Rating activity - Free Translation Only

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Plaza Centers N.V.

All series of bonds that are in circularization	Aa3	Rating Outlook : Negative

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Midroog gives notice of a change in the rating outlook for all of the series of bonds that have been issued by the company Plaza Centers N.V. (hereinafter: "the Company"), from a rating of Aa3 with a stable outlook to a rating of Aa3 with a negative outlook, The placing of a negative outlook comes in the wake of the worsening of the economic uncertainty in the business environment in which the Company operates and as the result of the expansion of the Company's activities in India.

The following are details of the series of bonds that are in circulation

Series	Balance as of 30.6.08 including linkage (NIS'000)	Linkage	Interest	First repayment of principal	Last repayment of principal	Number of payment of principal remaining
Series A	305,136	Index	4.50%	31/12/2010	31/12/2017	8
Series B	797,938	Index	5.40%	01/07/201	01/07/2015	5
	1,103,074					

The change in the outlook to negative derives, primarily, from the future investments of the Company in projects on a broad scale in India, which are expected to reach a significant extent, and against the background of the exposure of the Company's activities to the economies of countries in Eastern Europe, which may, in the light of the worsening of the economic situation in the global business environment, have an impact on the financial results of the Company.

The Company has a number of significant projects in Eastern Europe, primarily in Romania. These projects are planned to contribute significant cash flows to the Company in the years 2010 – 2011 and in Midroog's opinion, as a result of the current slow-down in the markets in which the Company is active and the increase in the discount rate, the expected profit rate for the sale of the projects may fall. Moreover, the liquidity crisis in the markets may reduce the ability of the potential investors to buy the Company's projects and it may even be that the Company will continue to hold these assets, a situation that would require the receipt of finance against the assets, and accordingly, the creation of an increase in the financing expenses as the result of the taking up of loans at high rates of interest. In light of the new financing activities, the company is facing challenges in light of the liquidity crisis in the markets.

In India, the Company, is expected to invest, together with its parent company, Elbit Imaging Ltd., in three different projects which are mainly in respect of residential construction, and this is in addition to the investment n independent projects in India, activity which constitutes a change in the nature and the scale of the Company's investments in India. Similarly, in Midroog's opinion, the global financial crisis may even have an impact on India – and as a result of this the rate of exposure and the risk for the Company has increased in these projects.

Leaving the rating of the series of bonds at a grade of Aa3 in place is supported by the high level of liquidity that the Company has, by the high positioning of its business, its considerable experience in marketing activities in Eastern Europe, including experience gained in years in which those markets suffered from an absence of sources of liquidity, by the Company's low level of gearing, which is comprised primarily of bonds and the low volumes of financing for construction projects as well as by the Company's ability to control its expenses by delaying the progress of projects that are financed out of shareholders' equity.

As of 30.6.2008 the Company has significant cash balances of approximately 300 million Euros. These balances, the low level of debt and the absence of financing expenses, increase, in Midroog's opinion, the Company ability to meet the tremors that are affecting many companies in the global market in general and in the realty sector in particular. In a period of uncertainty, a significantly low level of debt together with the holding of cash balances afford the Company an advantage in setting deadlines for carrying out projects and in its behavior in the marketplace during a time of crisis. Moreover, the Company has declared a policy, within the framework of which the Company has undertaken that in the event that it exceeds the desired CAP ratio by a rate of 60 percent, then the Company will retain liquid cash reserves at a level of 10% of the overall amount of its financial debt, and this is in order to comply with the said ratio. In Midroog's opinion this policy contributes to an improvement in the Company's financial flexibility in the coming years.

The fact that all of the Company's land reserves were purchased using shareholders' equity, and not using debt, enables the Company to delay the continuation of the performance of projects without soaking up financing expenses or suffering cash flow problems in respect of payments of loan principal. The spread of the Company's bonds is good and the future payment of the principle are expected to begin in the year 2010 and so the Company is not expected to refinance its debt during the course of the coming two years.

Plaza Centers N.V. Main data as of 30.6.2008, in thousands of Euros

Main financial data for monitoring

In thousands of Euros	30.6.2008	31.12.2007	31.12.2006	31.12.2005
Revenue	79,886	507,843	51,653	60,219
Operating income	21,299	218,067	7,177	15,984
Financing income (expenses)	23,994	9,347	(581)	664
Income after financing	44,542	227,057	6,493	16,328
Net income	44,532	226,967	5,659	14,720
Balance sheet total	938,719	761,211	474,897	211,104
Financial debt	272,148	62,348	83,321	95,473
Liquid balances	295,696	67,414	218,837	49,676
Net financial debt	(23,548)	(5,066)	(135,516)	45,797
CAP	862,202	666,371	452,137	194,611
Shareholders' equity and minority interests	589,457	603,471	364,677	96,007
Shareholders' equity and minority interests to accounting balance sheet total	63%	79%	77%	45%
Debt to CAP	32%	9%	18%	49%
Net debt to net CAP	(4%)	(1%)	(58%)	32%

The rating outlook

Factors that might improve the rating or the rating outlook *

- Meeting the forecasts for the projects in the course of construction whilst maintaining the financial strength and significantly strengthening the stability of the cash flows.
- A recovery in the markets in which the Company operates in general and in the realty sector and in the commercials centers sector in particular.

Factors that might impair the rating or the rating outlook *

- Changes for the worse in the markets in which the Company operates, which might draw the Company's business activities after them and a marked and continuing slow-down in the realty sector in general and in the field of commercial centers in particular, in the areas in which the Company operates.
- The distribution of dividends in significant amounts, which would impair the Company's financial stability and its liquidity.
- An increase in the weighting of the activities in high-risk countries, in a manner that would significantly increase the level of business risk with which the Company operates.
- A significant decline in the level of the Company's liquidity.
- A continuance of the increase in the debt to CAP ration (consolidated) over and above a rate of 60%.

* There is nothing in what is stated in respect of these factors that constitutes any commitment whatsoever on the part of the company to act in accordance with what is stated in respect of these factors.

Details of the issuer

The Company, Plaza Centers Ltd. (hereinafter: "**the Company**") is a sub-subsidiary of the Elbit 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 Holland and its regular shares are registered for sale on the main listing on the London Stock Exchange (LSE) as well as on the Warsaw Stock Exchange (WSE).

The Company specializes in the initiation, marketing, populating and sale of commercial centers and it operates in the realty development field (primarily commercial centers) in developing countries and has been doing so for more than a decade. 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. As of the time of the preparation of this report, the Company operates in 8 countries across Central and Eastern Europe and also in India. The Company has 32 projects under construction with an overall floor space of approximately 1.9 million square meters. 6 of the projects are in various stages of the construction process and 26 projects are in the initial planning and approval stages. The Company has a main project in Romania, Casa Radio, whose cost is estimated at approximately 880 million Euros.

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 68% of the shares in the Company, The rest of the shares in the Company are held by the public.

Term	Definition
Net Income	Net income (after setting-off discounts) from the statement of income.
Interest	Financing expenses from the statement of income + financing expenses that have been capitalized to fixed assets.
Cash interest	Financing expenses from the statement of income + financing expenses that have been capitalized to fixed assets less exchange differences.
EBIT	Operating income – operating expenses +/(-) non-recurring expenses (income) that can be isolated from the financial statements.
EBITA	EBIT + amortization
EBITDA	EVIT + depreciation + amortization
Assets	The total of the Company's assets in the balance sheet.
Debt	Short-term debt + current maturities of long-term loans + long-term debt + leasing liabilities.
Net Debt	Short-term debt + current maturities of long-term loans + long-term debt + leasing liabilities – cash and cash equivalents – short-term investments.
Capitalization (CAP)	Debt + shareholders' equity + minority interests + preferences shares (at redemption value) + deferred taxes.
Capital Expenditures (Capex)	Gross investments in plant and machinery.
Gross Cash Flow (GCF_	Net income + depreciation+ amortization + deferred taxes + minority interests + cash dividends from subsidiary companies + non-cash, non-recurring expenses – non-cash capitalized income.
Cash flow from Operations (CFO)	Definition 1 – cash flows from operating activities from the consolidated statement. Definition 2 – the flows including all of the activities except for financing and investment activities.
Funds from Operations (FFO)	Definition 1 – CFO before changes in working capital. Definition 2 – Net income from the financial statements + income and expenses not involving the movement of funds.
Retained Cash Flow (RCF)	Cash flows (GCF) - dividends
Free Cash Flow (FCF)	Retained cash flows (RCF) – increase (+ decrease) in working capital – investments in fixed assets.

Rating Scale

Investment Grade	Aaa	Debt that is rated with a rating of Aaa is, in Midroog's judgment, of the highest quality and involves a minimal level of 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 inability to pay 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 inability to make repayments, 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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