January 14, 2010

PLAZA CENTERS N.V.

RATIFICATION OF AN 'ilA' RATING FOR ALL SERIES THAT ARE CURRENTLY TRADED; A STABLE RATINGS FORECAST; AND LIKEWISE THE AWARDING OF THE SAME RATING FOR THE ISSUE OF A NEW SERIES OR THE EXPANSION OF THE 'A' SERIES OF BONDS AND/OR 'B' SERIES OF BONDS

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Summary

- The rating is supported by the fact that the Company conducts its affairs at a high level of liquidity over the years, and manages the maturity of its debt in a decentralized manner, together with a reduction of the need to recycle loans by replacing the project construction loans into long-term loans.
- We are ratifying an 'ilA' rating for all of the bonds, currently traded, issued by Plaza Center N.V., which is primarily engaged in initiation of commercial centers, and at the same time we are determining an identical rating for the issuance of up to NIS 330 million of a new series or the expansion of Series 'A' and/or Series 'B'.
- The stable rating forecast reflects our expectation that the Company will also maintain it’s good liquidity and it’s financial gearing with which it is operating, whilst continuing to develop its future projects.

The rating activity

On January 14, 2010, Standard & Poor's Maalot ratified the rating of 'ilA' for all of the bonds currently traded (Series A' and B'), issued by Plaza Centers N.V., which is engaged in initiation of commercial centers. At the same time we are determining an identical rating for a new series of up to NIS 330 million, which the Company intends to issue. The rating forecast is stable.

The main considerations

Plaza Centers N.V. (PC) has reduced the volume of its activities in the current crisis. It was possible to make this reduction as the Company had not leveraged the land that it owns and it set up a convenient spread of the maturities of its debt.

As of today, PC has three projects that are at an advanced stage of construction, and two assets, whose construction was completed during 2009.

On the other hand, the company has the Casa Radio project in Romania, which is, to our opinion, much riskier, in the light of its high cost and its complexity. As a result of the situation in the Romanian market and the difficulty in receiving financing, the Company has declared that it will not continue to invest in the project without backing finance. On the contrary, the Company does not have any restrictions in respect of the time tables and the project's central location, in the center of Bucharest, stands to the Company’s credit.

The Company's main activities are the initiation and construction of commercial centers for sale. In our evaluation, sales of real estate have been very rare in the regions where the Company operates, since the beginning of the crisis. We expect that selling commercial centers in the short to medium term will be much more difficult than it was when the market was rising and, for certain, we do not expect the same level of profitability that was achieved in the year 2007 to be achieved. However, we think that PC entered the current crisis in a good position. The sale of the shopping centers before the crisis increased the cash balances and reduced the Company’s outstanding loans.

Initiation activity in shopping centers fluctuates to a very high degree and it involves a considerable financial investment. The cash flows are received at the end of the construction process (from the sale or operation of the income-generating assets, in parallel to re-financing). Accordingly, we see this activity as being more risky than initiation activity in the field of residential properties. However, PC has been operating for years with a large cash portfolio and low financial gearing (of around 30%).

The Company does not intend to operate projects without secured finance and it does not have any commitment to any time tables in projects that are not under construction.

The construction loan facilities can be converted into long-term loans. This option raises the Company's operating and financial flexibility and it reduces the need to recycle loans. We see this option as an important and positive factor in the rating.

PC's asset management capabilities increase its operating flexibility- in a situation in which there are no purchasers. Our evaluation is that the Company's management over the years has a positive impact on its ability to cope with crises and also on its high positioning in the business world.

In our evaluation, PC's entry as a partner in the initiation of real estate activities of the parent company Elbit Imaging, in India, raises the level of risk inherent in its activities, since it does not enjoy the advantages that it does in Eastern and Central Europe (familiarity with the markets and connections with the banks and customers). However, at this stage the initiation activities will be financed by advance payments received in residential projects and they will not involve any additional capital investments.

The Company's cover ratios are subject to fluctuations, however when examining such against the economic fluctuations in the sector, we believe that these ratios are sufficient for the current rating grade.

We do not expect to see a change in the Company’s cover ratios in the course of the year 2010, and this is based on the Company's evaluation that it is possible that no sales of commercial centers will take place during the course of the year.

Liquidity

The Company has very good liquidity and this relies upon the large cash portfolio that the Company has been holding for years.

The Company has cash balances of approximately EUR 140 million. The Company's maturities are very well spread, where the maturities (excluding project construction loans) stand at approximately EUR 16 million in the year 2010 and at approximately EUR 50 million a year for the years 2011 - 2012.

The initiation activity in India is expected to be financed out of advance payments from the purchasers, so that no large outflow of cash is expected, over and above what has been invested in plots of land. We expect that the company's cash balances will not change significantly in the coming years. This assumption stands at the base of the rating.

In the year 2008, the Company distributed its first dividend to the shareholders. We expect that the Company's dividend policy will be maintained and that the short-term liquidity will not be impaired.

A stable rating forecast

The Company's strong liquidity position, its familiarity with the markets and the calculated manner in which it has conducted its affairs over the years stand at the basis of the rating and at the basis of the stable rating forecast. We expect that the company will continue to maintain this policy in the future as well.

It should be noted that material acquisitions and investments, which would significantly reduce the amount of cash and which would not result in immediate inflows of cash, might result in a lowering of the rating. Moreover, a decline in the rating of the parent company or problems in the financing of the projects in Eastern and Central Europe as well as the entry into speculative investments without the assurance of a sale or rental income could also lead to a lowering of the rating. The positive rating activity is not reasonable at this stage in the light of the risks that we see in the Company's operating segment and in the light of the fluctuations that are derived from that activity.

List of the bonds

Bonds	Current rating	Previous rating
Series A'	ilA/Stable	ilA/Stable
Series B'	ilA/Stable	ilA/Stable

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