.

Major Considerations for the Rating

Under the forecasted activity – transition to positive FFO is expected only in 2012, due to increase in the portfolio of income producing commercial centers and the activity in India as it is coming to fruition.

In accordance with the determined strategy, the Company is engaged in establishing commercial centers, operating them for a certain period and ultimately realizing them. Accordingly, in 2004-2008, the Company realized the commercial centers it established in Eastern Europe (26 malls). Certain proceeds from the realizations were used to purchase lands in Eastern Europe and India.

The financial crisis that befell in countries in Eastern Europe in recent years and the difficulty to obtain bank financing to develop the assets resulted in a significant slowdown in the progress pace of the Company’s projects. As of the date of the report, the Company owns four commercial centers the construction of which was completed including one commercial center in Latvia, one in the Czech Republic and two in Poland. While most of the countries in Eastern Europe experience the economic stalemate, some countries – mainly Poland and Serbia, to certain extent, improved their economy and recovered from the recession. Accordingly, the Company promotes several projects to establish commercial centers in these countries whereas for two of these projects (Torun in Poland and Kragujevac in Serbia) a bank financing was obtained. As far as the promotion of the above projects will be made according to the Company's estimates, then Torun commercial center in Poland is expected to open until the end of the year while the Kragujevac commercial center in Serbia is expected to open in the current quarter of 2012.

Midroog believes that the slow development will result in a negative FFO in 2011 estimated at € 15 million. Nonetheless, it should be indicated that the Company reviews the option to realize lands in 2011, such that it will result in cash flow surplus this year. As far as the commercial centers portfolio in Eastern Europe increases, simultaneously with the activity in India coming into fruition (as to the activity in India, see the following itemization), the Company is expected to record in 2012, for the first time in several years, a positive FFO. Moreover, the increased portfolio may make it easier for the Company to realize commercial centers at a lower yield, for instance – by realizing several commercial centers in one package deal.

The activity in India, as estimated by Midroog as having high risk characteristics relative to the other activities of the Company, may present a substantial factor of the revenues; a transition to the outline of combination transactions in residential construction in India reduces the cash flow exposure to the Company.

In the last four years, the Company invested large amounts in purchasing lands and in the promotion of projects in India and turned the activity in this country into a major component of the overall activity.

Today, the Company is engaged in six active projects in India, part of which is exclusive and part in partnership with Elbit Imaging and local partners. The projects include the construction of over 7,000 residential units, approximately 90 thousand sq.m of office space and a commercial center in an area of 50 thousand sq.m. The activity is scheduled to commence and produce substantial revenues effective 2012 and onwards. At the end of 2011 the commercial center in Koregaon Park is scheduled to open and generate an annual NOI of € 8 million. In addition, in 2012, the first large amounts are scheduled to be received from two large residential projects in Chennai and Bangalore.

As the Company wishes to neutralize the exposure to establishment costs of residential projects in Chennai and Bangalore, the Company recently changed its strategy in this segment. Accordingly, it changed from direct initiation of residential projects into commitment with performing contractors according to a combination agreement, under which the performing contractor will be responsible for the project promotion and the Company will receive a certain percentage of the proceeds. This way, the Company is not required to inject more equity and even will reduce the entrepreneurial risk for a smaller profit. Midroog sees this strategic change favorably, which reduces the cash flow exposure to the activity in India. Nevertheless, Midroog estimates the activity in India, as having high risk characteristics relative to the other activities of the Company, among others, due to the fact that the activity in India has not yet generated significant cash flows or profit to the Company.

Although the Company presents good solvency ratios, these ratios were eroded. The erosion resulted from increase in leverage along with a relative stability in the scope shareholders' equity, due to lack of profit from realizations and current activity.

Although the Company presents good solvency ratios, these ratios were eroded in recent years. The debt to CAP ratio increased from 12% at the end of 2007 to 53% on September 30, 2010. The reason for the erosion in the solvency ratios stems from the increased leverage as a result of bond issuances, which were mainly used for purchasing lands in Eastern Europe and India and income producing assets in the U.S. obtaining bank loans for property development and loans attributed to income producing assets in Europe and the U.S.. Simultaneously with the debt increase, the lack of substantial income producing arm and non realization of assets resulted in lower profit recorded by the Company and a relative stability of the shareholders' equity scope.

In order to strengthen the income producing arm, in 2010, the Company commenced to operate in the U.S. in the segment of commercial centers this - by partnership in the investments fund. Nevertheless, this activity does not yet generate significant cash flows to the Company. As far as the projects in Eastern Europe and India come into fruition according to the forecasts, the Company will record higher profits from operations and the erosion tendency in the solvency ratios is supposed to come to halt. The continued erosion in the solvency ratios may adversely affect the Company's rating.

The Company maintains high liquidity balances in view of the high volatility in the activity data – which is a consequence of the Company's strategy. The liquidity balance represents high financial flexibility although it caused certain erosion in the cash flows from current activity.

The Company records high volatility in its financial ratios and the data on its activity and that is a consequence of the Company's strategy to construct assets for the purpose of realization. In order to deal with the volatility, the Company maintains very high liquidity balances. In this manner, the Company maintained (in the consolidated) during the last three years average liquidity balances of over € 150 million. As of the date of this report, the Company maintains high liquidity balances of € 220 million, among others, as a result of the bond issuance of € 65 million that was carried out in January 2011 which is purported to finance bond debt. Maintaining liquidity balances in these amounts, which are equal to the aggregate expected repayment amount of the bond principal in the next three years, creates a substantial financial flexibility for the Company. It should be indicated, however, that maintaining high liquidity balances relative to bond debt, which is about € 400 million creates annual excess cost for interest payments, which is estimated by Midroog at approximately € 5 million.

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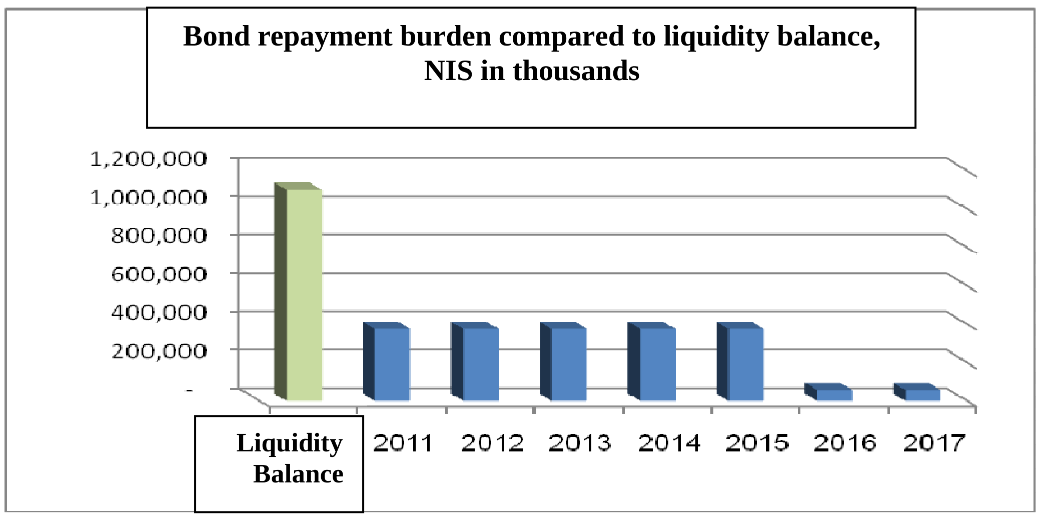


Main Financial Data (Euro in thousands) *

	30.09.2010	31.12.2009	31.12.2008	31.12.2007
Total revenues	21,096	16,045	98,613	507,843
Gross profit	7,020	3,075	42,679	241,184
Gross profit rate	33%	19%	43%	47%
EBITDA net of revaluations	-4,575	-14,564	21,434	218,974
Financial income (expenses)	-9,146	-18,120	58,088	9,347
Net profit (loss)	28,712	-64,712	67,684	226,967
Liquidity balances	172,575	140,225	154,634	67,414
Malls under construction	794,565	707,287	575,334	298,339
Investment property, net	228,248	13,399	12,970	12,970
Financial debt	726,299	447,532	302,817	79,098
Financial debt, net	553,724	307,307	148,183	11,684
Shareholders' equity and minority interest	634,111	574,709	609,531	603,471
Total balance sheet	1,395,020	1,059,621	958,556	761,211
Cap	1,361,399	1,024,678	918,539	683,121
Cap, net	1,188,824	884,453	763,905	615,707
Shareholders' equity and minority interest to total balance sheet	45.5%	54.2%	63.6%	79.3%
Debt to CAP	53.3%	43.7%	33.0%	11.6%
Net debt to CAP, net	46.6%	34.7%	19.4%	1.9%

*) Raising of € 60 million (NIS 300 million) that was carried out after the balance sheet date will be used by the Company to finance a debt and therefore is not considered as increased debt.

The rating outlook

Factors that might improve the rating *

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

• Significant improvement in the scope of permanent cash flows and its stability.

Factors that might impair the rating *

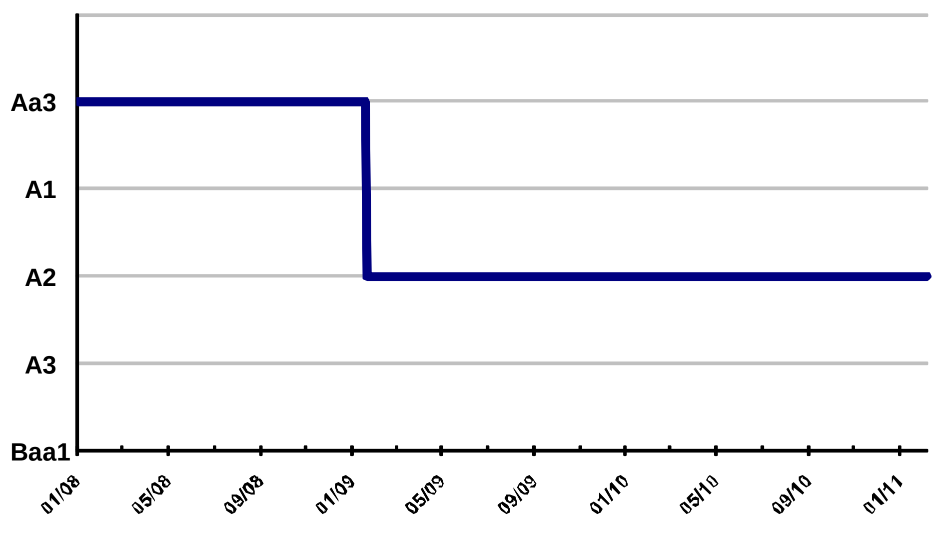
• A significant decline in the level of the Company's liquidity and the financial profile of the Company resulting from investment policy adopted by the Company.

• Failure to meet the performance targets in India and Eastern Europe.

• The distribution of dividends in significant amounts, which would impair the Company's financial stability and its liquidity.

• 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 Group Ltd. (hereinafter: "Elbit"), and it forms part of the "Europe Israel Group", which is controlled by the Founder, Mr. Mordechay Zisser. 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 15 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. As of the date of this report, the Company operates in 8 countries across Central and Eastern Europe and also in India and the U.S.

The main shareholder in the Company, indirectly, is Mr. Moti Zisser, who holds the Company through the parent company Elbit Imaging Ltd., which holds approximately 62% of the shares in the Company. 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

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.
EBIT	Profit before taxes and financial +/(-) non-recurring expenses (income)
EBITA	EBIT + amortization of intangible assets
EBITDA	EBIT + depreciation + amortization of intangible assets
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 statement.
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	Debt that is rated with a rating of Aaa is, in Midroog's judgment, of the best quality and involves a minimal credit risk.
	Aa	Debt that is rated with a rating of Aa is, in Midroog's judgment, of a high quality and involves a very low level of credit risk.
	A	Debt that is rated with a rating of A considered by Midroog to be in the upper part of the middle grade, and to involve a low level of credit risk.
	Baa	Debt that is rated with a rating of Baa involves a moderate level of credit risk. It is considered to be debt with a medium grade, and of the sort that might possess certain speculative characteristics.
Speculative Investment Grade	Ba	Debt that is rated with a rating of Ba possesses, in Midroog's judgment, speculative elements, and involves a significant level of investment risk.
	B	Debt that is rated with a rating to B is considered by Midroog to be speculative, and involves a high level of credit risk.
	Caa	Debt that is rate with a rating of Caa has, in Midroog's judgment, a weak status and involves very high credit risk.
	Ca	Debt that is rated with a rating of Ca is 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	Debt that is rated with a rating of C is rated at the lowest grade and generally is 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.

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