

Free Translation only
Plaza Centers N.V.

November 14, 2013

Rating Update

Downgrading the rating to 'D' from 'ilB' due to the Company's resolution to freeze the upcoming payments to debenture holders.

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Rating Update

Downgrading the rating to D from ilB due to the Company's resolution to freeze the upcoming payments to debenture holders.

Summary:

- The Company reported today, November 14, 2013, that the Board of Directors resolved to freeze the upcoming payments to the debenture holders and commence negotiating with their representatives in an attempt to formulate an agreed debt outline which will enable the Company to service all of its liabilities.
- In view of the above, a default in the payment of debentures in the immediate term is expected in light of the upcoming principal payment date of the Polish debentures on November 18, 2013.
- 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 D from ilB.

The Rating Activity

On November 14, 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 D from ilB.

Major Considerations for the Rating

Downgrading the rating of Plaza Centers stems from the Company's announcement of freezing the upcoming principal payments and particularly the next payment in the amount of EUR 15 million for the Polish debenture series, the repayment date of which, is November 18, 2013 and commence negotiating with their Representatives of all debenture holders in an attempt to formulate an agreed debt outline which will enable the Company to service all of its liabilities.

As we understand, the announcement was made due to the low liquidity balances on one hand and in view of the understanding that such payment may be considered as "preference of creditors". As of today, cash balances available for immediate use amount to EUR 23 million compared to repayments of EUR 33 million for the Polish and Israeli debentures under the end of 2013.

According to our methodology, D rating reflects an estimate that insolvency is certain.

The downgrading of the rating follows a series of consecutive downgrading activities we have performed in recent years. In the last downgrading that was carried out in July 2013, we stressed our estimate then that in absence of material positive developments, the Company will struggle to fulfill promptly its entire liabilities already in the next six months. This estimate was based on the previous rating date on the deterioration of the Company's financial flexibility and its liquidity, which we defined as "weak" according to our methodology and the Company's high dependency on selling its assets in a challenging macroeconomic environment.

In the coming months, the Company did not manage to close the gap between the current needs and its available sources.

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	D	iIB/ Negative
Series A Debentures	D	iIB
Series B Debentures	D	iIB

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