Standard & Poor's
Maalot
S&P Global

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Plaza Centers N.V.

November 8, 2016

Rating Update

Lowering the rating to ilCCC' and putting the rating into the CreditWatch with negative implications; asset realizations were not yet performed in the required scope

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Summary:

- The scope of asset realization in recent months is significantly lower compared to the Company's business plan. As a result, Plaza Centers does not have the sources to make early repayment of its obligations to its bondholders, the completion of which would have granted the right of deferment by one year in the amortization table.

- Due to the Company's failure to meet the asset realization in a sufficient scope, and in the absence of the right of deferment in the amortization table as mentioned, there is a substantial deficit between the sources of the Company and its anticipated uses by the end of 2017.

- On November 7, 2016, the Company requested its bondholders to obtain an extension of four months to realize its assets in order to assist the Company in complying with the early repayment target for payment deferral. We believe, these developments create uncertainty with respect to its willingness and ability to meet the upcoming installments in full and on time.

- We lower the Company's rating to “ilCCC” and put the rating into the watch list with negative implications due to the pressure placed on the Company's liquidity and the increase in risk of default in the upcoming six months.

The Rating Activity

- On November 8, 2016, Standard & Poor's Maalot lowered the rating to “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 put the rating into CreditWatch with negative implications.

Major Considerations for the Rating

Lowering the rating to ilCCC' and putting the rating into the watch list with negative implications reflect our estimate that a material deterioration has occurred in the liquidity profile as well as our estimate that the risk of insolvency has increased in the range of six months from today.

In accordance with our methodology for examining liquidity, there has been a further deterioration in the Company's liquidity level in recent months as the Company has failed to meet its business plan which involves the realization of assets, while significant bond repayments are coming due. The liquidity position has even worsened because the Company is not expected to achieve the early repayment target of its obligations to the bondholders, the compliance with which would have granted a deferment of one year in the amortization table. To date, the Company repaid bondholders only about EUR 34 million compared to an early repayment target of the required amount of EUR 103 million. Therefore, and in accordance with our previous publication dated March 2, 2016, we hereby lower the rating.

Currently, the changes expected from the realization of the assets are the main source of liquidity the Company has so as to meet its obligations. As a result of the delay in the realization of assets, the Company applied to the bondholders on November 7 in order to obtain an extension of four months to carry out the realization of assets so as to assist the Company to meet the early repayment target of payments deferral. In our opinion, the Company's announcement raises concerns about its willingness and ability to make the upcoming installments in full and on time. Among others, in order to allow the Company more time to realize its assets, the Company may enter into negotiations with the bondholders regarding major changes in the conditions of the debt arrangement (Distressed exchange) and/or stop the installments, measures which in accordance with our methodology may be defined as a default.

We estimate the financial flexibility of the Company to be very low in view of the high leverage level of 78% which decreases the chance of debt refinancing. In addition, one of the Company's major assets, Casa radio in Bucharest which constitutes 30% of the land and assets' value is at the focus of the inquiring authorities on irregularities, a fact that in our estimate, limits the ability of the Company to realize the asset or obtain a credit in respect of such asset.

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. The Company's ability to meet the debt maturities in the upcoming year depends on its success to realize in the upcoming months all its major assets. Currently, the Company's creditors are materially exposed to non-timely execution risk (execution risk) of the asset realization process which is rather complex process.

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 October 1, 2016 through September 30, 2017 are as follows:

- Cash and marketable financial assets (available for debt service) amount to EUR 17 million.

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

- Bond principal repayments of EUR 36 million;
- Negative FFO (Funds From Operations) of EUR 5 million

In addition, very material principal and interest repayments are expected for the Company in December 2017 (in excess of one year).

Credit Watch

Putting the rating into the watch list with negative implications derives from the pressure on the Company's liquidity profile, among others, in view of the high debt maturities in upcoming months which raises concerns that the Company will not be able to meet its liabilities in the next six months. We will lower the rating should the Company enter into negotiations with the debt holders on major changes in the terms of the existing debt arrangement or if payments are not paid. We will take the Company out of the watch list should a major improvement in the Company's liquidity profile occurs such that it will have sufficient sources to cover the debt maturities.

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 Global rating 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.
- 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 (November 8, 2016)	
Plaza Centers N.V	
The issuer's rating	ilCCC/Watch Neg
Local rating – long term	
Issuance rating	
Unsecured senior debt	
Series A	ilCCC
Series B	ilCCC
The issuer's rating history	
Local rating – long term	
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	November 8, 2016 17:04
The time it was first learned about the event	November 8, 2016 17:04
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 will 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