ATRIUM
European Real Estate

Leader in Shopping Centres in Central and Eastern Europe

Annual Financial Report 2012

Our Vision & Strategy

Atrium's vision is to become the leading owner, operator and developer of food anchored shopping centres in Central & Eastern Europe and for the Atrium brand to become a hallmark of high quality retail for consumers and retailers alike.

Our portfolio is, and will continue to be, weighted towards income generating shopping centres that produce long term stable cash flows and are located in our core markets of Poland, the Czech Republic, Slovakia and Russia. Organic growth will be delivered by pro-active hands-on asset management, ensuring we uphold our "retail is detail" approach. Further growth will be achieved through the acquisition of high quality assets in our core countries and through a selected number of development projects, either of new shopping centres or extensions of existing properties. Our balance sheet will be efficient and conservatively managed with modest leverage.

Our Profile

Atrium owns a €2.2 billion portfolio of 156 primarily food anchored retail properties and shopping centres which produced €193.5 million of annual rental income in 2012 from 1.2 million sqm of gross lettable area. These properties, which are located predominantly in Poland, the Czech Republic, Slovakia and Russia, are managed by Atrium's internal team of retail real estate professionals. In addition, Atrium owns a €538.4 million development and land portfolio that offers the potential to create value by progressing development.

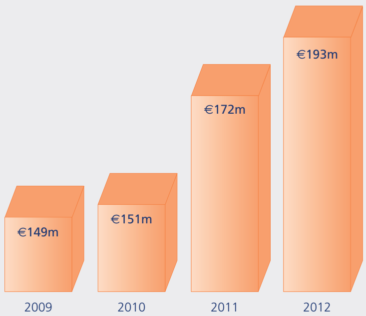
Atrium is based in Jersey, Channel Islands and is dual listed on the Vienna and NYSE Euronext Amsterdam Stock Exchanges under the ticker ATRS.

Our Objectives for 2013

- Continue to drive the financial and operational performance of our assets while striving to constantly improve our offering for retailers and consumers
- Maintain our pursuit of appropriate investment opportunities in our core markets of Poland, the Czech Republic and Slovakia
- Further improve the capital structure and efficiency of the Group's balance sheet
- Continue to establish the Atrium brand and strengthen our relationships with key clients while seeking to work with new retailers as they expand into and across the region.

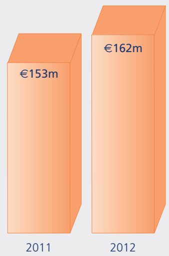
Highlights 2012

Gross Rental Income (GRI)



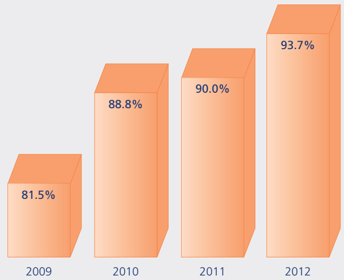
Growth in 2012: **12%**

Like-for-Like GRI



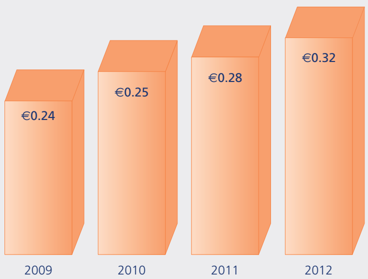
Growth in 2012: **5%**

Operating margin



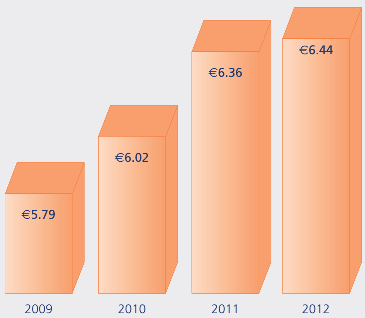
Growth in 2012: **4%**

Adjusted EPRA Earnings per Share



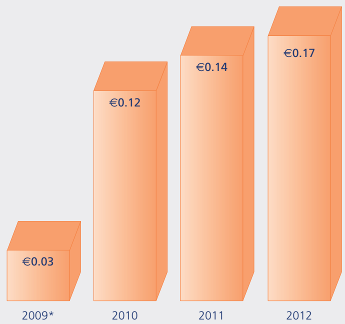
Growth in 2012: **14%**

EPRA Net Asset Value per Share



Growth in 2012: **1%**

Dividend per Share



Growth in 2012: **21%**

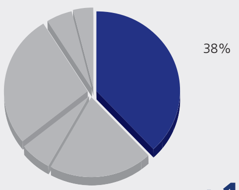
** Excluding special dividend in 2009*

Our Business

Poland

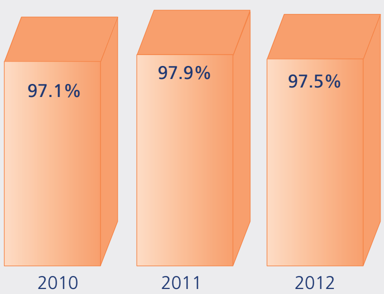
- Standing investments (21)
- Developments and land (13)

GRI



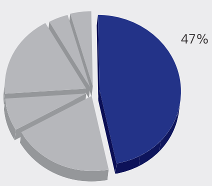
€74m **+15%**

EPRA occupancy



Growth in 2012: **0%**

Standing investments



€1,030m **+4%**

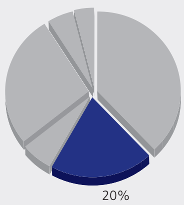
Poland: Key Facts

• Credit rating	A-/Stable
• Population	38.2m
• Retail trade volumes	€81,761m
• Atrium GLA in sqm	390,000

Czech Republic

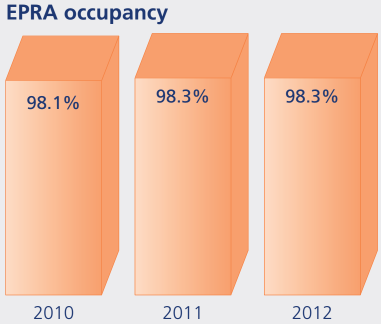
- Standing investments (98)
- Developments and land (3)

GRI



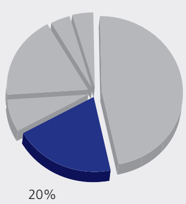
€39m **+30%**

EPRA occupancy



Growth in 2012: **0%**

Standing investments



€446m **+2%**

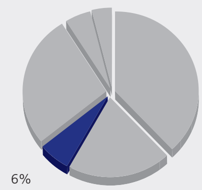
Czech Rep: Key Facts

• Credit rating	A+/Stable
• Population	10.6m
• Retail trade volumes	€28,446m
• Atrium GLA in sqm	374,200

Slovakia

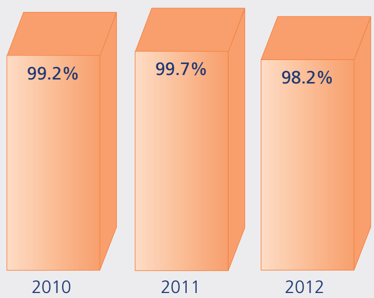
- Standing investments (3)

GRI



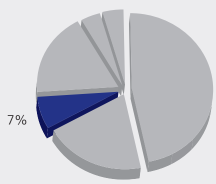
€11m **+4%**

EPRA occupancy



Growth in 2012: **-2%**

Standing investments



€146m **+6%**

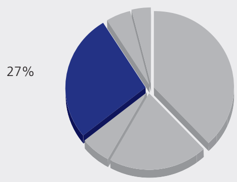
Slovakia: Key Facts

• Credit rating	A+/Stable
• Population	5.5m
• Retail trade volumes	€15,988m
• Atrium GLA in sqm	65,400

Russia

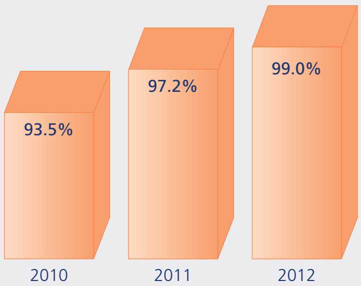
- Standing investments (7)
- Developments and land (12)

GRI



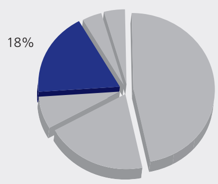
€53m **+17%**

EPRA occupancy



Growth in 2012: **2%**

Standing investments



€394m **+16%**

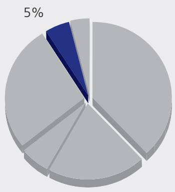
Russia: Key Facts

• Credit rating	BBB/Stable
• Population	141.9m
• Retail trade volumes	€349,119m
• Atrium GLA in sqm	236,600

Hungary

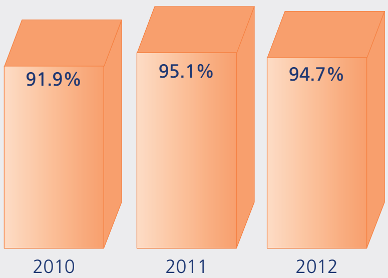
- Standing investments (25)

GRI



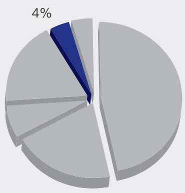
€9m **+4%**

EPRA occupancy



Growth in 2012: **0%**

Standing investments



€83m **-9%**

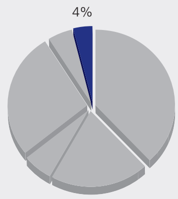
Hungary: Key Facts

• Credit rating	BB+/Stable
• Population	10.0m
• Retail trade volumes	€18,720m
• Atrium GLA in sqm	104,500

Other countries

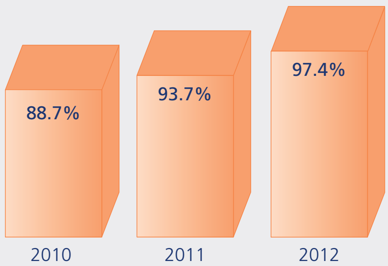
- Standing investments (2)
- Developments and land (8)

GRI*



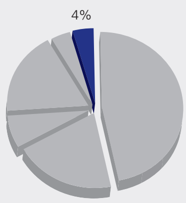
€8m **+3%**

EPRA occupancy*



Growth in 2012: **4%**

Standing investments*



€86m **-1%**

Romania: Key Facts

• Credit rating	BBB-/Stable
• Population	21.3m
• Retail trade volumes	€21,446m
• Atrium GLA in sqm	53,000

**Romania and Latvia*

Sources: Fitch Ratings (February, 2012); Oxford Economics (February, 2012)

Chairman's Statement

"Another year of strong performance"

2012 was another year of strong performance for Atrium, building on the momentum from 2011 to record robust growth across all of our key performance indicators, as well as delivering against the corporate objectives we identified in last year's Annual Report.

During the year, Atrium's management teams continued to work hard to maximise the income and value potential of the 156 assets in our income producing portfolio. There is no better illustration of their success than the fact that we are able to report market leading increases in like-for-like net rental income, which increased an impressive 7.3% over 2011, together with growth in operating margin, net cash from operating activities, portfolio valuation and dividend for the third year in succession.

The consistency of our results reinforces our confidence in Atrium's strategy of targeting retail centres which people visit daily for essential purchases and in the value of hands-on internal asset management. We are able to leverage our local teams' knowledge of the market dynamics in their respective countries and the strength of our relationships with the major international and local occupiers across our portfolio. In many cases, these relationships have allowed us to grow rental income from major retail brands by working with them across multiple assets within our existing portfolio, as well as at our developments and newly acquired shopping centres.

The prevailing economic conditions have resulted in a distinct lack of supply of quality stock, with the result that opportunities to make further acquisitions of established shopping malls in our target markets have been scarce and thus our transaction volumes were lower than we would had initially hoped. However, a pick-up in general market activity towards the end of the year indicates the possibility of an increase in market liquidity and transaction volumes in the year ahead. During the year we were able to successfully conclude a number of smaller transactions by buying the outstanding stakes of several projects which we part owned, and we continue to actively seek out opportunities to grow our portfolio through acquisition where we identify high quality, well positioned and sensibly priced assets in our core markets.

In 2012 we have also commenced our first major new development project, the Atrium Felicity shopping centre in Lublin, Poland, which is scheduled to deliver 75,000 sqm of modern retail space in early 2014. The project is now substantially pre-let at 84%, following strong leasing activity throughout the year.

A particularly pleasing success during the year was the achievement of our long term goal of receiving an upgrade to an investment grade credit rating by both Standard & Poor's and Fitch. This is strategically important as it opens up potential new options for the future financing of growth initiatives and the further optimisation of our balance sheet structure. Additionally, it represents a very positive third party endorsement of the Company, our strategy and the consistently strong results delivered by the management team.

In light of the Group's performance and as a result of the Board's confidence in its ability to continue to deliver strong levels of recurring income, we increased our annual dividend payment from €0.17 to at least €0.20 per ordinary share, payable quarterly and commencing at the end of March 2013 (subject to any legal and regulatory requirements and restrictions of commercial viability). This increase is in line with the Board's long standing policy of sharing the Group's success with our shareholders whilst maintaining a prudent ratio of dividend to recurring income.

In summary, in spite of the ongoing challenges facing the broader property and retail sectors in Europe, 2012 was another very successful year for Atrium. Whilst the broad macroeconomic environment will remain challenging, we are confident that our geographical focus on the stronger Central and Eastern European economies, our strategic approach to our portfolio and our detailed hands-on asset management will continue to set Atrium apart and yield strong results and value creation for all our shareholders.

I would like to thank all our management and employees, right across our business, for their hard work and dedication throughout the year; these excellent results would not be possible without them.

Finally, I would like to thank you, our shareholders, for your confidence in us. We do not take our responsibility to you lightly and will keep doing our utmost to justify your trust in the years to come.

Sincerely,

Chaim Katzman

Chief Executive's Statement

"We are well placed to achieve our aims"

Following a very positive and transformational year in 2011, I am pleased to report that 2012 proved to be yet another successful year for Atrium. Strong macro fundamentals in our core markets, asset management initiatives across our portfolio and an improved capital structure facilitated our ability to, once again, generate value for our shareholders.

Our portfolio today, which grew 5% to €2.2 billion during 2012, is optimally concentrated in the most mature, stable and more centrally located economies in the region. Our core markets of Poland, the Czech Republic and Slovakia all hold A credit ratings and currently represent 74% of the total portfolio value. Poland, which is the strongest economy of the region, now accounts for 47% of portfolio value alone, while Russia, one of our key growth drivers, presently comprises 18% of our portfolio in value. The attractiveness of these key markets, and particularly the tier one markets and their capital cities, is illustrated by the fact that during 2012 yields for prime shopping centres hardened in Warsaw and Moscow to around 6% and 9%, respectively, notwithstanding that they remained flat in the vast majority of our other markets during that year. This once again underlines the appeal of these markets to investors, as does the proven interest of international retailers to expand within the region, and especially in Poland.

During 2012 Atrium maintained its market leading growth and excellent operational performance, which includes substantial improvements across all of our key performance indicators, notwithstanding that the year was marked by uncertain and often deteriorating global market conditions. One of the key drivers of this performance has been our ability to strengthen our relationships with key retail brands by leveraging the size and quality of our portfolio.

During the year we successfully signed almost 1,000 leases, of which more than half were new leases. This activity resulted in our achieving a record 98.0% EPRA occupancy rate at year end, with an average lease length of 5.6 years, up from 5.0 years at the end of 2011.

This is a real testament to the strength of our team and the operational platform we have created. It also gives credence to our strategy of building a portfolio of shopping centers which are anchored by retailers focusing on the everyday needs of customers.

Our 2012 results show, once again, double digit gross and net rental income growth across our 156 income producing investments, with increases of 12.4% to €193.5 million and 17.1% to €181.3 million from the previous year. However, the most compelling and definitive illustration of the Group's progress is the market leading like-for-like net rental income performance, which increased 7.3% to €148.8 million. In simple terms, this means that Atrium has successfully generated an additional €10.2 million of net rental income from the same properties, in spite of adverse economic conditions across Europe. Our operating margin improved, for the fourth consecutive year, to 93.7% which is a noteworthy improvement and one that was ahead of our internal expectations. EBITDA for the year, excluding the impact of valuation changes and disposals, increased 29.8% to €146.0 million, whilst company adjusted EPRA earnings per share increasing 14% from €0.28 to €0.32 per share.

In 2012 there was a distinct lack of supply of quality product available for acquisition in the market, with potential vendors generally preferring to hold on to the type of income producing assets which Atrium typically seeks to acquire, due principally to the low interest rate environment and the difficulty in identifying suitable alternative assets in which to reinvest the proceeds. Transaction volumes in the region decreased significantly year-on–year, and were largely limited to Poland and Russia, while even in these two markets only a limited number of transactions were completed. Looking ahead, we anticipate that Poland and Russia are likely to continue to account for the lion's share of investment activity in the CEE region. Growth through the acquisition of established, income producing shopping centres in our core markets remains an important goal for the Group and will also allow us to further improve our weighting towards these more stable and mature economies referred to above.

However, we did remain active and were able to complete a number of smaller acquisitions of outstanding stakes in assets that we either co-owned or had developed with project partners. The first such acquisition occurred at the beginning of 2012 when we acquired the remaining 23% stake held by our joint venture partner in certain group subsidiaries in Russia. Thereafter in June, we acquired from a cinema operator its share of the premises owned by it in our Russian shopping centres at Volgograd, Togliatti and Yekaterinburg. These two transactions totalled €18.3 million.

In July, we completed the acquisition of the land plot adjacent to our Atrium Copernicus shopping centre in Torun, Poland, and are currently working on our plans for a 20,000 square meter extension of the centre. The first stage of this process has already begun with work commencing on an expansion of the car parking space in early 2013. We will maintain our strategy of acquiring land adjacent to our existing assets, where available, as this will allow us to achieve growth by extending and improving the centres in our three core markets and in Russia.

Over the course of 2012, we also made significant progress in the construction and pre-letting of our green-field development in Lublin, Poland, and we are now very well placed to deliver a new modern 75,000 sqm regional shopping centre in early 2014. In June 2012, we finalised the forward sale of the 19,700 sqm hypermarket premises to Auchan. Additionally, we have made significant progress with pre-leasing the remaining 55,000 sqm and, at the date of issue of this report, the centre is 84% pre-let following agreements signed with Leroy Merlin, H&M, C&A, Media Markt and others.

During the final quarter of the year, we completed the construction of our 5,000 sqm stand-alone retail box development at Gdynia and handed it over to the tenant, Media Markt, which commenced trading in November. We also completed the second floor of our Atrium Mosty shopping centre.

Going forward, we intend to remain prudent with our development activities, keeping it proportionate to our balance sheet and our appetite for risk.

During 2012, we also successfully completed the rebranding of all of our Polish shopping centres under the Atrium brand, providing both increased awareness of the Group and a highly visible mark of quality for customers and retailers alike. Our medium term goal is to complete this exercise for our larger shopping centres and we have already begun this process in the Czech Republic, Slovakia and Russia.

Improved capital structure & achievment of investment grade credit rating

Having had both Standard & Poor's and Fitch reiterate Atrium's BB+ corporate credit rating during the first six months of 2012, we were exceptionally pleased during the second half of the year to achieve our long term goal of regaining an investment grade credit rating. This had been a strategic priority for the group executive management team since our first involvement with the company and it was especially gratifying to see our hard work result in an upgrade to BBB- from Standard & Poor's in September, followed by Fitch in October.

As I already mentioned in our third quarter 2012 report, these upgrades provide Atrium with the potential to have far greater access to the unsecured debt markets. However, the reasons cited by the agencies for awarding the upgrades were particularly pleasing, since both agencies clearly recognised the strategies that we have put in place in order to improve operational income, increase exposure to the most stable CEE economies and create a solid platform for growth.

Other notable actions taken during the year to improve our capital structure were the early repayment of two loans totalling €10.6 million, which were due to mature in October 2012. We then made further progress in reducing our more expensive short term debt when, in May 2012, we launched a tender offer for our €100 million Notes due to mature in 2013 and which bear a partly variable interest cost of more than 5.5% on average. The tender offer resulted in Atrium holding all but €40 million of the outstanding bond. Finally, in November, we prepaid two additional loans totalling €5.8 million, which were due to mature in 2015 and 2016. These actions were mildly accretive to earnings over the year.

Atrium retains an enviable cash balance, of over €200 million as at 31 December 2012, and continues to have very low leverage with a net loan-to-value ratio of 12.1%. Over time we do intend to improve our balance sheet efficiency and increase our leverage to between 30% and 35%. In the interim, our conservative balance sheet positioning affords significant competitive advantages in our ability to finance the Group's growth through further acquisitions and development plans.

Dividend

Four quarterly dividend payments of €0.0425 per share were paid, bringing the total for the year to €0.17 per share. Our strong trading fundamentals have also enabled the Board to increase the annual dividend in 2013 by 17.6% to at least €0.20 per share, subject to any legal and regulatory requirements and restrictions of commercial viability. The dividend payment is comfortably covered by earnings, yet still provides the Group with the necessary resources to grow.

This is the third consecutive year that the dividend has been increased since first being introduced in 2009. The first payment of €0.05 will be paid as a capital repayment on 28 March 2013, to the registered shareholders on the register at 22 March with an ex-date of 20 March 2013.

Awards & community

Over the course of the year we were pleased to receive a number of awards both for our work as an investor in the CEE region and in recognition of the high quality and excellent management of our shopping centres. These awards underscore the considerable progress Atrium has made over the last three years in the region and provide further evidence that our efforts to position Atrium as a market leading retail real estate brand are gaining real traction.

Atrium was honoured to receive the "Investor of the Year" award at the 2011 Europa Property CEE Retail Awards for the second year running, as well as the Central and Eastern European Real Estate Quality Award (in cooperation with the Financial Times). Most recently we were delighted to be named "Company of the Year" at the 2012 Europa Property CEE Retail Awards.

During 2012, we were proud to be a key supporter of a nationwide breast cancer awareness campaign in Poland, in conjunction with Estée Lauder which included displaying the highly symbolic Pink Ribbon sign across our Polish shopping centres, hosting fundraising events and temporarily accommodating mobile breast screening units at 10 of our Polish centres.

Outlook & objectives for 2013

Taking into account our strong presence in the most mature and stable CEE economies and encouraged by the IMF projections for the region, together with very positive forecasts for Russia, we remain confident in our ability to continue to deliver a strong performance going forward. We are very encouraged by the Group's results for the year under review, as evidenced by the Board's decision to increase the dividend once more. With that in mind we remain acutely aware of the current market conditions and the low growth environment that we must all adjust to.

Our targets for the coming year will be to continue to drive the financial and operational performance of our assets while striving to constantly improve our offering for retailers and consumers. We will maintain our pursuit of appropriate investment opportunities in our core markets of Poland, the Czech Republic and Slovakia whilst further improving the capital structure and efficiency of the Group's balance sheet. Finally, we will continue to establish the Atrium brand and strengthen our relationships with key clients while seeking to work with new retailers as they expand into and across the region.

In conclusion, I firmly believe that our strategy of focusing on food and 'necessity goods' anchored retail centres in the region's strongest economies, coupled with our own ability to intensively manage our assets in order to extrapolate the maximum value whilst improving the offering for our tenants and the experience for consumers, will allow us to continue to deliver sound results. We are well placed to achieve our aims and I therefore look forward to the future with a cautious degree of confidence and optimism.

I would also like to reiterate the Chairman's thanks to all our staff for the valuable contribution they have made over the past year.

Sincerely,

Rachel Lavine

Group Management Report

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1. Group Management Report

Operating Activities

Our Markets

Macroeconomically, 2012 was a challenging year across Europe and Central & Eastern Europe ("CEE") was no exception. However, and despite significant differences between the performance of each country, CEE continued to outperform Western Europe in terms of economic resilience, driven, to a large extent, by strong domestic demand.

The outperformance of CEE is a testament to its macroeconomic fundamentals. Among the specific factors benefitting the growth of the region, analysts include fairly good progress on structural issues, higher per capita wealth levels, stronger growth in productivity and lower labour costs. More generally, markets have recently started to react positively to the commitment shown by political leaders as well as the European Central Bank to the Euro, and, consequently, investors' confidence has started to show some improvement at the beginning of the year.

Our core markets – Poland, the Czech Republic and Slovakia- representing almost three quarters of Atrium's total portfolio value, all hold an "A" credit rating. Over the past three years, improving investor confidence in our core markets is reflected in the contraction of their sovereign bonds' yields. For example, the rate for Czech sovereign 10-year bonds has reached 2.12% in December 2012, on par with Belgium's rate of 2.10%, and both the Polish and Slovak rates have decreased below 4%.

Looking specifically, Poland, Slovakia and Russia are expected to outperform both the CEE region as a whole and the Eurozone, albeit even their growth has slowed compared to previous expectations. The Czech Republic, which is most reliant on exports to the Eurozone, is expected to slightly underperform the CEE average showing that even the most mature and traditionally strongest economies of the region are not immune from the impact of the Eurozone crisis coupled with a reduction in consumer spending.

Provisional 2012 GDP figures which were released in February by Eurostat showed that average GDP growth across the CEE was 1.4%, with Poland and Slovakia both coming in ahead of this at 2.0% growth and well ahead of the Eurozone which contracted by -0.6%. Capital Economics reported Russia's 2012 GDP growth at 3.4% which, when combined with Poland at Slovakia, means that 71% of the Group's gross rental income is derived from those economies which are the strongest in the region and are outperforming both the CEE and the Eurozone. Looking forward, according to the IMF, CEE GDP growth is expected to reach +2.4% in 2013 and +3.1% in 2014. More specifically to the Group, the IMF is forecasting that all three of our core markets- Poland, Slovakia and the Czech Republic, will continue to outperform with GDP growth of 2.1%, 2.8% and 0.8% respectively expected in 2013, while similarly, Russia's economy is also anticipated to expand by +3.8% in 2013. This optimistic outlook is in contrast to the Euro Area, where progress in battling the debt crisis is taking longer to produce an economic recovery. The IMF forecasts that the Eurozone GDP will contract by -0.2% in 2013 and then subsequently expand by +1.0% in 2014.

Another positive outcome with respect to CEE was the relatively low level of deleveraging of Western parent banks, who did not altogether withdraw their presence from the region but rather delevered on a general level in order to meet stricter European capital requirements. While credit conditions did tighten across CEE during last year, liquidity did not dry completely and financial stability was not threatened on a national level, as some had feared. Nonetheless, the external pressures of the weaker international economy in general and the downturn in Europe in particular are taking a toll on the performance of CEE. Our markets are affected not only by the cyclical downturn in core Europe (via decreasing net exports), but also by the desired return to budget deficits below 3% - creating a significant drag on domestic value added for the Czech Republic, Hungary, Poland and Slovakia. In addition, many countries were quick to implement tough austerity programs in response to the general downturn across Europe, including raising VAT (implemented in 2011-2013 in the Czech Republic, Hungary, Poland, Romania and Slovakia). Needless to say, consumers' real disposable incomes were negatively impacted as a result of these measures.

Although retail sales in the CEE might show milder growth this year, they are still expected to continue expanding, fuelling retailers' strong appetite for increasing their presence in the region. In November last year, Colliers International reported that, despite a general stagnation in European retail property, international brands, discount chains and luxury retailers are nevertheless growing, with many looking to expand into CEE. Similarly CBRE's retailers report also indicated that Atrium's core markets in terms of exposure are now ranked very high in global retailers' EMEA target list – Poland ranks 5th, Russia 10th and the Czech Republic in 13th position. Poland was the only country in CEE to make it into the top 5 and this reflects the country's continued optimistic outlook and resilient economy. Over 22% of the leading retailers surveyed for the report declared an intention to expand their store network in the Polish market in 2013, although they are becoming increasingly selective in their choice of locations and are impacted by the lack of suitable new stock coming on to the market. We believe that this latter point plays to our strengths both in terms of the relationships we have with the retailers but also with regard to the large range of well-tailored product we can offer them.

Income producing portfolio

At 31 December 2012 Atrium's income producing portfolio comprised 156 standing investment properties with a market value of €2.2 billion. The portfolio is located in seven countries across CEE.

Our assets have a total gross lettable area ("GLA") of 1.2 million sqm and in 2012 produced a gross rental income of €193.5 million (2011: €172.2 million).

Twenty eight of our assets are shopping centres, twelve of which offer over 30,000 sqm of GLA, while the other 16 offer between 10,000 sqm and 30,000 sqm of GLA. The 128 remaining assets are leased to a variety of retailers ranging from food anchors to do-it-yourself ("DIY") stores and electronics shops. The Group's operating assets are anchored by supermarkets, hypermarkets or local convenience stores, demonstrating the resilient nature of the portfolio and its focus on meeting the every-day needs of consumers.

Our focus on, and dedication to, the proactive asset management of our investment properties is a key driver of income generation and value creation. The Group employs a network of experienced local internal management teams to ensure we maintain close and positive relationships with our tenants as well as to provide a vital insight into the local requirements and market dynamics at each of our assets. The benefit of this approach is reflected in the Group's strong performance for the year, with market leading growth in like-for-like rental income and was also recognized by the company being awarded in February 2013 the "Company of the Year" award at the 2012 Europa Property CEE Retail Awards.

The market value of the Group's 156 standing investments increased by 5.2%, or €108 million, to €2,185 million at year end 2012 versus €2,077 million at the same time last year. The increase comprised a 2.8%, or €58.5 million revaluation uplift, €37.4 million of additions, €6.8 million of completions and €5.3 million of currency translation differences due to the strengthening of the Czech Krona. The €37.4 million of additions includes €9.3 million associated with the acquisition from Russian Cinema Holdings ("RCH") of premises in the Group's Volgograd, Togliatti and Yekaterinburg shopping centres in Russia, €7.7 million other additions in Russia, €11.7 million in Poland and €5.2 million in the Czech Republic.

The country diversification of the Group's income producing portfolio is presented below:

Standing investments	**No. of properties**		**Gross lettable area**		**Market value**		**Revaluation**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Country			**sqm**	**sqm**	**€'000**	**€'000**	**€'000**	**€'000**
Poland	21	20	390,000	374,300	1,030,350	986,215	25,681	62,416
Czech Republic	98	98	374,200	371,600	445,901	435,214	59	9,746
Slovakia	3	3	65,400	65,200	145,990	138,075	6,593	8,504
Russia	7	7	236,600	216,700	394,375	339,847	37,523	46,839
Hungary	25	25	104,500	101,800	82,870	90,985	(9,644)	(455)
Romania	1	1	53,300	53,000	70,700	71,300	(1,068)	2,033
Latvia	1	1	20,400	20,400	15,150	15,610	(611)	(377)
Total	**156**	**155**	**1,244,400**	**1,203,000**	**2,185,336**	**2,077,246**	**58,533**	**128,706**

Investment activity in the Central & Eastern European retail real estate markets remained muted in 2012, primarily as a result of the economic uncertainty originating from the Euro Zone crisis. Nonetheless, investor demand for prime income producing assets in the region's most stable countries and thus a lack of quality stock being brought to market remains strong and this led to modest yield compression, most notably in the major cities of the Group's key countries of operation. Our Polish portfolio increased in value by 2.6%, or €25.7 million in 2012, resulting from a combination of the recognition of the impact of our significant value driving efforts at Promenada since its acquisition in May 2011, together with a slight yield compression and further improvements in the performance of our Warsaw assets. Our Russian portfolio was revalued upwards by 11.0%, or €37.5 million, driven largely by the higher level of rental income achieved as well as the impact of our restructuring activities at our Togliatti, Kazan and Yekaterinburg centres. Additionally the revaluation reflects the positive impact of the RCH transaction and some mild yield compression in our Moscow assets. In Slovakia, the portfolio was positively revalued by €6.6 million primarily arising from the extension at our Atrium Optima centre in Kosice. In Hungary, the €9.6 million devaluation was primarily attributable to the weakening economic environment in that country, with consequential reductions is estimated rental values and a widening of yields.

Over the course of 2012 there was a total revaluation gain of €58.5 million across the entire portfolio. The primary drivers behind this increase in value were increased rental income (c. 60.7%) and modest yield compression (c. 39.3%).

Of the total portfolio, 96.2% or €2.1 billion by market value and 95.6% or €184.9 million by GRI is situated in investment grade rated countries.

The yield diversification of the Group's income producing portfolio is presented below:

Standing investments Country	Net equivalent yield* (weighted average) 2012	2011	EPRA Net initial yield (NIY) ** 2012	2011
Poland	6.9%	7.0%	7.0%	7.0%
Czech Republic	8.1%	8.1%	7.8%	7.9%
Slovakia	7.7%	7.7%	7.5%	7.8%
Russia	12.2%	12.5%	12.6%	12.5%
Hungary	9.2%	8.9%	8.8%	8.2%
Romania	9.1%	9.4%	8.8%	9.0%
Latvia	13.0%	13.0%	2.4%	2.0%
Average	**8.4%**	**8.4%**	**8.3%**	**8.3%**

* *The net equivalent yield takes into consideration the current and potential net rental income, occupancy and lease expiries.*

** *The EPRA Net initial yield (NIY) is calculated as the annualised net rental income of the portfolio divided by its market value.*

The net equivalent yield and EPRA NIY remained constant in 2012 at 8.3% and 8.3% respectively. The alternative EPRA "Topped up" NIY for 2012 was 8.4% (2011: 8.5%).

Acquisitions and Completions

Current market conditions have resulted in a very constrained investment market. Our strategy remains firmly to grow through the acquisition of income producing shopping centres, particularly where we believe we can leverage our asset management expertise to create value, and we continue to review and actively seek opportunities in our core markets. Although the Group did not undertake any major acquisitions in 2012, we continued to acquire smaller stakes in our own assets and subsidiaries. These transactions have allowed the Group to gain increased ownership of the buildings and land. As such, during the third quarter we completed the acquisition from cinema operator RCH of its holding in three of our shopping centres in Russia at Volgograd, Togliatti and Yekaterinburg for a total consideration of €9.3 million. RCH has also now signed new lease agreements and will remain a tenant of the Group at these locations.

During 2012 we completed and transferred to the standing investments portfolio phase II of Atrium Galeria Mosty in Plock and the construction of a 5,000 sqm retail box at Gdynia, both of which are in Poland. For more details please see Development activity below.

In addition, during the year, we bought the non-controlling interests in development companies owning land in both Russia and Georgia. In Russia we bought the outstanding 23% stake for a total consideration of €9.0 million and in Georgia we bought the outstanding 15% stake and split the land with our former venture partner.

Occupancy

EPRA's Best Practice Recommendations provides for an occupancy definition based on estimated rental values.

The following table provides the occupancy statistics by country under both EPRA and GLA bases:

Occupancy analysis

Standing investments

Country	EPRA Occupancy 2012	2011	GLA Occupancy 2012	2011
Poland	97.5%	97.9%	97.0%	98.0%
Czech Republic	98.3%	98.3%	96.4%	96.4%
Slovakia	98.2%	99.7%	97.9%	98.9%
Russia	99.0%	97.2%	99.0%	97.8%
Hungary	94.7%	95.1%	97.2%	96.5%
Romania	99.4%	98.0%	99.7%	99.1%
Latvia	92.0%	82.5%	96.0%	87.3%
Average	**98.0%**	**97.6%**	**97.4%**	**97.3%**

Occupancy according to EPRA measures increased to 98.0% from 97.6% at the end of 2011 and represents the highest level achieved since the current management team assumed responsibility for the Group in 2008.

Leasing activity

Atrium's focus on asset management and building relationships with tenants saw it sign 959 leases (2011: 907 leases) during the year of which 565 (2011: 506) were new leases and 394 (2011: 401) were renewals.

	Unit	2012
Renewals		
Number of leases	Number	394
GLA leased	Sqm	159,695
New Contracted monthly rental income per sqm	€	11.85
Prior Contracted monthly rental income per sqm	€	12.47
New Leases		
Number of leases	Number	565
GLA leased	Sqm	100,690
Contracted monthly rental income per sqm	€	15.59
Total New Leases and Renewals		
Number of leases	Number	959
GLA leased	Sqm	260,385
Contracted monthly rental income per sqm	€	13.30
Expired Leases		
Number of leases	Number	613
GLA of expiring leases	Sqm	86,260

In 2012 the 959 lease signings represent over €40 million of annual rental income with an average rent of €13.30 per square metre per month. These lease transactions contributed to a further improvement in the portfolio occupancy level and an increase in the average lease duration.

Lease expiries

The percentage of lease agreements with a remaining contract term of more than five years is 41.4% (2011: 41.2%). These percentages are calculated using annualised rental income ("ARI") which is contracted base rent including discounts and turnover rent as at year end 2012. Additionally, the lease maturities between 2013 and 2017 are very evenly spread. This provides the Group with a high degree of visibility as to likely future cash flows over the coming years.

The average lease length of the portfolio as at the end of 2012 was 5.6 years (2011: 5.0 years).

On the basis of 2012's ARI the expiry schedule of existing lease agreements are as detailed in the following table:

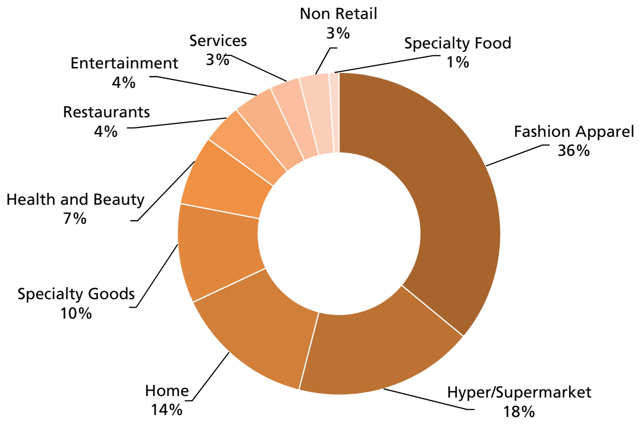
Lease expiry schedule	% of ARI
2013	11.5%
2014	10.2%
2015	13.4%
2016	8.5%
2017	15.0%
> 2017	38.6%
Indefinite	2.8%
Total	**100.0%**

The Group's lease agreements are mainly Euro denominated, which limits the Group's rental income exposure to local currency fluctuations. 78% of GRI in 2012 was denominated in Euros, with 11% denominated in Czech Kronas, 4% in US dollars, 5% in Polish Zlotys and 2% in other currencies.

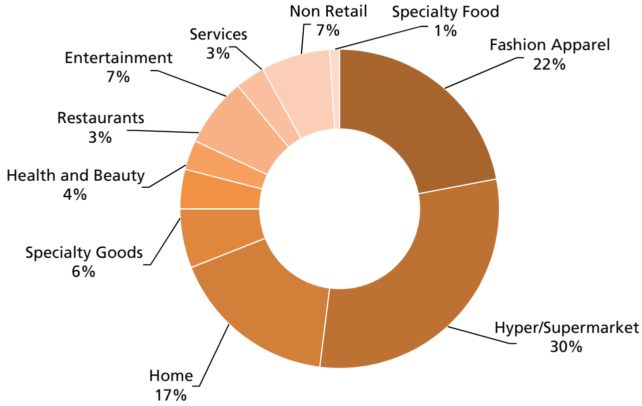
Tenant mix

Our management teams continually review our centres to ensure that they have a healthy and diversified tenant mix. Improvements are implemented at natural points or breaks in the leasing cycle or where we see an opportunity or situation arise that allows us to improve the tenant mix. While all of the Group's larger shopping centres are anchored by a number of strong international hyper/supermarket brands, we also understand the importance of partnering with well known, fashion anchors. These partnerships drive further footfall, whilst meeting the needs of the end-consumer and complementing the other tenants in order to add long term value to an asset. Hyper/supermarket anchors represent the largest percentage of GLA at 30% and fashion and apparel tenants represented 36% of annualised rental income in 2012.

The tenant mix based on the 2012 ARI is illustrated below:



The tenant mix based on the 2012 GLA is illustrated below:



Top ten tenants

As at the end of 2012, the Austrian based Spar Group is the Group's largest tenant with 5.7% of rental income and was the only occupier representing more than 5% of the total, highlighting the high degree of tenant diversification in the portfolio.

The percentages of the total ARI generated by the top ten tenants are illustrated below:

Top ten tenants	Field of operations	As a % of 2012 total ARI	As a % of 2012 total GLA
Spar	International food retail chain	5.7%	6.8%
Metro Group	International hypermarket and electronic	4.8%	6.5%
Ahold	International hyper / supermarket	3.7%	8.0%
LPP	Fashion	2.3%	1.7%
Tengelmann Group	Home improvement	1.7%	1.8%
Hennes & Mauritz	Fashion	1.6%	1.9%
Kingfisher	Home improvement	1.4%	1.7%
Rewe Group	International food retail chain	1.4%	2.1%
Empik Group	Media & fashion	1.3%	1.0%
Auchan Group	International hypermarket and sport goods	1.3%	3.3%
Total top ten		**25.2%**	**34.8%**

The top ten tenants represent 25.2% of the total ARI of the group at the end of 2012 (2011: 24.2%) and 34.8% of its total GLA (2011: 33.8%).

Top ten standing investments

The table below gives an overview of the Group's top ten standing investments based on the market value as at 31 December 2012. The top ten now represent 57.7% (2011: 57.0%) of the total standing investments by value.

Property name	City	Country	Market value €'000*	Revaluation 2012 €'000	GLA Sqm	Year of opening	Number of retail tenants	Food anchor tenants	EPRA Occupancy rate
Atrium Promenada	Warsaw	Poland	227,862	23,349	55,700	1996	160	Alma	95.5%
Atrium Flora	Prague	Czech Republic	198,500	5,292	39,800	2003	121	Albert	99.6%
Atrium Targowek	Warsaw	Poland	153,590	7,244	31,200	1998	131	Carrefour	100.0%
Atrium Koszalin	Koszalin	Poland	123,400	(421)	55,400	2008	122	Tesco	99.7%
Atrium Optima	Kosice	Slovakia	111,256	5,817	48,000	2002	148	Hypernova	99.0%
Atrium Reduta	Warsaw	Poland	97,124	932	27,100	1999	112	Carrefour	99.1%
Park House Togliatti	Togliatti	Russia	97,090	9,801	52,800	2006	131	Real	99.8%
Atrium Biala	Bialystok	Poland	93,253	4,479	37,700	2007	95	Real	100.0%
Atrium Copernicus	Torun	Poland	80,543	(325)	30,700	2005	89	Real	99.7%
Park House Volgograd	Volgograd	Russia	78,269	20,786	47,100	2003	136	Karusel	99.9%
Total			**1,260,887**	**76,954**	**425,500**				

** Includes land lease.*

Rental income

In 2012, GRI grew by 12.4% to €193.5 million. Significant contributions to this growth came from Poland and the Czech Republic, principally from the acquisitions of the Atrium Promenada, Atrium Molo and Atrium Flóra shopping centres in 2011. In Russia year on year GRI grew 17.1% as a result of the higher turnover rents stemming from our asset management initiatives, together with rental indexation, the benefit of additional rental income from the RCH transactions, and the continued reduction in the level of temporary discounts previously granted to tenants. The restructuring of certain of our Russian centres continues and demonstrates the appetite of international retailers for space at the best centres and, in this regard, we were particularly pleased to welcome Auchan as the new hypermarket operator in our St. Petersburg asset during the fourth quarter of 2012. In Slovakia, the 4.1% increase in GRI reflects the late 2011 opening of the 1,100 sqm extension to the Optima centre in Kosice and uplifts from rental indexation. Higher occupancies drove GRI growth in Hungary and Latvia, while in Romania rental indexation was the key driver behind the increase. The GRI result also takes into account the income lost through the July 2011 sale of Trabzon in Turkey, without which GRI growth rate would have been 16.6%.

The regional distribution of gross and net rental income, as well as the operating margin is provided in the tables below:

Gross rental income

Country	2012 €'000	% of GRI	GRI per Sqm €	2011 €'000	Change €'000	Change %
Poland	73,851	38.2%	191.1	64,099	9,752	15.2%
Czech Republic	38,629	20.0%	103.2	29,687	8,942	30.1%
Slovakia	11,248	5.8%	172.0	10,808	440	4.1%
Russia	52,940	27.4%	228.4	45,190	7,750	17.1%
Hungary	8,567	4.4%	82.0	8,222	345	4.2%
Romania	7,172	3.7%	134.6	7,000	172	2.5%
Latvia	1,068	0.5%	52.4	963	105	10.9%
Subtotal	**193,475**	**100.0%**	**156.9**	**165,969**	**27,506**	**16.6%**
Turkey*	–	–	–	6,204	(6,204)	(100.0%)
Total gross rental income	**193,475**	**100.0%**	**156.9**	**172,173**	**21,302**	**12.4%**

** Divested in July 2011.*

Net rental income

Country	2012 €'000	% of NRI	2011 €'000	Change €'000	Change %
Poland	73,577	40.6%	62,487	11,090	17.7%
Czech Republic	35,017	19.3%	25,763	9,254	35.9%
Slovakia	11,148	6.2%	10,622	526	5.0%
Russia	47,689	26.3%	37,489	10,200	27.2%
Hungary	7,050	3.9%	6,825	225	3.3%
Romania	6,429	3.5%	6,559	(130)	(2.0%)
Latvia	369	0.2%	362	7	1.9%
Subtotal	**181,279**	**100.0%**	**150,107**	**31,172**	**20.8%**
Turkey*	–	–	4,763	(4,763)	(100.0%)
Total net rental income	**181,279**	**100.0%**	**154,870**	**26,409**	**17.1%**

** Divested in July 2011.*

Operating margin

Country	2012 in %	2011 in %	Change in %
Poland	99.6%	97.5%	2.1%
Czech Republic	90.6%	86.8%	3.8%
Slovakia	99.1%	98.3%	0.8%
Russia	90.1%	83.0%	7.1%
Hungary	82.3%	83.0%	(0.7%)
Romania	89.6%	93.7%	(4.1%)
Latvia	34.6%	37.6%	(3.0%)
Subtotal	**93.7%**	**90.4%**	**3.3%**
Turkey*	–	76.8%	(76.8%)
Total operating margin	**93.7%**	**90.0%**	**3.7%**

** Divested in July 2011.*

The base rent including discounts per sqm grew from € 138 at 31 December 2011 to € 141 at 31 December 2012.

EPRA like-for-like gross rental income

Country	2012 €'000	2012 % Total	2011 €'000	Change €'000	Change %
Poland	56,088	29.0%	55,033	1,055	1.9%
Czech Republic	25,766	13.3%	25,745	21	0.1%
Slovakia	10,990	5.7%	10,785	205	1.9%
Russia	51,866	26.8%	45,748	6,118	13.4%
Hungary	8,567	4.4%	8,216	351	4.3%
Romania	7,172	3.7%	7,000	172	2.5%
Latvia	1,068	0.6%	963	105	10.9%
Like-for-like gross rental income	**161,517**	**83.5%**	**153,490**	**8,027**	**5.2%**
Remaining gross rental income	31,958	16.5%	18,591	13,367	71.9%
Total gross rental income	**193,475**	**100.0%**	**172,081**	**21,394**	**12.4%**

** To enhance comparability of GRI, prior period values for like-for-like properties have been recalculated using the 2012 exchange rates.*

Like-for-like GRI provides the clearest indication of the performance of the underlying portfolio and the organic growth achieved. On this basis, the Group delivered very strong results in 2012 with a 5.2% increase to € 161.5 million of which the majority (76% or € 6.2 million) came from Russia. Given the current market uncertainty and the macroeconomic slowdown referred to earlier, we are particularly pleased to once again report like-for-like GRI growth across all our territories. This is a real endorsement of both the portfolio's ability to produce stable rental income returns and our team's retail asset management expertise.

EPRA like-for-like net rental income

Country	2012 €'000	2012 % Total	2011 €'000	Change €'000	Change %
Poland	56,296	31.1%	53,967	2,329	4.3%
Czech Republic	22,541	12.4%	22,385	156	0.7%
Slovakia	10,891	6.0%	10,598	293	2.8%
Russia	45,268	25.0%	37,764	7,504	19.9%
Hungary	7,050	3.9%	6,929	121	1.7%
Romania	6,429	3.5%	6,685	(256)	(3.8%)
Latvia	369	0.2%	350	19	5.4%
Total like-for-like net rental income	**148,844**	**82.1%**	**138,678**	**10,166**	**7.3%**
Remaining net rental income	32,435	17.9%	16,212	16,223	100.1%
Total net rental income	**181,279**	**100.0%**	**154,890**	**26,389**	**17.0%**

** To enhance comparability of NRI, prior period values for like-for-like properties have been recalculated using the 2012 exchange rates.*

Like-for-like NRI followed a similar pattern as GRI but with some slight further uplift coming from improved service charge income and rental collection, reflecting good credit control.

A substantial part of the increase in like-for-like NRI came from the improvements in Russia and Poland in line with the higher GRI. In addition, Russia benefitted from improved operational efficiencies and more effective rental collection, which resulted in an increase of 19.9% in like-for-like NRI.

Development and Land Portfolio

At 31 December 2012 the Atrium's development and land portfolio was valued at €538.4 million across 36 projects. Over 90% of the portfolio by value, and over 80% by size, is concentrated in Poland, Russia and Turkey. We believe that this portfolio includes significant long term future value creation opportunities and will continue to actively manage these projects.

The country diversification of the Group's development and land portfolio is presented below:

	No. of projects		Market value		Size of land	
	2012	2011	2012	2011	2012	2011
Country			**€'000**	**€'000**	**(hectares)**	**(hectares)**
Poland	13	14	143,125	142,259	60	68
Russia	12	13	145,230	178,792	149	219
Turkey	4	4	209,376	209,376	44	44
Others	7	6	40,664	56,924	54	58
Total	**36**	**37**	**538,395**	**587,351**	**307**	**389**

Over the course of the year we have continued to assess how best to create and realise value from the portfolio. The decision to develop a project is depending on its location, its size, the economic situation in the relevant city and country, competition and the overall risk profile. The decision process also involves a number of broad considerations such as the demand and prices realised for land sales achieved to date, our preference to acquire income producing properties, together with a cautious approach to undertaking and financing large scale new developments in the current economic environment. Accordingly, in addition to new projects, we will also seek to create value by developing extensions to our existing and proven assets. Finally, our focus is oriented towards growing our portfolio in the largest and strongest cities and domestic economies of our core countries.

We will continue to actively manage all of our development and land projects in order to build and maximise the value of the portfolio, whilst at the same time progressively reducing the relative proportion of non-income producing assets. Whilst it may take a number of years, our long term target is for the development pipeline to not exceed 10% to 15% of total real estate assets. Central to achieving this goal will be a positive, yet cautious, approach to applying our skills in new development activities.

Development activity

As outlined above, our aim is to build a pipeline of future development projects that is proportionate to our balance sheet and risk appetite. The pipeline will be sourced from our existing development projects and land bank, as well as through the creation of new project opportunities, in particular extensions to our existing and proven assets. Presently we have eight identified priority projects, either with a secured building permit or for which the required administrative decisions might be obtained in the relatively near term; one of which is under active development. These developments are primarily focused in Poland and Russia and include a number of lower risk extensions to existing assets. In each case, initial feasibility studies have been completed and the Board has given preliminary "green light" approval to invest and to take the project to the next stage of readiness prior to definitive commitment. Such additional investment may include, for instance, costs associated with amending building permits and confirming interest from potential tenants by securing pre-leasing agreements. Indicatively, in the event that all eight projects (and no others) progressed to full development, we estimate total net incremental development spend of approximately €180 million over the next three to five years.

Within these eight priority projects, Atrium Felicity shopping centre in Lublin, Poland, our first major greenfield project, with 75,000 sqm GLA, is currently under development. Atrium Felicity has been the main focus of our development team's efforts during the year. Construction of this new, state-of-the-art shopping centre has now commenced and was celebrated officially at a successful and well-attended cornerstone ceremony on 4 October 2012.

More importantly, we have made significant and very encouraging progress in attracting leading international and domestic retailers to the centre. Having announced the forward sale of the 19,700 sqm hypermarket premises to Auchan in the first half of the year, we secured a further major anchor tenant in September when we concluded a 12,500 sqm pre-let to international DIY chain, Leroy Merlin. During the second half of the year and in early 2013 we have attracted a number of further significant tenants that have in aggregate taken the average lease length to approximately six years and aggregate occupancy to 84%.

These strong pre-leasing results and the compelling line-up of retail domestic brands, demonstrate the quality of the retail destination on offer and gives us real confidence that we are on track to deliver the dominant shopping centre in this region. The total market value of Atrium Felicity at 31 December 2012 was €49.9 million and the incremental costs to completion are now assessed at approximately €59.6 million.

The remaining seven identified priority projects are all extensions to existing income producing assets; four are located in Poland, and include our Atrium Copernicus and Promenada assets, while three are in Russia.

Development and Land Portfolio

During the third quarter the 6,450 sqm GLA Phase II of Atrium Galeria Mosty in Plock, Poland was completed, and opened in late September 2012. Also during the second half of 2012 we finished construction on our stand-alone retail box in Gdynia, Poland and handed it over to the tenant, Media Market. Both completions were transferred to our standing investments portfolio during the second half of 2012.

In July, we took vacant possession of the 3.8 hectare parcel of land next to our Atrium Copernicus shopping centre in Toruń, Poland. The demolition works were completed by the previous owner and, with building permits in place, we are now working on our plans for a 20,000 sqm extension. Our first priority at the site is to increase the size of the car park, which is not currently sufficient to satisfy existing demand for the centre, and for which the incremental costs to complete are assessed at €4.0 million. By undertaking this task first, as well as putting in the other infrastructure required, we will be able to minimise disruption to shoppers and tenants at the main centre during the subsequent construction of the extension.

Management
The Group executive management team consists of Rachel Lavine, Chief Executive Officer ("CEO"), David Doyle, Chief Finance Officer ("CFO"), Nils-Christian Hakert, Chief Operating Officer ("COO") and Thomas Schoutens, Chief Development Officer ("CDO"). This team is supported by local executive management teams with day-to-day responsibility for managing the assets and customer relationships in each of our countries of operation. At 31 December 2012 the group has 351 employees as follows: General Management- 8 employees; Operations-180 employees; Development- 28 employees; Finance and administration- 80 employees; Information systems- 9 employees; Legal- 19 employees; Other- 27 employees.

Our management team:


Alice Augustova
CFO, Czech Republic


Katarzyna Cyz
CEO, Poland


David Doyle
Group CFO


Ronen Goldberg
CDO, Russia


Murat Gursey
COO, Russia


Nils-Christian Hakert
Group COO


Ondrej Jirak
COO, Czech Republic


Asi Kahana
CEO, Romania


Peter Kovacs
CFO, Hungary


Rachel Lavine
Group CEO


Tatyana Mironova
CFO, Russia


Kristina Mogor
COO, Hungary


Eshel Pesti
CEO, Russia


Barbara Pryszcz
COO, Poland


Thomas Schoutens
Group CDO


Oldrich Spurek
CEO, Czech Republic

Shopping Centre Atrium Flora

Key facts about Atrium Flora as at 31st December 2012
Street Vinohradská 2828/151
130 00 Prague 3, Czech Republic

Year of opening:	2003
GLA Retail:	20,400 sqm
GLA Offices/Storage:	19,400 sqm
Market value:	€ 198.5 million
EPRA retail occupancy:	100%
EPRA offices occupancy:	99%
Number of stores:	121
Food Anchor:	Albert
Parking spaces:	750
Website:	www.atrium-flora.cz

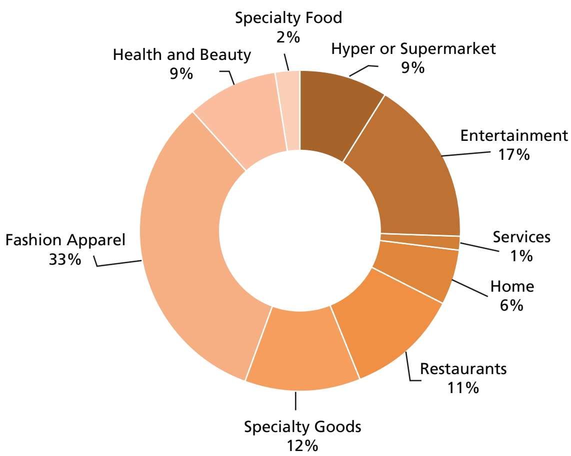
In addition to being the capital of the Czech Republic, Prague is also its largest city and the fourteenth-largest city in the European Union. The city is home to around 1.3 million people, while its greater metropolitan area is estimated to have a population of nearly 2 million. The city's economy is highly developed, being driven by its service and manufacturing export sector and is widely considered as one of the premier business destinations in CEE. As an economic hub for the region, Prague's economy accounts for more than 26 % of Czech GDP.

Atrium Flora was designed by Petr Franta architects and opened in 2003. It was acquired by Atrium in 2011 for € 191 million and is located less than 2km from Prague's historic city centre. Atrium Flora is situated in a prominent and accessible location in Vinohrady, one of Prague's most desirable and affluent residential areas, which contains a high concentration of young professionals and international residents. The centre has a catchment area of approx. 590,000 inhabitants within a 15 minute car journey and offers ample underground parking and superb public transport links. Trams and bus lines stop directly in front of the property and it is also served by the "Flora" metro station which includes an entrance offering direct access to the mall.

Atrium Flora comprises more than 120 retail units and offers a diversified tenant mix of fashion brands, consumer services, restaurants and entertainment including a seven screen Cinema City complex that contains the only IMAX 3D facility in the Czech Republic. The centre focuses on middle and higher-income customers, who are typical for its catchment area, and offers a wide spectrum of brands such as Intersport, Reserved, Bat'a, Mothercare, Esprit and Promod, together with more exclusive brands including Gant, Ecco, Geox, Gas, Guess, Max Mara, Lacoste and Alqvimia. The food anchor is Albert, a well-known and leading food operator in the Czech market and part of the Ahold Group.

Above the retail centre is 17,800 sqm GLA of Grade A office premises with high quality tenants including Exxon Mobile, Xerox, Danone and Reckitt-Benckiser.

Retail GLA by tenant mix



Since acquiring Flora in 2011, Atrium has commenced a number of value enhancing asset management activities. This has primarily focused on improving the quality of the offer within the centre by moving away from convenience-type retailers to more premium brands. As such, Atrium Flora now provides a mix of goods and personal services that better reflects the socio-economic make up and requirements of its customers and the population of its catchment area. The success of this strategy is evidenced by the signing of 15 new and high quality tenants during 2012 including GAS, Geox, Parfois, Chantall, Butlers, and Gabor shoes.

Atrium has also improved the customer facilities and lay-out of the shopping centre by introducing new concepts such as rest-zones for customers and through refurbishing the food-court area, both of which help to improve dwell times. In addition, improvements were made to internal signage to assist with customer navigation as well as the installation of new escalators which help improve customer circulation and drive footfall to all parts of the centre. Furthermore, Atrium has been able to successfully leverage the benefits of its retail expertise together with the economies of scale available from its wider portfolio and achieved a 6% reduction in the centre's operational costs for 2012 as compared to the prior year. All of these improvements have helped to create value for shareholders.

Shopper´s opinion
(Marie, Economist)
"There are a few reasons why Atrium Flora is my favorite shopping centre. The mix of shops in Flora suits my wishes and needs. I care about having an original fashion style and Flora has never disappointed me in this. There are plenty of shops with high quality and designer clothes, many of which I can't find anywhere else. The atmosphere is also very comfortable and the style of the boutiques and shops give it a feeling of luxury."

Shopper´s opinion
(Michal, Sales Manager)
"I choose Flora because of its very nice cafes and restaurants, where I can be hold business meetings. In my free time I´m also able to buy my favorite wine, cheese or other specialties which are hard to find elsewhere and, because of the mix of brands, I´m always able to buy great gifts for my wife. Occasionally, I also visit the IMAX cinema with my family."

Interview with Jan Suchánek
(Co-owner of the Butlers franchise)

"The Butlers store at Atrium Flora is our first in the Czech Republic. We picked this particular centre based on our market research and Atrium Flora, due to its location, size and purchasing power has turned out to be the right location for our pilot store. We are very pleased with the ongoing changes within the mall, starting with the brand new parking system, upgraded tenant mix and refurbished common areas. Our first store has fulfilled all our expectations, which confirms that choosing Atrium Flora was the right decision for us."

Interview with Oldrich Spurek
(Chief Executive Officer, Atrium Czech Republic)

"Atrium Flora is one of the most popular and fashionable shopping centres in Prague. Despite a number of new malls which have opened since Atrium Flora was completed, it still retains this leading position. We are proud to be able to say that Flora is still one of the most natural choices for new brands looking to break into the Prague market. The improvements we have made to the tenant mix demonstrate the centre's potential and by reducing its operating costs, we have further demonstrated the value-add that Atrium's retail expertise brings. The old Flora centre has now been reborn as "Atrium Flora" and has quickly become the jewel in the crown of Atrium's portfolio in the Czech Republic."

Interview with Viktor Šimeček
(Real Estate Manager CZE, SVK of BAŤA)

"The BAŤA store at Atrium Flora is present from the opening day, 10 years ago. We decided to prolongue our lease agreement in Flora due to the potential that we believe it has. We see the positive changes in the tenant mix and also the refurbishment which was highly needed."

Stock Exchange and Share Price Information

Stock Exchange and Share Price Information

Stock Exchange and Share Price Information

Atrium has a dual listing on the Vienna Stock Exchange and NYSE Euronext Amsterdam ("Euronext").

ISIN: **JE00B3DCF752**

Bloomberg tickers
Vienna: ATRS AV
Euronext: ATRS NA

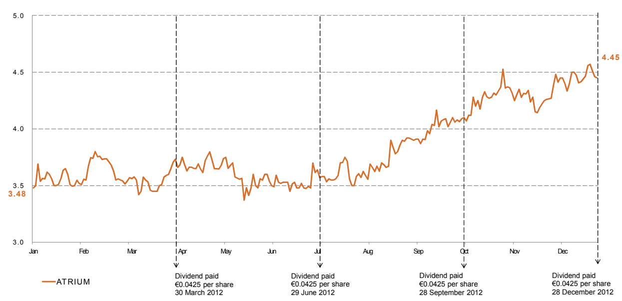
Reuters tickers
Vienna: ATRS.VI
Euronext: ATRS.AS

Total Return in 2012
Over 2012, Atrium's shareholder return was as follows:

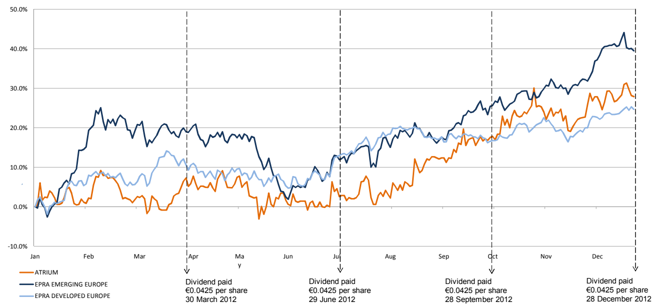
Vienna Stock Exchange

Closing price 2011	€3.48
Closing price 2012	€4.45
Movement in the share price	€0.97
Share return	€27.9%
Dividend for year 2012	€0.17
Dividend return	4.9%
Total return per share invested on 31 December 2011	**€1.14**
Total return in 2012	**32.8%**

Atrium share price



Atrium share price relative to EPRA indices



Outstanding shares as at 31 December 2012	373,388,756
Market capitalisation as at 31 December 2012*	€1,662 million
2012 lowest share price*	€3.37 quoted on 15 May 2012
2012 highest share price*	€4.57 quoted on 20 December 2012

* *Vienna Stock Exchange*

Dividend
Atrium paid a €0.0425 per share dividend as a capital repayment on 30 March 2012, 29 June 2012, 28 September 2012 and on 28 December 2012. Total dividend payments for 2012 amounted to €63 million (2011: €52 million).

In 12 November 2012, the Board approved an increase of Atrium's annual dividend payment for 2013 from €0.17 to at least €0.20 per share per year, an increase of 17.6%. This will be paid in quarterly instalments and commence at the end of March 2013 (subject to any legal and regulatory requirements and restrictions of commercial viability). This is the third consecutive year that the dividend has been increased since first being introduced in 2009, reflecting the Board's continued confidence in the Group's future prospects.

Major shareholders
To the best of the management's knowledge, during the year ended 31 December 2012, no single shareholder of Atrium held more than 5% of the company's shares, except for Apollo Global Real Estate ("Apollo") and Gazit-Globe Ltd ("Gazit-Globe") which together held 53.9% (2011: 51.0%) of the shares, as at 31 December 2012, as notified by them.

During the year 2012, Gazit-Globe raised its stake in the Group to 34.5% (2011: 31.6%) of the shares.

EPRA Reporting

EPRA Earnings

EPRA Earnings are calculated in line with the best practice recommendations of the European Public Real Estate Association ("EPRA"). EPRA's objective is to promote greater transparency, uniformity and comparability of the financial information reported by property companies. Unrealised changes in valuation, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of Atrium's underlying operational performance.

	2012 €'000	2011 €'000
Earnings attribute to equity holders of the parent company	**98,712**	**145,270**
Revaluation of investment properties	4,961	(77,321)
Net result on acquisitions and disposals	(793)	(31,791)
Goodwill impairment and amortization of intangible assets	970	447
Deferred tax in respect of EPRA adjustments	11,476	13,923
Close-out costs of financial instruments	1,909	(923)
Non controlling interests in respect of the above adjustments	(2,264)	2,716
EPRA Earnings	**114,971**	**52,321**
Weighted average number of shares (in shares)	373,075,076	372,840,525
EPRA Earnings per share (in €)	0.31	**0.14**
Company adjustments:*		
Legacy legal matters	3,255	12,550
Foreign exchange differences	(7,860)	22,290
Deferred tax not related to revaluations	5,500	9,393
Changes in the value of financial instruments	5,049	9,323
Non controlling interests in respect of company adjustments	(11)	(3,189)
Company adjusted EPRA earnings	**120,904**	**102,688**
Company adjusted EPRA earnings per share (in €)	0.32	0.28

* *The "Company adjustments" represent adjustments of other non-recurring items which could distort Atrium's operating results. Such non-recuring items are disclosed separately from the operating performance in order to provide stakeholders with the most relevant information regarding the performance of the underlying property portfolio.*

EPRA Net asset value
The concept of net asset value is used to describe the value of the assets of a group less the value of its liabilities.

Net Asset Value ("NAV")	2012		2011	
	€'000	in € per ordinary share	€'000	in € per ordinary share
Equity	**2,281,372**		**2,264,543**	
Non controlling interest	3,061		15,283	
IFRS NAV per the financial statements	**2,284,433**	**6.12**	**2,279,826**	**6.11**
Effect of exercise of options	15,280		16,065	
Diluted NAV, after the exercise of options	**2,299,713**	**6.08**	**2,295,891**	**6.07**
Fair value of financial instruments	17,828		9,060	
Goodwill as a result of deferred tax	(11,025)		(11,475)	
Deferred tax in respect of investment properties	131,855		113,333	
EPRA NAV	**2,438,371**	**6.44**	**2,406,809**	**6.36**

EPRA Triple NAV ("NNNAV")	2012		2011	
	€'000	in € per ordinary share	€'000	in € per ordinary share
EPRA NAV	**2,438,371**		**2,406,809**	
Fair value of financial instruments	(17,828)		(9,060)	
Impact of debt fair value	(10,821)		(5,764)	
Deferred tax in respect of investment properties	(131,855)		(113,333)	
EPRA NNNAV	**2,277,867**	**6.02**	**2,278,652**	**6.02**
Number of outstanding shares	373,388,756		372,892,253	
Number of outstanding shares and options	378,519,715		378,264,424	

The NAV as at 31 December 2012 and 31 December 2011 was based on the audited consolidated financial statements including the fair value of the Group's standing investments and developments and land. The market value of the Group's standing investments and most of the developments and land was based on the appraisals of Cushman & Wakefield and Jones Lang LaSalle.

Statement by the Board of Directors of Atrium European Real Estate Limited Pursuant to § 82 of the Austrian Stock Exchange Act

The members of the Board of Directors of Atrium European Real Estate Limited ("Atrium"; Atrium together with its subsidiaries the "Group") pursuant to paragraph 82 of the Austrian Stock Exchange Act (§ 82 BoerseG) hereby confirm:

a) that to the best of their knowledge the consolidated annual financial statements and Atrium's standalone financial statements prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Atrium and

b) that the Group management report and management report of Atrium present the development and performance of the business and the position of the Group and Atrium in such a manner so as to give a true and fair view of the assets, liabilities, financial position and profit or loss, together with a description of the major risks and uncertainties to which the Group and Atrium are exposed.

The Board of Directors

CHAIM KATZMAN
Chairman of the Board

RACHEL LAVINE
Director and CEO

DIPAK RASTOGI
Director

JOSEPH AZRACK
Director

PETER LINNEMAN
Director

THOMAS WERNINK
Director

AHARON SOFFER
Director

NOAM BEN-OZER
Director

ANDREW WIGNALL
Director

SIMON RADFORD
Director

Statement Regarding Forward Looking Information

This Annual Financial Report includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Financial Report and include statements regarding the intentions, beliefs or current expectations of Atrium. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance.

You should assume that the information appearing in this Annual Financial Report is up to date only as of the date of this Annual Financial Report. The business, financial condition, results of operations and prospects of Atrium or the Group may change. Except as required by law, Atrium and the Group do not undertake any obligation to update any forward looking statements, even though the situation of Atrium or the Group may change in the future.

All of the information presented in this Annual Financial Report, and particularly the forward looking statements, are qualified by these cautionary statements.

You should read this Annual Financial Report and the documents available for inspection completely and with the understanding that actual future results of Atrium or the Group may be materially different from what Atrium or the Group expects.

Corporate Governance Report

Compliance with Corporate Governance Codes
Atrium European Real Estate Limited ("Atrium") was established under the laws of Jersey, Channel Islands, in 1997. Atrium has been listed on the Vienna Stock Exchange ("ATRS") since 2002 and on the NYSE Euronext Amsterdam Stock Exchange since August 2009.

The Austrian Code of Corporate Governance ("Austrian Code") sets out rules and regulations for responsible management and guidance of companies listed in Austria. The Austrian Code primarily applies to Austrian stock market-listed companies that voluntarily undertake to adhere to its principles. Atrium has voluntarily submitted to the Austrian Code (as amended in July 2012). The Austrian Code is available on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) and obliges Atrium to either comply or explain any deviations from its applicable rules. Explanations for deviations are provided on page 37.

Jersey law does not contain a mandatory code of corporate governance but does impose general fiduciary duties and duties of care, diligence and skill on the Directors, who are also under a statutory obligation to act in good faith and in the best interest of Atrium. Save to the extent agreed with the Jersey Financial Services Commission ("JFSC"), Atrium must remain materially compliant with the UK Combined Code, the corporate governance code adopted by the UK Financial Services Authority.

Board and management structure
The management structure of Atrium is a one-tier Board of Directors. The Rules of the Austrian Code applying to the supervisory board will be applied to the Board of Directors, and the Rules therein applying to the management board will be applied to delegates of the Board of Directors.

Pursuant to the Atrium's articles of association ("Articles"), at least half of the Directors are required to be independent in accordance with, and as defined in, the rules of the New York Stock Exchange. At present, six of the ten directors are independent in accordance with those rules, namely Mr. Ben-Ozer, Mr. Linneman, Mr. Radford, Mr. Rastogi (notwithstanding his nomination to the Board by CPI CEE Management LLC ("Apollo") pursuant to the Articles), Mr. Wernink and Mr. Wignall.

The business of Atrium is managed by the Directors, who may exercise all powers of Atrium that are not required by applicable corporate law or the Articles to be exercised by Atrium in a general meeting of shareholders. The power and authority to represent Atrium in all transactions relating to real and personal property and all other legal or judicial transactions, acts and matters before all courts of law is vested in the Directors.

The Directors may delegate their powers to any officers or persons they deem fit, for example to the Chief Executive Officer ("CEO") or the Chief Financial Officer ("CFO"), or to committees consisting of one or more Directors or to any other persons. Any such person or committee shall in the exercise of the delegated powers conform to any regulations or restrictions that may be imposed by the Directors from time to time. Currently, the only executive on the Board of Directors of Atrium is the CEO, Rachel Lavine.

In the year ended 31 December 2012, the Board of Directors and the Audit Committee each met on five occasions. The Compensation and Nominating Committee and Special Standing Committee met on four and three occasions repectively.

Currently, the Board consists of ten Directors:

Name	Audit Committee	Compensation and Nominating Committee	Special Standing Committee	Date of birth	Mandate start
Chaim Katzman		✓	✓	04.11.1949	01.08.2008
Rachel Lavine			✓	09.12.1965	01.08.2008
Joseph Azrack		✓	✓	08.04.1947	15.08.2011
Noam Ben-Ozer	✓			22.06.1963	24.11.2009
Peter Linneman	✓	✓	✓	24.03.1951	01.08.2008
Simon Radford	✓			03.02.1957	06.03.2008
Dipak Rastogi		✓		14.10.1954	14.10.2008
Aharon Soffer	✓			03.03.1971	17.05.2011
Thomas Wernink		✓		10.12.1945	01.08.2008
Andrew Wignall	✓			11.05.1964	06.03.2008

The mandate of each Director ends at the shareholders' annual general meeting ("AGM") held following the date of appointment. Provision is made for each Director to retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected, except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed, or it is expressly resolved not to fill the office being vacated, or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected. The current mandate of each Director ends at the AGM to be held in 2013.

Chaim Katzman
Non-executive director and Chairman
Member, Compensation and Nominating Committee and Special Standing Committee

Chaim Katzman became Chairman of the Board of Directors in August 2008 and has more than 30 years of experience in the real estate industry. Mr. Katzman is the founder, controlling shareholder and Chairman of Gazit-Globe, a leading international real estate company listed on the Tel Aviv Stock Exchange (TASE:GLOB) and the New York Stock Exchange (NYSE: GZT). As Chairman of Gazit-Globe, Mr. Katzman directs global operations, manages affiliate and subsidiary activities and oversees more than $ 18 billion in assets in over 20 countries.

Mr. Katzman is also the founder, controlling shareholder and Chairman of Norstar Holdings (formerly Gazit Inc.), the parent company of Gazit-Globe; the founder and Chairman of Equity One (NYSE: EQY), a US real estate investment trust; the Chairman of First Capital Realty (TSX: FCR), a Canadian real estate company and Chairman of Citycon (OMX: CTY), an owner, developer and operator of shopping centres in Northern Europe and the market leader in the Finnish shopping centre sector.

Mr. Katzman is a member of the International Council of Shopping Centers (ICSC), the National Association of Real Estate Investment Trusts (NAREIT), the Urban Land Institute (ULI), and the Real Estate Roundtable and the Association of Foreign Investors in Real Estate (AFIRE). He received a LL.B. from Tel Aviv University Law School. Mr. Katzman is a well-known civic leader, philanthropist and supporter of numerous organizations. In 2011, he founded the Gazit-Globe Real Estate Institute at Israel's Interdisciplinary Center (IDC) Herzlya, a novel academic and research program focused on innovation and entrepreneurship in the real estate sector that will eventually offer a master's degree in real estate with concentrations in housing, land use and real estate financing.

Rachel Lavine
Chief Executive Officer and director
Non-voting Member, Special Standing Committee

Rachel Lavine has been Chief Executive Officer and a member of the Board of Directors since August 2008. Mrs. Lavine was formerly president and CEO of Plaza Centres (Europe) BV, a major developer and operator of shopping and entertainment centres in Central and Eastern Europe (2005-2006) and a former president and CEO of Elscint Ltd., a hotel operator and developer with assets in developed and emerging markets (1999-2006). She has also served as an external director of Dor Chemicals Ltd. and other public companies (2007-2008). Mrs. Lavine graduated from Tel Aviv University, College of Management with BA (Bachelor of Business) in accounting, has been a CPA (Certified Public Accountant) since 1995 and completed an Executive MBA at the Kellogg School of Management in 2008.

Joseph Azrack
Non-executive director
Member, Compensation and Nominating Committee and Special Standing Committee

Joseph Azrack is a non-executive director and was re-appointed to the Board of Directors in August 2011, having served an initial term on the Board from 1 August 2008 until 14 October 2008. He is Chairman of Real Estate for Apollo Global Management. Prior to joining Apollo, Mr. Azrack was President and CEO of Citi Property Investors where he chaired the firm's Management Committee and Investment Committee and guided investment policy and strategy. Mr. Azrack was also a member of the Citigroup Alternative Investments Management Committee and Investment Committee, and a member of Citi Infrastructure Investment Committee. Prior to joining Citi Property Investors, he was Chief Executive and Chairman of AEW Capital Management, L.P., Founder and President of the AEW Partners Funds, a Director of Curzon Global Partners and Founder and Chairman of IXIS AEW Europe.

Mr. Azrack holds a MBA from Columbia University and a B.S. from Villanova University. He is a past adjunct professor at Columbia University's Graduate School of Business where he is a member of and for many years chaired the Real Estate Program Advisory Board. Mr. Azrack is a member and past Chairman of the Pension Real Estate Association (PREA). He is also a Trustee and Director of the Urban Land Institute.

Noam Ben-Ozer
Non-executive director
Member, Audit Committee

Noam Ben-Ozer is an independent non-executive director appointed to the Board of Directors in November 2009. He is a founder and managing director of Focal Energy, a company which develops and invests in renewable energy projects. He is also the founder and proprietor of Focal Advisory, a strategic and finance-related advisory firm in Boston. Noam Ben-Ozer has extensive experience in financial and business planning, fund raising, deal structuring and project financing. He is a director and member of the Nominating and Audit Committees of Equity One Inc., a leading US real estate investment trust. Mr. Ben-Ozer holds a MBA from the Harvard Business School.

Peter Linneman
Non-executive director
Chairman, Audit Committee
Member, Compensation and Nominating Committee and Special Standing Committee

Peter Linneman is an independent non-executive director appointed to the Board of Directors in August 2008. He is a financial expert in real estate and corporate finance. Mr. Linneman is a principal of Linneman Associates and the Albert Sussman Emeritus Professor of Real Estate, Finance and Public Policy at the Wharton School of Business, University of Pennsylvania. He has served as a director of eight New York Stock Exchange listed companies. Mr. Linneman has a PhD in Economics. He is also a director and member of the executive committee of Equity One Inc. a US real estate investment trust.

Simon Radford
Non-executive director
Member, Audit Committee

Simon Radford is an independent non-executive director appointed to the Board of Directors in March 2008. He is also the Chief Financial Officer of an alternative investment fund administration business, based in Jersey. Mr. Radford has more than 20 years experience of audit, corporate finance and corporate investigation and has worked with a wide variety of boards of directors and audit committees. He also serves as a non-executive director on a number of alternative investment strategy funds. Mr. Radford is the former senior partner of Deloitte & Touche in Jersey where he was in charge of the assurance and advisory business. He spent 17 years as a partner with the firm working in both the UK and Jersey. Mr. Radford is a Fellow of the Institute of Chartered Accountants in England and Wales. In the years 2006 to 2008 he served as Chairman of the Institute of Directors in Jersey.

Dipak Rastogi
Non-executive director
Chairman, Compensation and Nominating Committee

Dipak Rastogi is an independent non-executive director appointed to the Board of Directors in October 2008. He serves as CEO of Citi Venture Capital International ("CVCI"), a global private equity investment business with over USD 7.0 billion under management focusing on emerging markets and is the Chairman of CVCI's Growth Fund I and Growth Fund II Investment Committees. Mr. Rastogi joined Citigroup in 1982. Prior to heading CVCI, Mr. Rastogi held various senior management positions at Citigroup, including Group Executive Head of 38 countries in Central and Eastern Europe, Middle East, India and Africa, Executive Vice President and Co-Head of Citigroup's Global Markets business, Head of Citigroup's Global Derivatives business and Co-Head of Global Corporate Finance. He has a MBA from the Richard Ivey School of Business, University of Western Ontario and was the Gold Medal Award winner of his graduating class.

Aharon Soffer
Non-executive director
Member, Audit Committee

Aharon Soffer is a non-executive director appointed to the Board of Directors in May 2011. He serves as President of Gazit-Globe. Since joining Gazit Globe in 1997, Mr. Soffer has held several senior executive roles and leadership positions. During his tenure at Gazit-Globe, Mr. Soffer has attained extensive expertise in both the retail and healthcare real estate sectors in public and private markets and has been involved in the Gazit-Globe group's worldwide M&A activity to a total value of more than $ 18 billion across 20 countries. From 2001 to 2009, Mr. Soffer was located at Gazit-Globe's offices in the United States. More recently, Mr. Soffer led Gazit-Globe's IPO in the United States and the listing of its shares on the New York Stock Exchange. Mr. Soffer also serves as CEO of Gazit Group USA and Executive Chairman of ProMed Properties, Gazit-Globe's private subsidiaries. Mr. Soffer holds a B.A. in Economics and a LL.B from the College of Management, Academic Studies, in Israel.

Thomas Wernink
Non-executive director
Member, Compensation and Nominating Committee

Thomas Wernink is an independent non-executive director appointed to the Board of Directors in August 2008. He serves as a non-executive director of a number of European based property and investment companies, including stock exchange listed companies Segro plc and European Direct Real Estate Fund (SICAF). He is also a former Chief Executive of Corio and Chairman of the European Public Real Estate Association.

Andrew Wignall
Non-executive director
Member, Audit Committee

Andrew Wignall is an independent non-executive director appointed to the Board of Directors in March 2008. Mr. Wignall is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Ernst & Young in 1988, where he worked as an auditor, primarily with financial services clients. In 1996 he was a founding director of Moore Management Limited ("Moore"), specialising in the management and administration of alternative investment funds, securitisation vehicles and special purpose companies. Since leaving Moore in 2007, Mr. Wignall has acted as an independent non-executive director of a number of private equity, real estate and other alternative fund structures. Mr Wignall is authorised by the Jersey Financial Services Commission to act as a director of such structures and from 2004 to 2011 was a committee member of the Jersey Funds Association.

Committees of the Board of Directors

As outlined above, the Directors may delegate any of their powers to committees consisting of a Director or Directors or such other persons as they think fit. Currently, three permanent committees have been established: (i) the Audit Committee, (ii) the Compensation and Nominating Committee and (iii) the Special Standing Committee. During 2012 further temporary committees addressed specific strategy, risk and legal related matters. The Board of Directors and committees hold meetings and can also pass written resolutions.

Audit Committee

The Audit Committee is composed of a majority of independent Directors. In 2012, the members of the Audit Committee were Peter Linneman, Noam Ben-Ozer, Simon Radford, Aharon Soffer and Andrew Wignall. The Chairman of the Audit Committee is Peter Linneman.

The Audit Committee undertakes customary functions, predominantly concerned with preparations for the audit of the annual financial statements and compliance therewith, the auditors' activities, an audit of the internal control and risk management, and the presentation of the annual financial statements.

The Audit Committee is required to meet at least four times annually before publication of Atrium's annual financial statements and the interim reports. In the year ended 31 December 2012, the Audit Committee held five meetings.

Compensation and Nominating Committee

In 2012, the members of the Compensation and Nominating Committee were Joseph Azrack, Chaim Katzman, Peter Linneman, Dipak Rastogi, Thomas Wernink and Neil Hasson (as a co-opted member). The Chairman of the Compensation and Nominating Committee is Dipak Rastogi.

The Compensation and Nominating Committee deals with all material aspects of the remuneration of senior executives. The committee is empowered to conclude, amend and terminate employment or engagement contracts with Board members, and to take decisions on the award of bonuses (variable compensation components and other such benefits, payable to senior executives).

All members of the Board of Directors and all persons in management positions have been appointed on the basis of their professional and personal qualifications. Atrium maintains an equal opportunities policy for the purposes of recruitment at all levels. The ages of the members of the Board of Directors range from 47 to 67 and the members represent five different national backgrounds. Atrium does not, however, currently take any specific measures to promote women to the Board of Directors and to top management positions.

In the year ended 31 December 2012, the Compensation and Nominating Committee held four meetings.

Special Standing Committee

In 2012, the members of the Special Standing Committee were Joseph Azrack, Chaim Katzman, Rachel Lavine (non-voting member) and Peter Linneman. A chairman was elected at each of the Committee's meetings.

The principal activity of the Special Standing Committee is to consider and make decisions on behalf of the Board (within the ambit of the Committee's €50 million authority as delegated to it by the Board) on certain business proposals for the Group.

In the year ended 31 December 2012, the Special Standing Committee held three meetings and passed two written resolutions.

Group Executive Management

In 2012, the management team of the Group consisted of Rachel Lavine, Chief Executive Officer ("CEO"), David Doyle, Chief Finance Officer ("CFO"), Nils-Christian Hakert, Chief Operating Officer ("COO"), Thomas Schoutens, Chief Development Officer ("CDO"), and Ewoud van Gellicum, General Counsel, who left the Group on 1 February 2013.

Rachel Lavine

Chief Executive Officer

Rachel's biographical details are provided on page 32.

David Doyle

Chief Financial Officer

David joined Atrium in January 2012 as Chief Financial Officer, with responsibility for all financial matters, including leading equity and debt capital markets activities of the Group. He is also Deputy Compliance Officer and a member of the EPRA Reporting and Accounting Committee.

Prior to joining Atrium, David was Chief Financial Officer - Europe and a member of the European Executive Committee at Prologis, Inc., with responsibility for three separate ownership structures and balance sheets with total assets under management of over €7 billion.

David was previously Chief Financial Officer and an executive board director at real estate advisory firm, Colliers CRE plc and at internet bank Egg plc. He also held various senior finance roles at Prudential plc, most latterly head of corporate finance, with responsibility for all group level mergers, acquisitions, dispositions and associated strategic activities.

David is a Fellow of the Institute of Chartered Accountants in Australia and he holds a Bachelor of Business degree from the Royal Melbourne Institute of Technology.

Dr. Nils-Christian Hakert
Chief Operating Officer
Nils joined Atrium in October 2008 as Chief Operating Officer, with responsibility for all operations activities and the generation of net rental income across the Group. Nils has over 20 years' experience in retail property management in Europe. In 2011, he was selected to chair the ICSC conference in Paris.

Nils was previously Retail Director of Central Europe at Unibail-Rodamco. Prior to this, he held a number of management and management board positions at Brune Consulting G.m.b.H, and had responsibility for national and international centre management and acquisitions, as well as direct control for 12 shopping centres valued at approximately €400 million.

Nils holds a degree in shopping centre management from the European Business School, a degree in Retail and Foreign Trade from the University of Duisburg and a Doctorate in Economies and Management from Comenius University, Bratislava.

Thomas Schoutens
Chief Development Officer
Thomas joined Atrium in February 2010 as Chief Development Officer, with responsibility for overseeing all of the Group's development activity.

With over 18 years of experience in the real estate and construction industry in Central & Eastern Europe, Thomas previously held the role of Director at Carrefour, overseeing expansion and assets in Poland and Russia and was responsible for driving the development of Carrefour and its real estate portfolio in the region.

Thomas previously spent 11 years at general contractors Besix and CFE (Vinci) with long term assignments in Prague, Budapest, Warsaw, Moscow and St. Petersburg.

Thomas holds a degree in Business Administration and Engineering from ICHEC Business School, Brussels.

Compensation report
The compensation payable as ordinary remuneration to the Directors consists of a fixed cash component or, at the election of eligible Directors, the right to receive ordinary shares in the Company in lieu of their ordinary cash remuneration. The Board of Directors has discretion to set annual Director's ordinary remuneration, in their capacity as Directors, up to a specified aggregate limit of €2 million per annum. If the Board wishes to increase this limit it would require prior shareholder approval by ordinary resolution. The remuneration payable to Directors accrues from day to day.

The non-executive directors are each entitled to receive remuneration of €50,000 per annum and a meeting attendance fee of €1,000 per meeting. However, with the exception of Mr. Katzman, the Chairman of the Board, each of the non-executive directors nominated by Gazit Midas Limited ("Gazit") and Apollo are entitled to receive a remuneration of €25,000 per annum and a meeting attendance fee of €1,000 per meeting.

The Board of Directors may award special pay to any Director who holds any executive post, acts as Chairman or deputy Chairman, serves on any committee of the Directors or performs any other services which the Directors consider to extend beyond the ordinary duties of a Director. Special pay can take the form of fees, commission or other benefits or can be paid in some other way decided by the Board of Directors. Such special pay may either be in addition to or instead of other fees, expenses or other benefits that the Director is entitled to receive. In 2012, the Board established temporary committees to address specific strategy, risk and legal related matters and subsequently awarded special pay of €20,000 to both Simon Radford and Andrew Wignall, €45,000 to Thomas Wernink, €70,000 to Noam Ben-Ozer and €50,000 to each of Joseph Azrack and Peter Linneman. No special pay was awarded in 2011.

As at end of the financial year ended 31 December 2012 the Chairman of the Board was not entitled to directors' compensation. The other Directors (in their capacity as Directors) were entitled to an aggregate compensation of €652,000 (2011: €388,000).

Atrium has entered into a consultancy agreement with Mr. Katzman, under which he agrees to provide certain consultancy services, including (inter alia) advice and review on proposed acquisitions, advice on capital markets strategy, advice on the level and content of development activities of the Group and strategic advice on the future direction of the Group. The consultancy agreement had an initial term of one year commencing on 1 August 2008 and continues on a rolling basis, with further extensions of one year unless terminated by either party. The amount of the monthly fee is required to be reviewed annually by the Board of Directors to determine the fee for the following 12 months (commencing on 1 August in each such year). In 2012, the Board determined that the monthly fee under the consultancy agreement shall continue to be €45,833 in respect of the period from 1 August 2012 and that Mr. Katzman receive a grant of 127,119 share options with cliff vesting after three years and with an exercise price of €3.63 (being the average share price over the 30 trading days prior to option grant).

In February 2012, Atrium entered into an amended and restated consultancy agreement with Neil Hasson, then a co-opted member of the Compensation and Nominating Committee, under which Mr. Hasson agreed to provide advisory services in connection with certain commercial activities in Russia and legacy litigation matters. Under the consultancy agreement, Mr. Hasson was paid a monthly fee of €15,000. Time spent by Mr. Hasson in his capacity as a co-opted member of the Nominating and Compensation Committee, as an invited observer to meetings of the Board or as an alternate Director for any of the other Directors did not count towards the time Mr. Hasson spent under the consultancy agreement. The amended and restated consultancy agreement expired on 31 December 2012.

Overview of compensation of the Directors in 2012

Name	Directors fee €'000	Special pay €'000	Consultancy fee €'000	CEO compensation €'000	2012 total €'000	2011 total €'000
Chaim Katzman[1]	-	-	550	-	550	521
Rachel Lavine[2]	-	-	-	1,122	1,122	1,135
Joseph Azrack[3, 4]	31	50	-	-	81	12
Noam Ben-Ozer	60	70	-	-	130	59
Peter Linneman	64	50	-	-	114	53
Simon Radford[5]	60	20	-	-	80	61
Dipak Rastogi[3]	28	-	-	-	28	30
Aharon Soffer[1]	33	-	-	-	33	21
Thomas Wernink	61	45	-	-	106	57
Andrew Wignall	60	20	-	-	80	60
Neil Hasson[6]	-	-	-	-	-	347
Michael Bar-Haim[7]	-	-	-	-	-	12
TOTAL	**397**	**255**	**550**	**1,122**	**2,324**	**2,368**

1 Gazit nominated board member
2 Base salary, guaranteed bonus, allowances and benefits
3 Apollo nominated board member
4 Mr. Azrack elected to receive 6,915 shares in lieu of €25,000 of his director's fee.
5 Mr. Radford elected to receive 11,065 shares in lieu of €40,000 of his director's fee.
6 Resigned from the Board of Directors on 15 August 2011.
7 Resigned from the Board of Directors on 17 May 2011.

Group executive management compensation
Under the general compensation policy of Atrium, senior management executives are entitled to a base salary; a performance based annual cash bonus and participation in Atrium's Employee Share Option Plan ("ESOP").

The ESOP provides for the grant of options to employees and Directors of Atrium and its subsidiaries. The Directors may amend the ESOP as they consider appropriate but shall not make any amendment that would materially prejudice the interests of existing option holders, except with the consent in writing of 75% of all such option holders.

The aggregate remuneration paid or payable to each member of the Group Executive Management team, including base salary, annual guaranteed bonus, allowances and benefits was: Rachel Lavine € 1,122,221; David Doyle € 597,288; Nils-Christian Hakert € 442,710; Thomas Schoutens € 358,696 and Ewoud van Gellicum € 276,800. The discretionary aspect of annual bonus awards will be determined by the Board in due course. In addition, David Doyle received a sign on bonus of € 245,000 and Nils-Christian Hakert received a three year retention bonus of € 250,000 in the reporting period.

Options have been granted to members of the Group's executive management as follows:

Name	Grant date	Number of options granted	First vesting date (1/3)	Second vesting date (1/3)	Third vesting date (1/3)
Rachel Lavine (first grant)	09.03.2009	1,500,000	01.08.2009	01.08.2010	01.08.2011
Rachel Lavine (second grant)[1]	16.03.2010	1,000,000	01.07.2012	01.07.2013	-
Nils Hakert (first grant)	09.03.2009	250,000	09.03.2010	09.03.2011	09.03.2012
Nils Hakert (second grant)[2]	20.08.2010	83,334	09.03.2013	-	-
Nils Hakert (third grant)[3]	03.10.2011	166,668	09.03.2014	09.03.2015	-
Thomas Schoutens	16.03.2010	300,000	01.02.2011	01.02.2012	01.02.2013
David Doyle	03.10.2011	500,000	01.01.2013	01.01.2014	01.01.2015

1 Options to vest in portions of € 500,000 each on First and Second vesting date.
2 Options to vest in one single portion on First vesting date.
3 Options to vest in portions of €83,334 each on First and Second vesting date.

Options granted to members of the Group's executive management have been exercised as follows:

Name	Total granted	Unvested at 31.12.2012	Total vested	Exercised in prior years	Exercised in 2012	Option price at 31.12.2012	Vested but unexercised
Rachel Lavine (first grant)	1,500,000	-	1,500,000	500,000	-	0.82	1,000,000
Rachel Lavine (second grant)	1,000,000	500,000	500,000	-	-	4.10	500,000
Nils Hakert (first grant)	250,000	-	250,000	-	75,000	0.82	175,000
Nils Hakert (second grant)	83,334	83,334	-	-	-	3.46	-
Nils Hakert (third grant)	166,668	166,668	-	-	-	3.28	-
Thomas Schoutens	300,000	100,000	200,000	-	-	4.10	200,000
David Doyle	500,000	500,000	-	-	-	3.28	-

Atrium does not operate a pension scheme. Unless provided otherwise, base salaries include compensation for the waiver of participation in a pension scheme.

Mrs. Lavine's compensation as CEO consists of a fixed and variable component. For 2012, the fixed compensation of Mrs. Lavine was €625,000. The discretionary aspect of Mrs. Lavine's bonus will be determined by the Board in due course. However, the CEO is entitled to an annual minimum guaranteed bonus of €375,000. The minimum guaranteed bonus is included in, and is not payable in addition to, any annual bonus and is payable irrespective of the amount of the annual profits or revenues reflected in the annual financial statements of Atrium in any calendar year. The bonus of the CEO for the financial year ended 31 December 2011 was €729,167 which was settled partially by the guaranteed payment of €375,000 in cash and partially via the issuance of 63,274 shares at €3.63 per share, net of tax. The new shares were issued on 5 April 2012 and are subject to a lock-up period through to 31 July 2013. Mrs. Lavine's employment agreement is indefinite subject to termination by the parties.

Atrium has in place Directors' and Officers' Insurance in respect of the members of the Board of Directors, the costs of which are borne by Atrium.

Deviations from the Austrian corporate governance code

Where a company is subject to the company law of a country that is not a member of the EU or EEA and is listed on the Vienna Stock Exchange, as is the case with Atrium (a Jersey registered company with its shares listed on the Vienna Stock Exchange), the Austrian Code provides that the L-rules of the Austrian Code are interpreted as C-rules ("Comply or Explain" Rules). The following explanations are given in respect of deviations from L- and C-rules.

L-rule 1: Atrium is party to a relationship agreement which grants certain rights (including rights to appoint Directors) to its substantial shareholders, Gazit and Apollo. For a description of these special rights please refer to part III of the shareholder circular of 17 September 2009 published on Atrium's website www.aere.com.

Apollo and Gazit are granted certain rights under the Articles. These rights are set out in Articles 24, 25 and 29 of the Articles, which are published on Atrium's website www.aere.com.

L-rule 3: Pursuant to an official statement of the Austrian Takeover Commission of 31 March 2009, the Austrian Takeover Act is not applicable to Atrium as of the date of the official statement. Accordingly, and in particular, the pricing rules regarding a mandatory offer as set forth under section 26 of the Austrian Takeover Act do not apply to Atrium.

There are no mandatory takeover offer provisions under Jersey or Dutch law applicable to Atrium.

Finally, pursuant to the Articles, a mandatory cash offer is required to be made to all Atrium shareholders if any person other than Apollo and Gazit (or any person with whom either of those parties act in concert) acquires 30% or more of the voting rights or, if already holding between 30% and 50% of the voting rights, acquires additional voting rights. Any such offer must be conditional only upon the offeror having received such acceptances as will give him 50% of the voting rights. The offer must be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the offeror during the offer period and within 12 months prior to its commencement. See Article 42 of the Articles, which are published on Atrium's website www.aere.com.

L-rule 4: The Articles provide for a notice period of at least 14 clear days regarding all general meetings, as permitted by Jersey law.

L-rule 8: Atrium is required to comply with Jersey law. Under Jersey law there is no limit on the number of shares that can be repurchased so long as at least one share remains in issue. Shareholders' approval is required by way of special resolution (66% majority of those voting) to sanction such repurchases. Where shares are purchased off market, they must be purchased pursuant to a contract approved in advance by an ordinary resolution of shareholders (in relation to which the holders of the shares to be purchased do not have the right to vote those shares). Where shares are bought on market, authority can be granted by the shareholders to Atrium to permit it to purchase shares for a period of 18 months from the giving of the authority.

C-rule 12: In 2012, the materials and documents required for Board of Directors meetings were in all circumstances distributed at least 4 days before the respective meetings.

C-rule 27: We refer to the explanation given in respect of C-rule 30 below. The arrangement with the CEO does not contain a provision whereby Atrium can reclaim bonuses paid, nor does it contain a maximum limit (either as an amount or as a percentage of the fixed remuneration component).

C-rule 27a: In the case of termination by Atrium (other than for cause), the CEO is entitled to receive and benefit from the salary, bonuses and vesting of options from the effective date of termination of her employment until the expiry of her employment agreement. This applies irrespective of whether there are two or more years until the expiry of the relevant employment agreement. Note that CEO's current employment agreement is indefinite.

C-rule 28: In 2009, Atrium established the ESOP, under which the Board of Directors can grant share options to key employees and directors. The ESOP was approved by the shareholders at an extraordinary general meeting held on 6 April 2009. Options under the ESOP are granted unconditionally; no performance criteria apply at grant or at exercise. Generally, one-third of the options granted vest after one year following the grant date, another one-third vest after two years following the grant date and the final one-third vest after three years following the grant date. Subject to the terms of the ESOP, option holders are entitled to exercise their options upon vesting. Details of share option awards to executive management are provided on page 36. Whilst there is no specific predetermined level set as to the appropriate volume of shares each Group executive management member should hold as a personal investment, the Board of Directors considers that the Group executive managements' share options do provide adequate equity incentivisation and alignment of interest with other shareholders. The Directors may amend the ESOP as they consider appropriate, provided that they shall not make any amendment that would materially prejudice the interests of existing option holders, other than with the consent in writing of a majority of 75% of all such option holders.

C-rule 30: The Board of Directors has determined, for the purposes of approving the remuneration of the CEO, that individual and selective performance criteria were inappropriate to measuring her performance in the year under review. The Board of Directors considers that the overall CEO's performance and achievements in the context of the challenges faced in carrying out her role justify payment of the bonus component of the CEO's compensation package.

C-rule 39: As set out in the Articles, Atrium has adopted the test of independence set out in the rules of the New York Stock Exchange for the purposes of assessing the independence of its Directors. In accordance with those rules and irrespective of his nomination by Apollo, the Board of Directors has determined that Dipak Rastogi is an independent director. Accordingly, a majority of the members of the Compensation and Nominating Committee are independent, as defined in the rules of the New York Stock Exchange. Those individuals appointed to the Compensation and Nominating Committee are those Directors who are regarded by the Board of Directors as best equipped (including as a consequence of prior experience and/or expertise) to contribute to the deliberations of the Compensation and Nominating Committee and, accordingly, Atrium believes that the current composition of the Compensation and Nominating Committee is in the best interests of Atrium.

C-rule 43: In 2012, the Chairman of the Compensation and Nominating Committee was not the same person as the Chairman of the Board of Directors.

L-rule 52: Rachel Lavine has been Chief Executive Officer and a member of the Board of Directors since August 2008. Additionally, a number of women hold senior management positions in the Group. Atrium does not, however, currently take any specific measures to promote women to the Board of Directors and to top management positions.

C-rule 53: In accordance with the Articles and as stated in the prospectus for the listing of Atrium's shares on the Official Market of the Vienna Stock Exchange and on Euronext Amsterdam dated 10 August 2009, at least half of the Directors are independent in accordance with, and as defined in, the rules of the New York Stock Exchange.

L-rule 56: Atrium applies this rule to its independent Directors only. Atrium believes that non-independent Directors should be allowed to assume more than eight mandates because they may be required by their employers or principals to serve on multiple boards.

C-rule 58: Atrium has not appointed a vice-Chairman, as it is not required to do so pursuant to Jersey law.

The Board of Directors

CHAIM KATZMAN
Chairman of the Board

RACHEL LAVINE
Director and CEO

DIPAK RASTOGI
Director

JOSEPH AZRACK
Director

PETER LINNEMAN
Director

THOMAS WERNINK
Director

AHARON SOFFER
Director

NOAM BEN-OZER
Director

ANDREW WIGNALL
Director

SIMON RADFORD
Director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KFC
-70%
-70%
OF BENETTON.
Мульти Джус Бар
СБЕРБАНК

Annual Financial Statements

2. Annual Financial Statements

Directors' Report

The Directors submit their report and the audited consolidated financial statements of Atrium European Real Estate Limited ("Atrium") and its subsidiaries (together with Atrium, the "Group") for the year ended 31 December 2012.

Incorporation
Atrium was incorporated in Jersey, Channel Islands, on 8 December 1997.

Principal activities
The principal activity of the Group is the ownership, management and development of commercial real estate in the retail sector. The Group primarily operates in Poland, the Czech Republic, Slovakia, Russia, Hungary and Romania.

Results
The results for the year are shown in the consolidated income statement on page 44.

Dividend
For the year ended 31 December 2012, the directors had approved a dividend policy of € 0.17 per ordinary share amounting to a total of € 63.4 million, declared and paid quarterly (2011: € 52.2 million).

In November 2012, the Board approved an increase in the dividend policy from € 0.17 to at least € 0.20 per ordinary share per annum (subject to any legal regulatory requirements and restrictions of commercial viability), to be declared and paid quarterly.

Directors
Atrium's directors who served during the year under review and as of the date of approving these financial statements are listed on page 31 in the Corporate Governance Report.

Company secretary
Aztec Financial Services (Jersey) Limited is the Secretary and Administrator of Atrium. Atrium has not concluded any agreements with Aztec Financial Services (Jersey) Limited except for the agreements in connection with the above mentioned services, use of their address for the registered office of Atrium and agreements with Simon Radford, director of both Aztec Financial Services (Jersey) Limited and of Atrium. Aztec Financial Services (Jersey) Limited held one share of Atrium as at 31 December 2012, see note 2.16 of the financial statements.

Directors' responsibilities
The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards. The Directors have decided to use International Financial Reporting Standards as endorsed by the EU. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Atrium and of the profit or loss of Atrium for that year. During the preparation of these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that Atrium will continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Atrium and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of Atrium and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

12 March 2013

Consolidated Statement of Financial Position at 31 December 2012

	Note	2012 €'000	2012 €'000	2011 €'000	2011 €'000
Assets					
Non-current assets					
Standing investments	2.4	2,185,336		2,077,246	
Developments and land	2.5	538,395		587,351	
Property, plant and equipment	2.6	3,111		2,196	
			2,726,842		**2,666,793**
Intangible assets and goodwill	2.7	16,483		14,811	
Equity-accounted investees	2.8	1,455		-	
Deferred tax assets	2.9	8,742		2,330	
Long term loans	2.10	36,592		41,240	
Other assets	2.11	27,003		40,201	
			90,275		**98,582**
Current assets					
Inventory	2.5	2,214		-	
Receivables from tenants	2.12	18,037		14,267	
Prepayments	2.13	12,504		14,777	
Other receivables	2.14	8,599		8,693	
Income tax receivable		2,168		2,564	
Short term loans	2.10	59		101	
Cash and cash equivalents	2.15	207,843		234,924	
			251,424		**275,326**
Total assets			**3,068,541**		**3,040,701**
Equity and liabilities					
Equity					
Stated capital	2.16	2,836,658		2,899,118	
Other reserves	2.17	(9,562)		(3,768)	
Retained earnings		(457,158)		(531,131)	
Currency translation		(85,505)		(84,393)	
Non-controlling interest		(3,061)		(15,283)	
			2,281,372		**2,264,543**
Non-current liabilities					
Long term borrowings	2.18	462,075		542,662	
Derivatives	2.19	17,828		9,060	
Provisions		1,000		589	
Deferred tax liabilities	2.20	98,775		76,758	
Long term liabilities from finance leases	2.21	47,320		44,483	
Other long term liabilities	2.22	19,730		17,457	
			646,728		**691,009**
Current liabilities					
Trade and other payables	2.23	37,989		36,338	
Payables related to acquisitions		389		485	
Accrued expenditure	2.24	26,131		22,959	
Short term borrowings	2.18	74,986		25,330	
Income tax payable		946		37	
			140,441		**85,149**
Total equity and liabilities			**3,068,541**		**3,040,701**

The financial statements were approved and authorised for issue by the Board of Directors on 12 March 2013 and were duly signed on the Board's behalf by Rachel Lavine, Chief Executive Officer and Chaim Katzman, Chairman.

Consolidated Income Statement for the year ended 31 December 2012

	Note	2012 € '000	2012 € '000	2011 € '000	2011 € '000
Gross rental income	2.25	193,475		172,173	
Service charge income	2.26	73,762		68,431	
Net property expenses	2.27	(85,958)		(85,734)	
Net rental income			**181,279**		**154,870**
Net result on acquisitions and disposals	2.28	793		31,791	
Costs connected with developments		(6,161)		(4,660)	
Revaluation of investment properties	2.4, 2.5	(4,961)		77,321	
Other depreciation, amortisation and impairments	2.29	(1,835)		(1,392)	
Administrative expenses	2.30	(29,125)		(37,770)	
Net operating profit			**139,990**		**220,160**
Interest income	2.31	3,883		6,120	
Interest expense	2.31	(23,103)		(23,242)	
Other financial income/(expenses)	2.32	(4,697)		(33,341)	
Profit before taxation			**116,073**		**169,697**
Taxation charge for the year	2.33	(19,898)		(26,451)	
Profit after taxation for the year			**96,175**		**143,246**
Attributable to:					
Owners of the parent		98,712		145,270	
Non-controlling interest		(2,537)		(2,024)	
			96,175		**143,246**
Basic and diluted earnings per share in €, attributable to shareholders	2.34		0.26		0.39

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

	2012 € '000	2012 € '000	2011 € '000	2011 € '000
Profit for the year	96,175		143,246	
Items that may be reclassified subsequently to income statement:				
Exchange differences arising on translation of foreign operations (net of deferred tax)	(1,108)		7,663	
Movements in hedging reserves (net of deferred tax)	(7,102)		(7,339)	
Total comprehensive income for the year		**87,965**		**143,570**
Attributable to:				
Owners of the parent	90,498		146,175	
Non-controlling interest	(2,533)	**87,965**	(2,605)	**143,570**

Consolidated Cash Flow Statement for the year ended 31 December 2012

	Note	2012 € '000	2011 € '000
Cash flows from operating activities			
Profit before taxation		116,073	169,697
Adjustments for:			
Other depreciation, amortisation and impairments		1,835	1,392
Revaluation of investment properties		4,961	(77,321)
Foreign exchange loss/(gain)		(7,860)	22,290
Change in provisions and share based payments		1,718	1,763
(Profit)/loss on disposal of investment properties and financial assets		(793)	(31,791)
Impairment loss on financial assets and other financial expenses		16,013	11,451
(Profit) /loss on purchase of financial liabilities		(4,477)	(923)
Interest expense		23,103	23,242
Interest income		(3,883)	(6,120)
Operating cash flows before working capital changes		**146,690**	**113,680**
Decrease in trade and other receivables		1,290	11,466
(Increase)/decrease in prepayments		2,273	(1,301)
Decrease in trade and other payables		(4,215)	(2,984)
Increase/(decrease) in accrued expenditure		5,318	(368)
Cash generated from operating activities		**151,356**	**120,493**
Interest paid		(23,876)	(20,926)
Interest received		547	3,192
Corporation taxes paid		(1,534)	(1,358)
Net cash generated from operating activities		**126,493**	**101,401**
Cash flows from investing activities			
Payments related to investment properties and other assets		(47,872)	(478,421)
Proceeds from the disposal of investment properties		1,006	170,555
Deconsolidating of subsidiary	2.15	(417)	-
Payment related to other financial assets		(273)	-
Sale of subsidiaries net of cash acquired		-	(6,511)
Acquisition of subsidiaries net of cash acquired		-	(3,799)
Net cash used in investing activities		**(47,556)**	**(318,176)**
Net cash flow before financing activities		**78,937**	**(216,775)**
Cash flows from financing activities			
Proceeds from issuance of share capital		814	310
Repayment of long term loans		(74,304)	(105,154)
Receipt of long term loans		48,784	248,065
Payments for land leases		(8,103)	(6,130)
Purchase of non-controlling interest		(9,409)	-
Dividends paid		(63,431)	(52,198)
Net cash generated/(used) in financing activities		**(105,649)**	**84,893**
Net decrease in cash and cash equivalents		**(26,712)**	**(131,882)**
Cash and cash equivalents at the beginning of year		**234,924**	**373,524**
Effect of exchange rate fluctuations on cash held		(369)	(6,718)
Cash and cash equivalents at the end of year	2.15	**207,843**	**234,924**

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

	Note	Stated capital € '000	Other reserves € '000	Hedging reserves € '000	Retained earnings € '000	Currency translation € '000	Equity attributable to controlling shareholders € '000	Non controlling interest € '000	Total equity € '000
Balance as at 1 January 2012		**2,899,118**	**3,571**	**(7,339)**	**(531,131)**	**(84,393)**	**2,279,826**	**(15,283)**	**2,264,543**
Total comprehensive income		-	-	(7,102)	98,712	(1,112)	90,498	(2,533)	87,965
Transactions with owners									
Share based payment	2.17	-	1,465	-	-	-	1,465	-	1,465
Issue of no par value shares	2.17	971	(157)	-	-	-	814	-	814
Dividends	2.16	(63,431)	-	-	-	-	(63,431)	-	(63,431)
Deconsolidated non-controlling interest		-	-	-	-	-	-	(540)	(540)
Acquisition of non-controlling interest		-	-	-	(24,739)	-	(24,739)	15,295	(9,444)
Balance as at 31 December 2012		**2,836,658**	**4,879**	**(14,441)**	**(457,158)**	**(85,505)**	**2,284,433**	**(3,061)**	**2,281,372**

	Note	Stated capital € '000	Other reserves € '000	Hedging reserves € '000	Retained earnings € '000	Currency translation € '000	Equity attributable to controlling shareholders € '000	Non controlling interest € '000	Total equity € '000
Balance as at 1 January 2011		**2,950,951**	**1,828**	**-**	**(676,401)**	**(92,637)**	**2,183,741**	**3,234**	**2,186,975**
Total comprehensive income		-	-	(7,339)	145,270	8,244	146,175	(2,605)	143,570
Transactions with owners									
Share based payment	2.17	-	1,798	-	-	-	1,798	-	1,798
Issue of no par value shares	2.17	365	(55)	-	-	-	310	-	310
Dividends	2.16	(52,198)	-	-	-	-	(52,198)	-	(52,198)
Acquisition of non-controlling interest		-	-	-	-	-	-	(15,912)	(15,912)
Balance as at 31 December 2011		**2,899,118**	**3,571**	**(7,339)**	**(531,131)**	**(84,393)**	**2,279,826**	**(15,283)**	**2,264,543**

Notes to the Financial Statements

2.1 Reporting entity

Atrium European Real Estate Limited ("Atrium") is a company incorporated and domiciled in Jersey. Its registered office and principal place of business is 11-15 Seaton Place, St. Helier, Jersey, Channel Islands.

The consolidated financial statements of Atrium as at and for the year ended 31 December 2012 comprise Atrium and its subsidiaries (the "Group") and its interest in associates.

The principal activity of the Group is the ownership, management and development of commercial real estate in the retail sector.

The Group primarily operates in Poland, the Czech Republic, Slovakia, Russia, Hungary and Romania.

2.2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU").

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Standing investments and developments and land ("investment property") are measured at fair value; and
- Derivative financial instruments are measured at fair value.

Functional and presentation currency

These financial statements are presented in euro ("€"), which is considered by the Group's management to be the appropriate presentation currency due to the fact that the majority of the transactions of the Group are denominated in or based on this currency. All financial information presented in euro has been rounded to the nearest thousand, unless stated otherwise.

The individual financial statements of each of the Group entities use the currency of the primary economic environment in which the entity operates as its functional currency. The currency in which the entity generates rental income is the primary driver for determining the functional currency of that entity, but other cash flows are also taken into account.

The euro has been determined to be the functional currency for the Group companies in Jersey, Poland, the Czech Republic (except certain subsidiaries, which have CZK as their functional currency), Slovakia, Russia, Hungary, Romania, Latvia, Turkey, Bulgaria, Georgia and Ukraine and also for the intermediate holding companies in Cyprus, Denmark, Italy, Luxembourg, Spain, Sweden and The Netherlands. Certain subsidiaries in Cyprus have USD as their functional currency.

As of 1 January 2011, the functional currency for the Russian entities owning developments and land, an entity in Georgia as well as all the Ukrainian entities was determined to be the euro. The main triggers which were applied to determine the euro as the functional currency were the financing currency, the functional currency of the parent company, the dependency of those entities on the parent company and the assessment of whether cash flows from the activities of those entities are sufficient to service existing and anticipated debt obligations without funds being made available by the parent company.

Once the investment properties are rented out, the functional currency of the entity may be changed based on the currency in which rents are determined or to which rents are bound and taking into account other cash flows.

Amendments to and interpretations of existing standards effective in the current period

The Group has adopted the following amended IFRSs during 2012:

- IAS 12 (Amendments, December 2010) *Deferred Tax: Recovery of Underlying Assets*. In December 2010 the IASB issued the Amendments to IAS 12 with an effective date of 1 January 2012. The amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The amendment did not have a material impact on the Group's financial statements.
- IAS 1 (Amendments, June 2011) *Presentation of Items of Other Comprehensive Income* requires items that will never be recognised in income statement to be presented separately in other comprehensive income from those that are subject to subsequent reclassification. The amendments only affected disclosure and did not have a material impact on the Group's financial statements. Atrium has early adopted these amendments, as the amendments are effective for the periods beginning after 1 July 2012.

New standards, amendments to and interpretations of existing standards that are not yet effective and have not been adopted by the Group early

The following standards and amendments to existing standards have been published and are mandatory for the annual accounting periods beginning on or after 1 January 2013.

- IFRS 10 *Consolidated Financial Statements which replaces SIC-12 Consolidation – Special Purpose Entities* and the consolidation elements of the existing IAS 27 *Consolidated and Separate Financial Statements*. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity. The standard will not have a material impact on the Group's financial statements.

- IFRS 11 *Joint Arrangements* which supersedes IAS 31 *Interests in Joint Ventures* (2011). IFRS 11 distinguishes between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. An entity holding a joint operation will recognise its share in the assets, the liabilities, revenues and costs. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. An entity holding a joint venture will represent its investment in it using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures (2011)*. The standard will not have a material impact on the Group's financial statements.

- IFRS 12 *Disclosure of Interests in Other Entities* covers disclosures for entities reporting under IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements* replacing those in IAS 28 *Investments* in *Associates and Joint Ventures* (2011) and IAS 27 *Separate Financial Statements* (2011). Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, associates and joint arrangements and in unconsolidated structured entities. The standard only affects disclosure and will not have a material impact on the Group's financial statements.

- IFRS 13 *Fair Value Measurement* which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 determines that an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting. The standard only affects disclosure and will not have a material impact on the Group's financial statements.

- IAS 27 *Separate Financial Statements* (2011) comprises those parts of the existing IAS 27 (2008) that dealt with separate financial statements. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarification. The standard will not have a material impact on the Group's financial statements.

- IAS 28 *Investments in Associates and Joint Ventures* (2011) covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged. The standard will not have a material impact on the Group's financial statements.

- IFRS 10, IFRS 11, IFRS 12 (Amendments, June 2012) *Transition Guidance*. The amendments explain that the date of initial application in IFRS 10 means the beginning of the annual reporting period in which IFRS 10 is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same when applying IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation-Special Purpose Entities* and when applying IFRS 10. The amendments also provide transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application (the immediately preceding period) if the consolidation conclusion is different. Presentation of adjusted comparatives for earlier periods is permitted but not required. The Board has also amended IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* to provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. IFRS 12 is further amended to provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The amendments will not have a material impact on the Group's financial statements.

- *Annual Improvements to IFRSs 2009-2011(May 2012)*, addressed the following amendments: IAS 1 *Presentation of Financial Statements* – clarification of the requirements for comparative information, *IAS32 Financial Instruments: Presentation* – tax effect on distributions to holders of equity instruments and *IAS 34 Interim Financial Reporting* – interim financial reporting and segment information for total assets and liabilities. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2013. The amendments will not have a material impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*. In November 2009, the IASB issued IFRS 9, as a first step in its project to replace *IAS 39 Financial Instruments: Recognition and Measurement* (the standard is effective for annual periods beginning on or after 1 January 2015 but may be applied earlier). IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised at cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group is currently reviewing the standard to determine its effect on the Group's financial reporting.

- IFRS 9 *Financial Instruments* (Amendments, October 2010) adds the requirements related to classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives*. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2015. The Group is currently reviewing the standard to determine its effect on the Group's financial reporting.

- IFRS 7 *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments, December 2011), amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2015. The Group is currently reviewing the standard to determine its effect on the Group's financial reporting.

- IAS 32 *Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities* (Amendments, December 2011), deleted paragraph AG38 and added paragraphs AG38A–AG38F. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. An entity shall apply those amendments retrospectively. Earlier application is permitted. If an entity applies those amendments from an earlier date, it shall disclose that fact and shall also make the disclosures required by *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) issued in December 2011. The Group is currently reviewing the standard to determine its effect on the Group's financial reporting.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relate to standing investments (note 2.4), developments and land (note 2.5), goodwill (note 2.7), deferred taxes (notes 2.9 and note 2.20), derivatives (note 2.19) and contingencies (note 2.41).

2.3 Significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements, except for newly effective standards as described above and have been applied consistently by entities within the Group.

Certain comparative amounts in the consolidated statement of financial position have been reclassified to conform with the current year's presentation (see note 2.7 Intangible assets and goodwill).

Basis of consolidation

Subsidiaries

Subsidiaries are all those entities controlled by Atrium. Control exists when Atrium has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Full consolidation requires a combination of the financial statements of Atrium and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. Further steps in accordance with IAS 27 *Consolidated and Separate Financial Statement* are performed in order that the consolidated financial statements present financial information about the Group as that of a single economic entity.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently that retained interest is accounted for using the equity method if significant influence is retained.

Associates
Associates are all entities over which the Group has significant influence but not control, generally through a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations to or made payments on behalf of the associate.

Non-controlling interest
Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. Non-controlling interests at initial recognition are measured at their proportionate interest in all net assets of the subsidiary including recognised goodwill.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. In accordance with IAS 27 *Consolidated and Separate Financial Statements* total comprehensive income is attributed to the owners of the parent company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When an entity loses control of a subsidiary, any gain or loss is recognised in the income statement. Transaction costs in respect of transactions with non-controlling interests are also recorded in equity. Cash flows from transactions with non-controlling interests are classified in the consolidated cash flow statement as cash flows from financing activities.

Transactions eliminated on consolidation
Intra-group balances and any realised and unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The majority of intra-group transactions consist of management and consultancy services, interest income and expenses arising from loans provided within the Group.

Consolidation group
The Group consists of Atrium and the following entities at 31 December 2012:

Company name	Country	Ownership
SOFIA PARK AD	Bulgaria	100%
ABERGAVENNY INVESTMENTS LIMITED	Cyprus	70%
ATTILO HOLDINGS LIMITED	Cyprus	100%
BROADVALE HOLDINGS LIMITED	Cyprus	100%
DALSEN SERVICES LIMITED	Cyprus	90%
DANELDEN ENTERPRISES LIMITED	Cyprus	100%
ETHERLAND INVESTMENTS LIMITED	Cyprus	100%
MALL GALLERY 1 LIMITED*	Cyprus	63%
MALL GALLERY 2 LIMITED	Cyprus	100%
MD CE HOLDING LIMITED	Cyprus	100%
MD REAL ESTATE MANAGEMENT LTD	Cyprus	100%
MD RUSSIA HOLDING LIMITED	Cyprus	100%
MD TIME HOLDING LIMITED	Cyprus	100%
NOKITON INVESTMENTS LIMITED	Cyprus	51%
PATTONGATE TRADING LIMITED	Cyprus	100%
Atrium Alfa Czech Republic s.r.o.	Czech Republic	100%
Atrium Beta Czech Republic s.r.o.	Czech Republic	100%
Atrium Černého Czech Republic s.r.o.	Czech Republic	100%
Atrium Delta Czech Republic s.r.o.	Czech Republic	100%
Atrium Flóra a.s	Czech Republic	100%
Atrium Gamma Czech Republic s.r.o.	Czech Republic	100%
Atrium Kappa Czech Republic s.r.o.	Czech Republic	100%
Atrium Lambda Czech Republic s.r.o.	Czech Republic	100%
Atrium Ostrava Czech Republic s.r.o.	Czech Republic	100%
Atrium Pardubice Czech Republic s.r.o.	Czech Republic	100%
Atrium Sigma Czech Republic s.r.o.	Czech Republic	100%

Company name	Country	Ownership
Atrium Zlín Czech Republic s.r.o.	Czech Republic	100%
Euro Mall Brno Real Estate s.r.o.	Czech Republic	100%
FLÓRA-SEN s.r.o.	Czech Republic	100%
MANHATTAN Development s.r.o.	Czech Republic	100%
Manhattan Real Estate Management s.r.o.	Czech Republic	100%
Veveří Centre s.r.o.	Czech Republic	100%
FORAS HOLDING A/S	Denmark	100%
PoloniaCo ApS	Denmark	100%
EUROPE & Co LLC	Georgia	100%
Atrium Alpha LLC	Georgia	100%
ALFA - PIAC Kft.	Hungary	100%
Atrium Alfa HU Kft.	Hungary	100%
Atrium Beta HU Kft.	Hungary	100%
Magnum Hungaria Invest Kft.	Hungary	100%
Manhattan Development Alfa Kft.	Hungary	100%
Manhattan Development Global Kft.	Hungary	100%
Manhattan Development Invest Kft.	Hungary	100%
Manhattan Development Kft.	Hungary	100%
Manhattan Development Projekt Kft.	Hungary	100%
Manhattan Development Property Kft.	Hungary	100%
Manhattan Development Tanne Kft.	Hungary	100%
Manhattan Real Estate Management Kft.	Hungary	100%
THESIS Srl**	Italy	100%
Atrium European Real Estate Nominees Limited	Jersey	100%
Atrium Treasury Services Limited	Jersey	100%
SIA Manhattan Real Estate Management	Latvia	100%
SIA MD Galerija Azur	Latvia	100%
Hedan S.A.	Luxemburg	100%
Atrium Europe B.V.	Netherlands	100%
Atrium European Coöperatief U.A.	Netherlands	100%
Atrium European Management N.V.	Netherlands	100%
Atrium Hungarian Holding 1 B.V.	Netherlands	100%
Atrium Hungarian Holding 2 B.V.	Netherlands	100%
Atrium Hungarian Holding 3 B.V.	Netherlands	100%
Atrium Hungarian Holding 4 B.V.	Netherlands	100%
Atrium Hungarian Holding 5 B.V.	Netherlands	100%
Atrium Hungarian Holding 6 B.V.	Netherlands	100%
Atrium Hungarian Holding 7 B.V.	Netherlands	100%
Atrium Hungarian Holding 8 B.V.	Netherlands	100%
Atrium Russian Holding 1 B.V.	Netherlands	100%
Atrium Russian Holding 2 B.V.	Netherlands	100%
Atrium Turkey Adana Bossa B.V.	Netherlands	100%
Atrium Turkey B.V.	Netherlands	100%
Atrium Turkey Goeztepe B.V.	Netherlands	100%
Atrium Turkey Kahramanmaras B.V.	Netherlands	100%
Atrium Turkey Samsun B.V.	Netherlands	100%
Atrium Turkey Urfa B.V.	Netherlands	100%
Morning Rise B.V.	Netherlands	100%
AGROMEX DEVELOPMENT Sp. z o.o.	Poland	100%
Allegra Investments Sp. z o.o.	Poland	100%
Atrium Biała Sp. z o.o.**	Poland	100%
Atrium Felicity Sp. z o.o.**	Poland	100%
Atrium Koszalin Sp. z.o.o.	Poland	100%

Company name	Country	Ownership
Atrium Plejada Sp. z o.o.**	Poland	100%
Atrium Poland 1 Sp. z.o.o.	Poland	100%
Atrium Poland 2 Sp. z.o.o.	Poland	100%
Atrium Poland 3 Sp. z.o.o.	Poland	100%
Atrium Poland Real Estate Management Sp. z.o.o	Poland	100%
Atrium Targówek Sp. z o.o.**	Poland	100%
Atrium Reduta Sp. z o.o.**	Poland	100%
CENTRUM HANDLOWE NEPTUNCITY Sp. z o.o.	Poland	100%
EURO MALL POLSKA XVI Sp. z o.o.*	Poland	24%
EURO MALL POLSKA XIX Sp. z o.o.*	Poland	24%
EURO MALL POLSKA XX Sp. z o.o.*	Poland	24%
Foras Targówek Sp. z o.o.	Poland	100%
GALERIA COPERNICUS TORUN Sp. z o.o.	Poland	100%
GALERIA COPERNICUS TORUN 2 Sp. z o.o.	Poland	100%
GALERIA NA WYSPIE Sp. z o.o.	Poland	100%
INVESTIM Sp. z o.o.	Poland	51%
Ipopema 77 FIZ	Poland	100%
L.P.H. Sp. z o.o.	Poland	100%
MANHATTAN DEVELOPMENT Sp. z o.o.	Poland	100%
MD JASTRZEBIE ZDROJ Sp. z o.o.	Poland	100%
MD POLAND I Sp. z o.o.	Poland	100%
MD POLAND II Sp. z o.o.	Poland	100%
MD POLAND III Sp. z o.o.	Poland	100%
PROGRES 77 Sp. z o.o.	Poland	51%
PROJEKT ECHO-35 Sp. z o.o.	Poland	100%
Wiosenny Atrium Poland Real Estate Management Sp. z o.o. S.K.A.	Poland	100%
Zielony Atrium Poland Real Estate Management Sp. z o.o. S.K.A.	Poland	100%
Atrium Romania Real Estate Management SRL	Romania	100%
Land Development Project SRL	Romania	100%
PROPERTY DEVELOPMENT ONE SRL	Romania	100%
PROPERTY DEVELOPMENT TWO SRL	Romania	100%
OOO Bugry	Russia	100%
OOO Delta	Russia	100%
OOO Engineerics*	Russia	63%
OOO Everest	Russia	100%
OOO Foras Volzhsky	Russia	100%
OOO Mall Management	Russia	100%
OOO Manhattan Brateevo	Russia	100%
OOO Manhattan Development	Russia	100%
OOO Manhattan Real Estate Management	Russia	100%
OOO Manhattan Signalny	Russia	100%
OOO Manhattan Yekaterinburg	Russia	100%
OOO MD Togliatti	Russia	100%
OOO Retail Togliatti	Russia	100%
OOO Sodruzhestvo	Russia	100%
OOO Stroyremmontazh	Russia	100%
OOO Zvezdnyi Gorod	Russia	100%
ZAO Dialog	Russia	100%
ZAO Megapolis	Russia	100%
ZAO Nautilus	Russia	100%
ZAO Patera	Russia	100%
ZAO Rubikon	Russia	100%
ZAO Universal	Russia	51%

Company name	Country	Ownership
ZAO Universal-Ural	Russia	51%
Manhattan Development SK a.s.	Slovakia	100%
Manhattan Real Estate Management Sk s.r.o.	Slovakia	100%
PALM Corp s.r.o.	Slovakia	100%
SLOVAK INVESTMENT GROUP a.s.	Slovakia	100%
Atrium European Real Estate Spain S.L.U.	Spain	100%
Trettioencorp AB	Sweden	100%
BALCOVA GAYRIMENKUL YATIRIM INSAAT VE TICARET A.S.	Turkey	100%
Istmar Tem Gayrimenkul Yatirim Insaat Ve Ticaret A.S.	Turkey	100%
Manhattan Gayrimenkul Yönetimi Limited Sirketi	Turkey	100%
MEL 1 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	100%
MEL 6 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	100%
A.Kharkiv 1 LLC	Ukraine	99.9%
A.Kharkiv 2 LLC	Ukraine	99.9%
A.Kharkiv 3 LLC	Ukraine	99.9%
A.Kyiv LLC	Ukraine	100%
ENGINEERICS UKRAINE LLC*	Ukraine	63%
OJSC Ipodrom	Ukraine	90%
VORONTSOVSKI VEZHI LLC	Ukraine	70%

* *These entities are equity accounted for as at 31 December 2012. MALL GALLERY 1 LIMITED, OOO Engineerics and ENGINEERICS UKRAINE LLC were fully consolidated in year 2011 and deconsolidated as of 31 December 2012. The financial impact of those entities is not material to the Group's consolidated financial statements.*

** *Companies renamed during 2012:*

- *Atrium Targówek Sp. z o.o. previously FORAS TARGOWEK PROPERTY Sp. z o.o.*
- *Atrium Biała Sp. z o.o. previously GALERIA BIALYSTOK Sp. z o.o.*
- *Atrium Felicity Sp. z o.o. previously CENTRUM HANDLOWE FELIN Sp. z o.o.*
- *Atrium Reduta Sp. z o.o. previously Foras Reduta Property Sp. z o.o.*
- *Atrium Plejada Sp. z o.o. previously Bytom Property Sp. z o.o.*
- *THESIS Srl previously THESIS S.p.a.*

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of Group entities at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at that date. Non monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates prevailing at the dates the fair values are determined.

Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement.

Foreign operations

On consolidation, the assets and liabilities of the Group's foreign entities with a functional currency different from the presentation currency are translated into euro at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period.

The exchange differences that arise from the translation of the statement of financial position and the income statement from the functional to the presentation currency are recognised in other comprehensive income and presented as a separate component of equity until the disposal of the foreign entity, when the cumulative amount in equity is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to the income statement. If the foreign operation is a non-wholly owned subsidiary then the relevant proportion of the translation difference is allocated to non-controlling interests. Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are also presented in the statement of comprehensive income and as a separate component of equity until the disposal of the net investment.

Standing investments

Standing investments comprise properties held to earn rental income and land related to those properties. Standing investments are recognised at cost on initial recognition and subsequently at fair value. The fair values of all standing investments were determined by Group executive management based on the valuations received from Cushman & Wakefield and Jones Lang LaSalle. Both are external independent international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book").

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and the parties having each acted knowledgeably, prudently and without compulsion.

Each property has been valued individually and not as part of a portfolio. The valuations are prepared by considering the aggregate of the net annual rental income receivable from the properties and, where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rental income to arrive at the property valuation. The yield used for the valuation depends on the country and the risk assessment of the asset.

Valuations of standing investments reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. The calculations are based on recently observable market data to the extent that it is available.

When technical improvements or extensions are constructed or added to an existing standing investment, the property will continue to be classified as a standing investment, which is measured at fair value.

Any gain or loss arising from a change in fair value of standing investments is recognised in the consolidated income statement under the caption revaluation of investment properties. In the case of entities whose functional currency is the local currency (i.e. not the euro) the revaluation gain/loss in the local currency is converted into euro using the average foreign exchange rate for the period. The remaining foreign exchange difference (being the difference arising from the conversion of the standing investments in the statement of financial position at the period end rates and the conversion of the revaluation gain/loss using the average period rate) is recognised in the statement of comprehensive income and in equity as a foreign exchange difference.

Developments and land

Developments and land comprise capitalised development costs and land, except for the land on which standing investments are situated. Developments and land are recognised at cost on initial recognition and subsequently at fair value with any change therein recognised in the income statement.

All costs directly associated with the purchase and development of a property, and all subsequent capital expenditure that qualify as acquisition costs, are capitalised. The Group capitalises borrowing costs if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use have started and expenditure and borrowing costs are incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. Capitalisation ceases when the project has been stopped. The capitalisation rate is determined by reference to the actual rate payable on borrowings for the respective development or by the Group's average rate.

The commencement of development with a plan or prior agreement to sale represents a change in use and accordingly the project is transferred from developments to inventories. Inventory is measured at the lower of cost and net realisable value. The amount of any write-down of inventories to net realisable value and all losses associated with inventories shall be recognised as an expense in the income statement in the period the write-down or loss occurs. Developing for sale is not Atrium's core business. At the completion of the transaction the fair value of the proceeds from sale less the cost of the inventory will be presented as net profit or loss in other income/ (expenses).

The fair value of most of the developments and land as at 31 December 2012 was determined by Group executive management based on valuations received from Cushman & Wakefield and Jones Lang LaSalle, external independent international valuation companies. Approximately 11% (2011: 80%) was valued internally by Group executive management. The yields used in 2011 for this purpose ranged from 8.3% to 18.3% depending on the geographical area and the project type. Furthermore, in addition to the yields mentioned above, an additional risk premium was applied for discounting during the construction period. This risk premium ranged from 1.0% to 4.8%, depending on the status of the developments.

The determination of the fair value of the land plots was based on the value for which the land could be sold in the market using different methods of calculation. Approximately 21% of the fair value of development and land was determined using the comparable method, while the remaining part was determined to be the gross development value of the completed project less cost to complete (including financing costs) and an appropriate developer's profit ("residual value").

The comparable method uses the sales (offering and listing) prices of similar properties that have recently been transacted in the open market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the valued property on the basis of elements of comparison as location, size of the plot, zoning and etc.

The gross development value is defined as the present value of future rents which are expected to be achieved from the standing investment once it is developed. The rental levels are set at the current market levels discounted at the pre-tax yield.

The pre-tax yield reflects the current market assessment of observable market yields for comparable assets as provided by the external independent international valuations companies, the time value of money and the risk specific to the asset.

Any gain or loss arising from a change in fair value of development and land is recognised in the consolidated income statement under the caption revaluation of investment properties. In the case of entities whose functional currency is the local currency (i.e. not the euro) the revaluation gain/loss in the local currency is converted into euro using the average foreign exchange rate for the period. The remaining foreign exchange difference (being the difference arising from the conversion of the development and land in the statement of financial position at the period end rates and the conversion of the revaluation gain/loss using the average period rate) is recognised in the statement of comprehensive income and in equity as a foreign exchange difference.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
The useful life of the assets is usually between five and ten years.

Depreciation is charged on the asset from the date that is available for use, for the entire useful life of the asset or until the date of its disposal. Depreciation is provided in equal monthly instalments over the estimated useful life of the assets.

Goodwill

Goodwill initially represents the excess of the aggregate of the cost of the acquisition and any non-controlling interests over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or whenever there is an indication that assets may be impaired.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The Group's cash-generating units are located in the countries in which the Group operates. The recoverable amount is the higher amount of the fair value less the cost to sell or the value in use of the cash generating unit. Determination of the value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Future cash flows of real estate companies are mainly derived from the cash flows of the standing investment properties and future standing investment properties and are therefore reflected in the fair values of investment properties. Goodwill itself mainly arises due to the recognition of deferred tax liabilities in the course of the purchase price allocation. Therefore, goodwill impairment testing is carried out by comparing the goodwill recognised to the carrying value of deferred tax liabilities per country. Any excess of goodwill over deferred tax liabilities is considered as a goodwill impairment loss.

Impairment losses are recognised immediately in the income statement. Impairment losses in respect of goodwill are not reversed.

Intangible assets

Intangible assets are defined as identifiable, non monetary assets without physical substance, which are expected to generate future economic benefits. Intangible assets include assets with an estimated useful life greater than one year and for the Group comprise primarily software.

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is recorded on a straight line basis over their estimated useful lives. The useful lives of the assets are usually between four and ten years.

Amortisation is charged on an asset from the date it is available for use to the date of its disposal.

Financial instruments

Classes

Financial instruments of the Group are broken down into the following classes according to the characteristics of the financial instruments. For more details see also note 2.38.

Financial assets:

- Loans;
- Receivables from tenants;
- Other receivables;
- Cash and cash equivalents.

Financial liabilities:

- Borrowings;
- Derivatives;
- Liabilities from leases;
- Other long term liabilities;
- Trade and other payables;

- Payables related to acquisitions;
- Accrued expenditure.

Non-derivative financial assets
Non-derivative financial assets of the Group are classified in the category loans and receivables.

The Group initially recognises loans and receivables on the date that they are originated. The Group derecognises loans and receivables when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the loans and receivables are transferred.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less impairment.

Loans and receivables comprise cash and cash equivalents, receivables from tenants, loans and other receivables.

Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents comprise cash in hand, deposits on demand, and other short term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Non-derivative financial liabilities
The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments, including hedge accounting
The Group holds derivative financial instruments to hedge its interest rate risk exposure.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% – 125%.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the income statement.

Impairment
At each reporting date, Group executive management reviews the carrying amount of the Group's assets, other than investment properties measured at fair value, goodwill and deferred tax assets, to determine whether there is any objective evidence that it is impaired. An asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that assets are impaired includes default or delinquency by a debtor, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement immediately.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Other non-current assets
Other non-current assets are stated at their cost less accumulated impairment losses.

Other current assets
Other current assets comprise of prepayments and income tax receivable and are stated at their cost less accumulated impairment losses.

Stated capital
The stated capital account consists of the proceeds received and receivable by Atrium from the issue of its ordinary shares, net of direct issue costs.

Dividends
Dividends on ordinary shares are recognised as a liability in the period in which they are declared. Dividends declared during the period have been presented as a reduction in the stated capital of Atrium.

Other reserves
Other reserves comprise equity settled share based payments.

Share based payments
Atrium operates an Employee Share Option Plan ("ESOP") under which the Group receives services from key employees selected by the Board in consideration for equity instruments settled in shares. The costs of these transactions are measured at the fair value of options granted at the date of grant.

The cost of the ESOP is recognised in the income statement, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense, recognised for equity settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately be vested. The charge or credit to the income statement represents the movement in cumulative expense recognised at the beginning and at the end of that reported period.

Borrowings
Borrowings are recorded as the proceeds received, net of direct issuance costs, and are amortised to the settlement amount using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method.

Short term borrowings represent borrowings that are due within 12 months. Long term borrowings represent borrowings due after more than 12 months.

When an element of bonds issued by the Group is repurchased before maturity, the carrying amount of the bond is allocated between the element that continues to be recognised and the element that is derecognised based on the relative fair values of such element on the date of repurchase. The difference between (a) the carrying amount allocated to the element derecognised and (b) the consideration paid is recognised as profit or loss on repurchase of bonds in the income statement.

Provisions
A provision is recognised in the statement of financial position if, as a result of a past event, the Group has a present legal or otherwise binding obligation that can be estimated reliably, and it probable (i.e. more likely than not) that an outflow of economic benefits will be required to settle the obligation.

Liabilities from leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At the inception of the lease, assets held under a finance lease are recognised at their fair value or, if lower, at the present value of the minimum lease payments. Subsequently such assets are measured in analogy to other assets held under the relevant caption (e.g. standing investments and developments and land – at fair value; property, plant and equipment – costs less accumulated depreciation and accumulated impairment losses). The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, within the caption other financial income and expenses.

Other non-financial long term and current liabilities
Other non-financial long term and current liabilities are measured at cost. They comprise primarily VAT payable, other taxes and fees payables, deferred revenue and other advance payments from tenants.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services and goods provided in the normal course of business, net of discounts, value added tax ("VAT") and other sales related taxes.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Utility costs incurred by the Group on properties that are leased to third parties are largely reinvoiced to the lessees, and the subsequent income and expense is recognised on an accrual basis.

Service charge income
Service charge income includes payments received by the Group for utilities and other services provided to tenants. Generally, reinvoiceable utilities are a pass through item for the Group recorded on a gross basis. The rental agreements normally specify which cost items are reinvoiceable by the Group and can be charged to tenants. There are two different categories of reinvoiceable income and expenses:

- Utilities such as gas, water, electricity or telephone services which can be measured individually for each tenant;

- Fixed cost items such as centre management, marketing, cleaning or security services which cannot be directly measured individually for each tenant. These costs are normally calculated on a pro-rata basis per square metre occupied by each tenant.

Tenants are normally required to make a security deposit and monthly prepayments for the reinvoiceable service charges. Once a year, the prepayments are netted against the actual cost and the difference is, if contractually agreed, settled between the Group's company and the tenants. To the extent that there are vacancies in a property, the Group has to bear the cost of covering the allocated and pro-rata reinvoiceable service charges.

Other income and expenses
All other significant operating income or expenses are recognised on an accrual basis.

The net results on acquisition or disposal of properties is determined as the difference between the sale proceeds and the carrying value of the property and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income and expenses, other financial income and expenses
Interest income and expenses are accounted for using the effective interest method.

Other financial income and expenses comprise mainly foreign currency gains and losses, net profit or loss from bond buybacks and the impairment of financial instruments.

Taxation
Taxation charge comprises current and deferred tax.

Current tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax is recognised in the income statement.

The taxable profit differs from the net loss or profit as reported in the income statement because it is adjusted for items of income or expense that are taxable or deductible in other years and for items that are either not taxable or not deductible.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax is computed on the total amount of the revaluation adjustment for investment properties.

Deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

A deferred tax asset shall be recognised on unused tax losses carried forward and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets are offset against deferred tax liabilities within one entity only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Tax exposures
In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes Atrium to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Earnings per share
Earnings per share are calculated by dividing the profit or loss after taxation attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Segment reporting
An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the Group's chief operating decision maker, (the executive management of Atrium), in order to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

The Group has two reportable segments:

- The standing investment segment includes all commercial real estate held to generate rental income of the Group;
- The development segment includes all development activities and activities related with land plots.

The reconciling item includes mainly holding activities and other items that relate to activities other than the standing investment segment and the development segment.

The Group's reportable segments are strategic business sectors which carry out different business activities and are managed separately.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reliable basis. The Group evaluates performance of the standing investment segment on the basis of profit or loss from operations before tax excluding foreign exchange gains and losses. The performance of the development segment is evaluated based on expected yield on cost.

Geographical information is based on the geographical locations of the investment properties. The Group operates in the following countries: Poland, the Czech Republic, Slovakia, Russia, Hungary, Romania, Latvia, Turkey and Bulgaria. In addition, the Group has its holding, management or other companies in Cyprus, Denmark, Georgia, Italy, Luxembourg, the Netherlands, Spain, Sweden, Ukraine and the parent company in Jersey.

2.4 Standing investments

The current portfolio of standing investments consists of 156 properties (2011: 155); which comprise 21 properties in Poland (2011: 20), 98 properties in the Czech Republic (2011: 98), 3 properties in Slovakia (2011: 3), 7 properties in Russia (2011: 7), 25 properties in Hungary (2011: 25), 1 property in Romania (2011: 1) and 1 property in Latvia (2011: 1). A roll forward of the total standing investments portfolio is provided in the table below:

Standing investments	**2012 €'000**	**2011 €'000**
Balance as at 1 January	2,077,246	1,503,301
Additions – new properties	-	413,574
Additions – technical improvements, extensions	33,629	17,886
Movements – financial leases	3,861	19,630
Transfers from developments and land	6,750	-
Currency translation difference	5,317	(5,851)
Revaluation of standing investments	58,533	128,706
Balance as at 31 December	**2,185,336**	**2,077,246**

In June 2012, Atrium signed sale and purchase agreements with IKP Togliatti (Invest Kino Project "IKP") and IKP Volgograd, relating to premises in the Group's shopping centres in Volgograd and Togliatti. The sale and purchase agreement with IKP Yekaterinburg for premises in the Group's shopping centre in Yekaterinburg, Russia was signed in July 2012. IKP Togliatti, IKP Volgograd and IKP Yekaterinburg are subsidiaries of Russian Cinema Holdings ("RCH") and were the co-owners and local operators of the cinemas in those three shopping centres. Atrium contracted to acquire both the premises and the associated land. These transactions have allowed Atrium to gain increased ownership of the buildings and land for a total consideration of €9.3 million. RCH has also signed new lease agreements whereby they have remained a tenant of the Group at these locations.

During the second half of 2012 Atrium finalised two development projects and transferred them from developments and land to standing investments at fair value of €6.8 million. The two projects included a stand-alone retail box in Gdynia, Poland, handed over to the tenant Media Markt and Phase II of Atrium Galeria Mosty in Plock, Poland.

In 2011 the Group completed three shopping mall acquisitions, two in Poland and one in the Czech Republic. These new acquisitions added a further 117,600 sqm to the gross lettable area and had a fair value €449.8 million as at 31 December 2011.

The Promenada shopping centre in Warsaw, Poland, was acquired in May 2011 for €171.4 million. In September 2011, the Palác Flóra shopping centre ("Flora") in Prague, the Czech Republic, was purchased at a price of €190.8 million, which was subsequently revised to €186.0 million due to adjustments at initial recognition. In December 2011, Atrium purchased the Molo shopping centre in Szczecin, Poland for consideration of €55.0 million.

The total value of the land leases was €31.8 million as at 31 December 2012 (2011: €27.8 million).

The yield diversification across the Group's income producing portfolio is stated in the table below:

Standing investments	**EPRA Net Initial yield (NIY)**	
	2012	**2011**
Poland	7.0%	7.0%
Czech Republic	7.8%	7.9%
Slovakia	7.5%	7.8%
Russia	12.6%	12.5%
Hungary	8.8%	8.2%
Romania	8.8%	9.0%
Latvia	2.4%	2.0%
Average	**8.3%**	**8.3%**

Fair value of collateral

As at 31 December 2012, the Group had pledged a total of 77 standing investments (2011: 78) with a fair value of €1,365.9 million (2011: €1,234.1 million) and one development and land plot with a fair value of €1.5 million in favour of bondholders and various commercial banks, same as in year 2011.

Certain assets have been provided as collateral against bonds issued and loans held by the Group. The analysis of assets charged as collateral is as follows:

Standing investments

2012 Country	No. of collateral	Fair value of collateral €'000	Collateralised bonds and loans €'000
Poland	15	852,576	341,572
Czech Republic	38	301,021	155,974 **
Russia	-	-	-
Hungary	20	46,310	-
Others*	4	165,990	46,074
Total	**77**	**1,365,897**	**543,620**

2011 Country	No. of collateral	Fair value of collateral €'000	Collateralised bonds and loans €'000
Poland	14	690,373	292,164
Czech Republic	40	334,279	224,269 **
Russia	-	-	-
Hungary	20	51,410	-
Others*	4	158,075	48,934
Total	**78**	**1,234,137**	**565,367**

* *Represents properties in Romania and Slovakia.*

** *Although the collateral for the 2003 Bond is identified as relating only to the Czech Republic in fact some of the assets pledged are in the Hungary and "Others" fair value collateral balances. We are presenting the total value of the bond against the Czech balance as it represents the majority of the collateral value.*

2.5 Developments and land

Developments and land	**2012 €'000**	**2011 €'000**
Balance as at 1 January	587,351	634,616
Additions – cost of land and construction	26,161	19,724
Movements – financial leases	(1,139)	10,549
Transfer to inventory	(1,744)	-
Transfer to standing investments	(6,750)	-
Disposals	(3,310)	(28,799)
Interest capitalised	1,320	2,628
Currency translation difference	-	18
Revaluation of developments and land	(63,494)	(51,385)
Balance as at 31 December	**538,395**	**587,351**

In July 2012 Atrium signed definitive contracts with a general contractor for the construction of its new development project in Lublin, Poland. Total costs of construction for 2012 were €6.4 million and total net incremental costs to complete the project are approximately €59.6 million. The hypermarket component of the project will be developed and then sold to a major international food retailer in line with a forward sale agreement concluded in June 2012. As development with a prior agreement to sale represents a change in use, €1.7 million was transferred from developments to inventory. With further construction works undertaken, inventory subsequently increased to €2.2 million at 31 December 2012.

In Torun, Atrium finalized in July 2012 the acquisition of the 38,000 sqm land plot adjacent to our existing Atrium Copernicus shopping centre and transferred €8.9 million from other assets to developments and land. Our first priority at the site is to increase the size of the car park, for which the incremental costs to complete the project are approximately €4.0 million.

During the second half of 2012 Atrium finalised two developments projects (Gdynia and Phase II of Atrium Galeria Mosty) and transferred them from developments and land to standing investments at fair value of €6.8 million (note 2.4).

In 2011, Atrium acquired the public ground lease of a land plot adjacent to the Promenada shopping centre in Warsaw, Poland for €9.3 million. Also in 2011, the Group sold three wholly owned subsidiaries which owned land plots in Turkey with an aggregate book value of €28.5 million.

The capitalisation rate used for capitalisation of borrowing costs was 4.4% for the year 2012 (2011: 4.6%).

The total value of the land leases was €15.5 million (2011: €17.2 million) as at 31 December 2012.

2.6 Property, plant and equipment

Property, plant and equipment	**2012 €'000**	**2011 €'000**
Cars and motor vehicles	114	137
Office equipment	899	1,003
Other property, plant and equipment	2,098	1,056
Total	**3,111**	**2,196**

2.7 Intangible assets and goodwill

Intangible assets and goodwill	**2012 €'000**	**2011 €'000**
Intangible assets	5,458	3,336
Goodwill	11,025	11,475
Total	**16,483**	**14,811**

Intangible assets relate mainly to software.

Change in classification

During the year 2012, the Group modified the consolidated statement of financial position classification of intangible assets from "Other assets" to "Intangible assets and goodwill", as this resulted in a more relevant presentation of the nature of these assets. Comparative amounts in the consolidated statement of financial position as at

31 December 2011 were reclassified for comparative purposes, which resulted in €3.3 million being reclassified from "Other assets" to "Intangible assets and goodwill". The Group does not believe that these adjustments are material to any of its previously issued consolidated financial statements.

Goodwill	**2012 €'000**	**2011 €'000**
Cost		
As at 1 January	42,561	42,561
Accumulated impairment losses		
As at 1 January	(31,086)	(31,086)
Impairment losses recognised in the year	(450)	-
As at 31 December	**(31,536)**	**(31,086)**
Carrying amount		
As at 1 January	11,475	11,475
As at 31 December	**11,025**	**11,475**

Goodwill arose in respect of the following cash generating units:

Cash generating units	**2012 €'000**	**2011 €'000**
Hungary	3,408	3,858
Poland	3,263	3,263
Russia	2,323	2,323
Slovakia	2,031	2,031
Total	**11,025**	**11,475**

2.8 Equity-accounted investees

The following associates are directly and indirectly owned by the company:

Name of associate	**Country of incorporation**	**Stake in equity of associate**		**Investment in associate**	
		2012 €'000	**2011 €'000**	**2012 €'000**	**2011 €'000**
MALL GALLERY 1 LIMITED	Cyprus	63%	63%	1,186	-
OOO Engineerics *	Russia	63%	63%	269	-
Total				**1,455**	**-**

**Indirectly owned by the company.*

As of 31 December 2012 the Group has no power to govern the financial and operating activities of MALL GALLERY 1 LIMITED and OOO Engineerics but still has a significant influence over them. Therefore, at the reporting date these entities are accounted for using the equity method.

2.9 Deferred tax assets

Deferred tax assets 2012	**Opening balance €'000**	**Deferred tax credit/(charge) to the income statement €'000**	**Closing balance €'000**
Deferred tax assets arise from the following temporary differences:			
Investment properties	(4,269)	7,132	2,863
Other assets	257	(345)	(88)
Liabilities and provisions	5,339	(1,284)	4,055
Tax losses carried forward	387	1,762	2,149
Other	616	(853)	(237)
Total deferred tax assets	**2,330**	**6,412**	**8,742**

Deferred tax assets 2011	Opening balance	Deferred tax credit/(charge) to the income statement	Deferred tax charged directly to equity	Closing balance
	€'000	€'000	€'000	€'000
Deferred tax assets arise from the following temporary differences:				
Investment properties	(175)	(4,094)	-	(4,269)
Other assets	(238)	495	-	257
Liabilities and provisions	434	3,299	1,606	5,339
Tax losses carried forward	1,120	(733)	-	387
Other	663	(47)	-	616
Total deferred tax assets	**1,804**	**(1,080)**	**1,606**	**2,330**

The amount of €1.6 million charged directly to equity relates to the deferred tax asset on the hedging instrument of €0.5 million and the deferred tax asset on foreign exchange differences of €1.1 million.

2.10 Loans

Loans	2012 €'000	2011 €'000
Loans to associates	42,519	35,441
Impairment of loans to associates	(14,016)	(4,847)
Loans to third parties	16,403	27,218
Impairment of loans to third parties	(8,255)	(16,471)
Total	**36,651**	**41,341**
Amount due within 12 months (included under current assets)	59	101
Amount due after more than 12 months	36,592	41,240

Loans to associates with a book value of €42.5 million (2011: €35.4 million) as at 31 December 2012 have a fixed interest rate of 6.7% per year and are secured. The loans were impaired to reflect the fair value of the underlying securities.

Loan to third parties with book value of €16.3 million (2011: €15.8 million) as at 31 December 2012 have a variable interest of 3 month EURIBOR plus 150 basis points per annum and is not secured. The loan was impaired to reflect the recoverable amount.

The carrying amount of loans approximates their fair value.

2.11 Other assets

Other assets	2012 €'000	2011 €'000
VAT receivables	26,965	31,129
Acquisition deposit for land plot	-	8,945
Other	38	127
Total	**27,003**	**40,201**

Long term VAT receivables arise primarily from the development of investment property in Russia and Turkey. VAT receivables will either be netted off against any VAT payables once payables arise or will be repaid by the relevant tax authority.

2.12 Receivables from tenants

Receivables from tenants 2012 Receivables aging:	Gross €'000	Allowances for impaired balances €'000	Net €'000
Due within term	10,515	(183)	10,332
Overdue 0-30 days	5,738	(685)	5,053
Overdue 31-90 days	2,709	(1,114)	1,595
Overdue 91-180 days	1,472	(1,138)	334
Overdue 181-360 days	1,702	(1,409)	293
Overdue 361 days and more	6,460	(6,030)	430
Total	**28,596**	**(10,559)**	**18,037**

Receivables from tenants 2011 Receivables aging:	Gross €'000	Allowances for impaired balances €'000	Net €'000
Due within term	8,759	(424)	8,335
Overdue 0-30 days	4,783	(460)	4,323
Overdue 31-90 days	1,556	(641)	915
Overdue 91-180 days	1,182	(919)	263
Overdue 181-360 days	1,761	(1,657)	104
Overdue 361 days and more	9,096	(8,769)	327
Total	**27,137**	**(12,870)**	**14,267**

The description of collateral held as security in relation to tenants is provided in note 2.39 under credit risk.

Allowances for bad debts are calculated individually on the basis of management's knowledge of the tenants, business and the market.

The table below provides a reconciliation of changes in allowances during the year:

Allowances for bad debts	2012 €'000	2011 €'000
At 1 January	**(12,870)**	**(12,759)**
Release	5,394	5,273
Addition	(3,083)	(5,384)
At 31 December	**(10,559)**	**(12,870)**

2.13 Prepayments

Prepayments	2012 €'000	2011 €'000
Prepaid utilities	1,328	2,013
Prepayments for land	14,820	15,937
Other	2,408	2,886
Gross total	**18,556**	**20,836**
Impairment of prepayments for land	(6,052)	(6,059)
Total	**12,504**	**14,777**

2.14 Other receivables

Other receivables	2012 €'000	2011 €'000
Total other financial receivables	**2,584**	**3,062**
Other taxes and fees receivables	132	654
VAT receivable	5,883	4,977
Total other non-financial receivables	**6,015**	**5,631**
Total	**8,599**	**8,693**

2.15 Cash and cash equivalents

At the year end the Group held cash and cash equivalents in total amount of €207.8 million (2011: €234.9 million). The Group held cash of €18.7 million (2011: €21.4 million) as backing for guarantees and/or other restricted cash issued by various banks on the Group's behalf.

Additional information to the Consolidated cash flow statement regarding deconsolidated subsidiary as at 31 December 2012 (see also note 2.8):

Deconsolidating of subsidiaries	2012 €'000
Property, plant and equipment	231
Other assets	668
Other receivables	1,274
Trade and other payables	(590)
Cash of subsidiary	**417**

2.16 Stated capital

As at 31 December 2012, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2012, the total number of ordinary shares issued was 373,388,756 (2011: 372,892,253 shares), of which 373,377,680 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 11,075 ordinary shares were registered in the name of an individual shareholder and one ordinary share in the name of Aztec Financial Services (Jersey) Limited.

Changes in the stated capital account during the year 2012 were as follows:

- Issue of shares to satisfy the exercise of options of €0.7 million (2011: €0.3 million);

- Issue of shares in lieu of director's remuneration €0.3 million (2011: €0.1 million).

- Dividend payments of €63.4 million (2011: €52.2 million). For the year 2012, Atrium adopted a dividend policy of €0.17 per ordinary share per year, payable in quarterly instalments. In November 2012, the Board has approved an increase of Atrium's annual dividend payment for 2013 from €0.17 to at least €0.20 per share.

Following the approval of the shareholders on 18 May 2010 to authorise the directors to issue ordinary shares in lieu of directors' remuneration by agreement with the relevant directors, the Board adopted a Restricted Share Plan on 16 May 2011 (the "Plan"), which confers on eligible directors of Atrium the right to opt (on a semi-annual basis) to receive ordinary shares in Atrium in lieu of their annual directors' fees. The Plan further gives directors the ability to opt (on a semi-annual basis) to subscribe for ordinary shares, up to the value of their annual directors' fees. Directors will be given the opportunity to opt as referred to above in semi-annual option periods, being the four week free-dealing periods following the announcement of each of the Company's half year and full year results. The strike price for the ordinary shares to be issued pursuant to any option notice (being the average market price over the 30 dealing days preceding) will be notified to directors at the start of each option period. Atrium retains the discretion (subject to the approval of the Board) to refuse to satisfy an option notice in certain circumstances.

2.17 Other reserves

Other reserves of €9.6 million (2011: €3.8 million) comprise equity settled share based payment transactions and hedging reserves.

Share based payments

In 2009, Atrium established and shareholders approved an Employee Share Option Plan ("ESOP"), under which the Board can grant share options to key employees. The total number of options which the Board can grant under the ESOP is 8,500,000. Each option may be exercised by the issue of a new ordinary share in Atrium. The exercise price shall be determined by the Board, and shall be not less than the market value of a share on the dealing day immediately preceding the date of grant, or averaged over the 30 dealing days immediately preceding the date of grant. Unless stated otherwise, option periods expire five years after the date of grant. Option holders can, in most cases, exercise one third of the total number of the options granted on or after each of the first, second and third anniversaries respectively of the date of grant.

In August 2012, the Compensation and Nominating Committee approved the grant of 127,119 options to Mr. Katzman, Director and Chairman, in lieu of a consultancy fee of €0.15 million.

The movement in the number of share options outstanding and their related average exercise price is as follows:

2012	**Weighted average exercise price of share options €**	**Number of share options**
As at 1 January	2.99	5,372,171
Granted	3.63	227,119
Exercised	1.21	(408,333)
Returned to the pool	0.97	(59,998)
As at 31 December	**2.98**	**5,130,959**

2011	**Weighted average exercise price of share options €**	**Number of share options**
As at 1 January	2.97	5,022,169
Granted	3.69	986,668
Exercised	1.22	(171,667)
Returned to the pool	3.44	(464,999)
As at 31 December	**2.99**	**5,372,171**

Share options outstanding as at 31 December 2012 have the following vesting year and weighted average exercise prices:

Vesting year	**Weighted average exercise price of share options €**	**Number of share options**
2009	0.82	18,335
2010	0.84	626,667
2011	2.21	1,255,173
2012	3.74	1,146,831
2013	3.85	1,310,168
2014	3.44	346,666
2015	3.38	427,119

Note: Exercise prices take into account dividends paid.

Out of the total of 7,212,621 granted share options, 3,047,006 share options were exercisable at 31 December 2012 and 408,333 share options were exercised during the year 2012. The total number of the outstanding options was 5,130,959 as at 31 December 2012.

The weighted average fair value of options granted was determined using Black-Scholes options valuation model as at the date of grant and was approximately €1.24 per option for the year 2012. The significant inputs into the model were the weighted average share price as at the date of grant of €3.73 for the year 2012, the exercise price shown above, a volatility of 31.00%-61.61% depending on the grant date, the time remaining to the vesting date, and an annual risk-free interest rate of 0.84%-0.97% depending on the grant date. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years. The volatility and annual risk-free interest rate were consulted with a third party expert.

Hedging reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

2.18 Borrowings

Borrowings	2012 €'000	2011 €'000
Bonds	193,958	242,826
Bank loans	343,103	315,934
Other loans	-	9,232
Total	**537,061**	**567,992**

The borrowings are repayable as follows:

Borrowings total	2012 €'000	2011 €'000
Due within one year	74,986	25,330
In second year	6,557	126,277
In third to fifth year inclusive	347,089	191,006
After five years	108,429	225,379
Total	**537,061**	**567,992**

Bonds

On 29 June 2012, Atrium announced €50.6 million nominal value of acceptances of its 2003 bond buy back tender offer. The offer closed on 28 June 2012 and settlement took place on 3 July 2012. The net loss resulting from the bond buy back was €1.5 million.

During 2011, Atrium completed various bond buy backs at their nominal value; being €20.0 million of the 2008 bond, €24.6 million of the 2005 bond, €10.1 million of the 2003 bond and €11.1 million of the 2001 bond. The Group redeemed all the remaining 2001 bonds upon their maturity in December 2011 for the nominal value of €22.4 million.

2012

Bond/Issue year	Currency	Interest rate	Average maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2003	EUR	6.0%	0.6	2013	11,975	12,277	6.2%
Atrium European Real Estate Limited 2003	EUR	5.5%*	0.6	2013	27,181	27,883	5.6%
Atrium European Real Estate Limited 2005	EUR	4.4%	2.6	2015	40,003	42,825	5.1%
Atrium European Real Estate Limited 2005	EUR	4.0%*	4.7	2017	82,990	87,855	4.5%
Atrium European Real Estate Limited 2005	CZK	2.4%*	2.6	2015	31,809	31,665	2.9%
Total/Average		**4.1%**	**3.5**		**193,958**	**202,505**	**4.6%**

2011

Bond/Issue year	Currency	Interest rate	Average maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2003	EUR	6.0%	1.6	2013	25,914	26,716	6.6%
Atrium European Real Estate Limited 2003	EUR	5.5%*	1.6	2013	63,617	65,407	5.9%
Atrium European Real Estate Limited 2005	EUR	4.4%	3.6	2015	39,985	40,392	5.0%
Atrium European Real Estate Limited 2005	EUR	4.0%*	5.7	2017	82,419	79,452	4.5%
Atrium European Real Estate Limited 2005	CZK	2.7%*	3.6	2015	30,891	28,938	3.2%
Total/Average		**4.5%**	**3.6**		**242,826**	**240,905**	**5.0%**

**Bonds bear variable interest rates as disclosed in note 3.12.*

Collateral	Fair value of pledged investment properties 2012 €'000	Fair value of pledged investment properties 2011 €'000
Bond 2003	153,460	152,696
Bond 2005	447,223	434,214
Total	**600,683**	**586,910**

Loans

In December 2012, an Atrium subsidiary entered into a new loan agreement of €50 million with Berlin-Hannoversche Hypothekenbank AG. During the year ended 31 December 2012, Atrium also completed early repayments of four loans totalling €16.4 million of which two loans of €10.6 million issued by EUROHYPO AG bank including €0.2 million costs connected with these early repayments. The loans were originally scheduled to mature in October 2012. Two other loans of €5.8 million were repaid to Österreichische Volksbanken-AG bank including €0.4 million costs connected with these early repayments. The loans were originally scheduled to mature in December 2015 and April 2016. Also during 2012, Atrium settled a third party loan of €9.2 million with Bulwer International Inc.

In 2011, Atrium subsidiaries entered into three new loan agreements of €105.0 million, €31.0 million and €115.0 million in order to finance two acquisitions of shopping centres in Poland and one in the Czech Republic, respectively. Additionally, Atrium repaid the loan of €12.0 million from Bank für Arbeit und Wirtschaft AG upon maturity.

In order to mitigate interest rate risks associated with two loan agreements of €105.0 million and €115.0 million, the Group entered into interest rate swap agreements under which it receives 3-month Euribor as at the interest payment dates and pays a fixed interest. The cash outflow as a result of interest payments will then match the cash inflow received under the swap agreement.

Most of the loans are subject to normal course of business Loan To Value ("LTV") and Debt Service Coverage Ratio ("DSCR") covenant tests, all of which were met throughout the year.

2012

Lender	Currency	Interest rate	Average maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Berlin-Hannoversche Hypothekenbank AG	EUR	4.7%**	3.4	2016	102,831	102,421	5.1%
Rel Ibis Sp. z.o.o.	EUR	4.0%	0.9	2013	29,938	30,404	4.5%
Berlin-Hannoversche Hypothekenbank AG	EUR	3.1%	5.0	2017	48,793	50,792	3.6%
Berlin-Hannoversche Hypothekenbank AG and Erste Group Bank AG	EUR	4.1%**	8.9	2021	113,105	112,700	4.3%
Erste bank AG	EUR	3.0%*	2.8	2015	2,360	2,394	3.0%
UniCredit Bank Slovakia, a.s.	EUR	2.7%*	4.3	2017	30,484	30,921	2.7%
UniCredit Bank Slovakia, a.s.	EUR	2.7%*	4.3	2017	14,092	14,294	2.7%
Ceskoslovenska obchodna banka a.s.	EUR	1.6%*	8.9	2021	1,500	1,452	1.6%
Total/Average		**3.9%**	**5.3**		**343,103**	**345,378**	**4.2%**

The loans bear variable interest rates in the range between 3 month Euribor + 0.22% to 1.39%.
*** Hedged interest rates.*

2011

Lender	Currency	Interest rate	Average maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Berlin-Hannoversche Hypothekenbank AG	EUR	4.7%**	4.4	2016	103,535	106,060	5.1%
Rel Ibis Sp. z.o.o.	EUR	4.0%	1.9	2013	30,332	31,244	4.5%
Berlin-Hannoversche Hypothekenbank AG and Erste Group Bank AG	EUR	4.1%**	9.9	2021	113,596	114,808	4.3%
Österreichische Volksbanken-AG	EUR	3.4%*	4.3	2016	2,652	2,757	3.4%
Österreichische Volksbanken-AG	EUR	6.8%	4.1	2015	3,324	3,802	6.8%
Erste bank AG	EUR	4.1%*	3.8	2015	3,019	3,357	4.1%
EUROHYPO AG	EUR	6.4%	0.8	2012	10,226	10,534	6.4%
EUROHYPO AG	EUR	6.1%	0.8	2012	316	325	6.1%
UniCredit Bank Slovakia, a.s.	EUR	3.9%*	5.3	2017	32,345	33,605	3.9%
UniCredit Bank Slovakia, a.s.	EUR	3.9%*	5.3	2017	14,944	15,527	3.9%
Ceskoslovenska obchodna banka a.s.	EUR	2.7%*	9.9	2021	1,645	1,619	2.7%
Total/Average		**4.3%**	**6.2**		**315,934**	**323,638**	**4.6%**

** The loans bear variable interest rates in the range between 3 month Euribor + 1.35% to 2.75%.*
*** Hedged interest rates.*

Collateral	Fair value of pledged investment properties 2012 €'000	Fair value of pledged investment properties 2011 €'000
Berlin-Hannoversche Hypothekenbank AG	549,762	393,662
Ceska sporitelna a.s. (mortgaged under finance lease)	302	267
Ceskoslovenska obchodna banka a.s.	9,110	8,945
Erste Bank AG	15,069	13,660
EUROHYPO AG	-	30,530
Österreichische Volksbanken-AG	-	16,406
Rel Ibis Sp. z o.o.	55,610	56,145
UniCredit Bank Slovakia, a.s.	136,880	129,130
Total	**766,733**	**648,745**

Fair value
The fair values of loans and bonds were determined by an external expert. The fair values were determined using discounted cash flow models, zero-cost derivative strategies for fixing the future values of market variables and option pricing models of the Black-Scholes type.

2.19 Derivatives

The Group entered into two interest rate swap contracts ("IRSs") during 2011. These swaps exchange floating interest rates to fixed interest rates. The swaps are cash flow hedges which are designed to reduce the Group's cash flow exposure from variable interest rates on certain borrowings.

The IRSs are in a liability position as at 31 December 2012, and have a fair value of approximately €17.8 million (2011: €9.1 million). The fair value measurements of the IRSs are derived from inputs other than quoted prices in active markets.

Fair values have been determined with reference to market inputs, the most significant of which are:

- Quoted EUR yield curve;
- Quoted CZK yield curve;
- Volatility of EUR swap rates;
- Spot exchange rates CZK/EUR; and
- Fair values of effected market transactions.

The used inputs are either directly (i.e. as prices) or indirectly (i.e. derived from prices) derived. Therefore, these IRSs are classified as ''Level 2 Fair value measurements" under IFRS 7.

The interest rate swaps have quarterly coupons. The floating rate on the IRSs is the 3 month Euribor and the fixed rates are 2.17% and 2.89%.

The payments and receipts for the IRSs occur simultaneously with the interest payments on the loans. The Group will settle the difference between the fixed and floating interest amounts for the IRSs on a net basis with the respective counter party. The two swaps mature in 2016 and 2018 respectively.

2.20 Deferred tax liabilities

Deferred tax liabilities 2012	Opening balance €'000	Deferred tax credit/(charge) to the income statement €'000	Deferred tax recognised in other comprehensive income €'000	Closing balance €'000
Deferred tax liabilities arise from the following temporary differences:				
Investment properties	(109,064)	(25,775)	118	(134,721)
Other assets	391	(461)	-	(70)
Liabilities and provisions	11,749	(557)	1,253	12,445
Tax losses carried forward	18,717	2,925	-	21,642
Other	1,449	480	-	1,929
Total deferred tax liabilities	**(76,758)**	**(23,388)**	**1,371**	**(98,775)**

The amounts recognised in other comprehensive income relate to the net deferred tax asset on the hedging instrument of €1.3 million (€0.4 million deferred tax liabilities related to FX hedge) and the deferred tax asset on foreign exchange differences which relate to the investment properties of €0.1 million.

Deferred tax liabilities 2011	Opening balance €'000	Deferred tax credit/(charge) to the income statement €'000	Deferred tax recognised in other comprehensive income €'000	Closing balance €'000
Deferred tax liabilities arise from the following temporary differences:				
Investment properties	(86,510)	(23,638)	1,084	(109,064)
Other assets	574	(183)	-	391
Liabilities and provisions	7,980	2,522	1,247	11,749
Tax losses carried forward	18,555	162	-	18,717
Other	1,500	(51)	-	1,449
Total deferred tax liabilities	**(57,901)**	**(21,188)**	**2,331**	**(76,758)**

The amounts recognised in other comprehensive income relate to the deferred tax asset on the hedging instrument of €1.2 million and the deferred tax asset on foreign exchange differences which relate to the investment properties of €1.1 million.

2.21 Liabilities from financial leases

The liabilities from financial leases as at 31 December 2012 consist of the liabilities related to long term land leases in Poland, the Czech Republic, Slovakia, Russia, and Latvia. Lease payments are due as follows:

Liabilities from financial leases	2012 Net present value €'000	2012 Undiscounted lease payments €'000	2011 Net present value €'000	2011 Undiscounted lease payments €'000
Due within one year	5,998	6,767	5,475	6,278
Due within two to five years	18,830	26,203	19,752	25,716
Due after five years	28,490	244,138	24,731	220,545
Total	**53,318**	**277,108**	**49,958**	**252,539**
Amount due within 12 months	5,998	6,767	5,475	6,278
Amount due after more than 12 months	47,320	270,341	44,483	246,261

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has two material lease arrangements; Atrium Promenada, in Poland, with net present value ("NPV") €14.7 million (2011: €13.5 million) and Kazan Park House, in Russia, with NPV

€10.7 million (2011: €10.5 million). Four of the properties in the Czech Republic have been financed on the basis of finance lease contracts (2011: 4) with a fair value of €9.3 million (2011: €9.3 million).

2.22 Other long term liabilities

Other long term liabilities of €19.7 million (2011: €17.5 million) principally comprise long term deposits from tenants amounting to €18.9 million (2011: €16.9 million), and long term retentions from construction companies.

2.23 Trade and other payables

Trade and other payables	2012 €'000	2011 €'000
Payables for utilities	2,251	1,288
Payables for consultancy and audit services	788	1,017
Payables for repairs and maintenance	907	888
Payables connected with development/ construction	3,201	2,778
Short term liabilities from leasing	5,998	5,475
Short term deposits from tenants	7,947	5,594
Payables for other services	1,383	1,086
Other	332	5,407
Total other financial payables	**22,807**	**23,533**
VAT payables	2,507	3,414
Other taxes and fees payables	2,905	1,433
Deferred revenue	3,164	3,128
Other advance payments from tenants	6,606	4,830
Total other non-financial payables	**15,182**	**12,805**
Total	**37,989**	**36,338**

2.24 Accrued expenditure

Accrued expenditure	2012 €'000	2011 €'000
Accruals for utilities	1,272	2,292
Accruals for consultancy and audit services	2,869	1,948
Accruals for construction services	6,292	1,322
Accruals for interest	3,673	4,856
Accruals for employees compensation	3,434	2,993
Accruals for taxes	2,981	1,554
Other	5,610	7,994
Total	**26,131**	**22,959**

2.25 Gross rental income

Gross rental income ("GRI") includes rental income from the lease of investment properties, rent from advertising areas, communication equipment and other sources.

GRI by country is as follows:

Country	2012 €'000	2012 % of total GRI	2011 €'000	2011 % of total GRI
Poland	73,851	38.2%	64,099	37.2%
Czech Republic	38,629	20.0%	29,687	17.2%
Slovakia	11,248	5.8%	10,808	6.3%
Russia	52,940	27.4%	45,190	26.2%
Hungary	8,567	4.4%	8,222	4.8%
Romania	7,172	3.7%	7,000	4.1%
Latvia	1,068	0.5%	963	0.6%
Turkey	-	-	6,204	3.6%
Total	**193,475**	**100.0%**	**172,173**	**100.0%**

2.26 Service charge income

Service charge income of €73.8 million (2011: €68.4 million) represents income from services reinvoiced to tenants and results mainly from reinvoiced utilities, marketing, repairs and maintenance. Expenses to be reinvoiced to tenants are presented under net property expenses together with other operating costs that are not reinvoiced to tenants.

2.27 Net property expenses

Net property expenses	2012 €'000	2011 €'000
Utilities	(29,559)	(27,608)
Security, cleaning & other facility related costs	(11,121)	(13,051)
Real estate tax	(12,492)	(12,397)
Repairs, maintenance and facility management fees	(10,857)	(9,771)
Direct employment costs	(10,724)	(10,438)
Marketing and other consulting	(6,940)	(7,033)
Office related expenses	(734)	(780)
Travel and transport cost	(646)	(637)
Creation of allowance and written off receivables from tenants	(1,559)	(867)
Other	(1,326)	(3,152)
Total	**(85,958)**	**(85,734)**

2.28 Net result on acquisitions and disposals

The Group´s disposal of investment properties generated a profit of €0.8 million (2011: €31.8 million) during the year ended 31 December 2012. The profit on the divestment of standing investments was €0.4 million (2011: €15.6 million) and on the land plots €0.4 million (2011: €16.2 million).

2.29 Other depreciation, amortisation and impairments

Other depreciation, amortisation and impairments	2012 €'000	2011 €'000
Impairment of goodwill	(450)	-
Other depreciation and amortisation	(1,385)	(1,392)
Total	**(1,835)**	**(1,392)**

2.30 Administrative expenses

Administrative expenses	2012 €'000	2011 €'000
Legal fees	(3,585)	(5,720)
Legacy legal matters	(3,255)	(12,550)
Employee costs	(9,299)	(8,217)
Consultancy and other advisory fees	(4,450)	(4,395)
Audit, audit related and review fees	(1,683)	(1,485)
Expenses related to directors	(816)	(528)
Share based payments	(1,447)	(1,798)
Other	(4,590)	(3,077)
Total	**(29,125)**	**(37,770)**

The Group does not have significant defined benefit pension plans.

2.31 Interest income and interest expenses

Interest income of €3.9 million (2011: €6.1 million) was mainly derived from bank deposits and interest on the loans provided to third parties, which was subsequently impaired. The decline in interest income in 2012 was mainly due to low interest rates on bank deposits.

The Group's interest expense of €23.1 million (2011: €23.2 million) consists of interest expense on bank loans €13.1 million (2011: €9.7 million) and bonds of €9.8 million (2011: €11.3 million). The remaining amount relates to the amortised financing expenses of €1.5 million. In addition to the above mentioned interest expense an additional amount of €1.3 million (2011: €2.6 million) was capitalised to the development projects, see note 2.5.

2.32 Other financial income and expenses

Other financial income and expenses	2012 €'000	2011 €'000
Foreign currency differences	7,860	(22,290)
Net profit/(loss) from bond buy backs	(1,519)	923
Impairment of financial instruments	(11,184)	(9,323)
Other financial income/(expenses)	146	(2,651)
Total	**(4,697)**	**(33,341)**

2.33 Taxation charge for the year

Taxation charge for the year	2012 €'000	2011 €'000
The taxation for the year consists of:		
Corporate income tax current year charge	(2,846)	(3,756)
Deferred tax charge	(16,976)	(23,316)
Adjustments to corporate income tax previous years	(76)	621
Income tax charged to the income statement	**(19,898)**	**(26,451)**
Income tax credited/(charged) to comprehensive income	**1,371**	**3,937**

The subsidiary companies are subject to taxes for their respective businesses in countries of their registration at the rates prevailing in those jurisdictions.

Effective tax rate

A reconciliation between the current year income tax charge and the accounting profit before tax is shown below:

	2012 €'000	2012 %	2011 €'000	2011 %
Profit before taxation	116,073		169,697	
Income tax credit/(charge) using the weighted average applicable tax rates	2,237	1.9%	(3,575)	2.1%
Tax effect of non-taxable income/(non-deductible expenses)	5,008		(21,484)	
Tax effect of losses previously not recognised	7,015		4,881	
Deferred tax asset not recognised	(33,957)		(10,583)	
Tax adjustment of previous years	(76)		621	
Other	(125)		3,689	
Tax credit/charge	**(19,898)**		**(26,451)**	
Effective tax rate	**(17.1%)**		**(15.6%)**	

The Group has not recognised deferred tax assets of € 147.5 million (2011: € 120.6 million) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. These unrecognised deferred tax assets arose primarily from negative revaluation of investment properties and will expire over a number of years, commencing in 2013, in accordance with local tax legislation.

Unrecognised deferred tax assets Country	**2012 €'000**	**2011 €'000**
Poland	14,626	8,955
Czech Republic	1,080	881
Russia	84,934	70,260
Slovakia	33	-
Hungary	2,043	1,454
Romania	6,193	4,859
Latvia	16	2,504
Turkey	11,481	11,276
Netherlands	6,370	5,009
Georgia	6,963	5,439
Ukraine	6,686	6,572
Cyprus	6,950	3,358
Bulgaria	133	-
Total	**147,508**	**120,567**

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	**2012**	**2011**
Poland	19.0%	19.0%
Czech Republic	19.0%	19.0%
Slovakia	19.0%	19.0%
Russia	20.0%	20.0%
Hungary	10.0%[1]	10.0%[1]
Romania	16.0%	16.0%
Latvia	15.0%	15.0%
Turkey	20.0%	20.0%
Bulgaria	10.0%	10.0%
Cyprus	10.0%	10.0%
Denmark	25.0%	25.0%
Georgia	15.0%	15.0%
Italy	27.5%[2]	27.5%[2]
Jersey	0.0%	0.0%
Netherlands	25.0%[3]	25.0%[3]
Sweden	26.3%	26.3%
Spain	30.0%[4]	30.0%[4]
Ukraine	21.0%[5]	23.0%[5]

1. *Effective from 1 July 2010, a 10% tax rate applies to a tax base up to HUF 500 million, with a 19% rate applying to a tax base exceeding this amount.*
2. *The corporate income tax rate is 27.5% plus local tax due (generally 3.9%).*
3. *As of 1 January 2011, the rate applying to taxable profits exceeding € 0.2 million is 25%. Below this amount a 20% tax rate is applicable to taxable profit.*
4. *The regular corporate income tax rate is 30 %, however a 25% rate is imposed on profits up to € 0.3million and if the annual turnover is less than € 10 million.*
5. *The rate decreased from 23% to 21% on 1 January 2012.*

Deferred taxes were calculated in accordance with these tax rate changes.

2.34 Earnings per share

The calculation of basic earnings per share of €0.26 (2011: €0.39) as at 31 December 2012 was based on the profit after taxation attributable to ordinary shareholders of €98.7 million (2011: €145.3 million) and the weighted average number of ordinary shares outstanding of 373,075,076 (2011: 372,840,525).

The basic and diluted earnings per share are the same for the years ended 31 December 2012 and 31 December 2011.

Number of shares	2012	2011
Issued ordinary shares at 1 January	**372,892,253**	**372,696,326**
Shares issued in January 2011		55,000
Shares issued in April 2011		116,667
Shares issued in October 2011		24,260
Shares issued in January 2012	25,000	
Shares issued in April 2012	63,274	
Shares issued in June 2012	30,000	
Shares issued in July 2012	25,000	
Shares issued in September 2012	249,896	
Shares issued in October 2012	40,000	
Shares issued in December 2012	63,333	
Total number of shares at 31 December	**373,388,756**	**372,892,253**
Weighted average number of shares at 31 December	**373,075,076**	**372,840,525**

2.35 Segment reporting

Reportable segments in 2012

For the year ended 31 December 2012	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	193,475	-	-	193,475
Service charge income	73,762	-	-	73,762
Net property expenses	(85,958)	-	-	(85,958)
Net rental income	**181,279**	**-**	**-**	**181,279**
Net result on acquisitions and disposals	427	366	-	793
Cost connected with developments and land	-	(6,161)	-	(6,161)
Revaluation of investment properties	58,533	(63,494)	-	(4,961)
Other depreciation and amortisation	(1,430)	-	(405)	(1,835)
Administrative expenses	(11,278)	(1,081)	(16,766)	(29,125)
Net operating profit/(loss)	**227,531**	**(70,370)**	**(17,171)**	**139,990**
Interest income	219	19	3,645	3,883
Interest expense	(22,363)	(735)	(5)	(23,103)
Other financial income/(expenses)	(6,899)	8,732	(6,530)	(4,697)
Profit/loss before taxation for the year	**198,488**	**(62,354)**	**(20,061)**	**116,073**
Taxation credit/(charge) for the year	(19,272)	562	(1,188)	(19,898)
Profit/(loss) after taxation for the year	**179,216**	**(61,792)**	**(21,249)**	**96,175**
Investment properties	2,185,336	538,395	-	2,723,731
Additions to investment properties	40,379	27,481	-	67,860
Segment assets	2,262,704	586,947	218,890*	3,068,541
Segment liabilities	695,464	83,150	8,555	787,169

**The amount mainly relates to cash and cash equivalents.*

Reportable segments in 2011

For the year ended 31 December 2011	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	172,173	-	-	172,173
Service charge income	68,431	-	-	68,431
Net properties expenses	(85,734)	-	-	(85,734)
Net rental income	**154,870**	**-**	**-**	**154,870**
Net result on acquisitions and disposals	15,567**	16,224	-	31,791
Cost connected with developments and land	-	(4,660)	-	(4,660)
Revaluation of investment properties	128,706	(51,385)	-	77,321
Other depreciation and amortisation	(417)	-	(975)	(1,392)
Administrative expenses	(9,612)	(1,147)	(27,011)	(37,770)
Net operating profit/(loss)	**289,114**	**(40,968)**	**(27,986)**	**220,160**
Interest income	806	-	5,314	6,120
Interest expense	(19,035)	(3,121)	(1,086)	(23,242)
Other financial expenses	(5,956)	(6,682)	(20,703)	(33,341)
Profit/ (loss) before taxation of the year	**264,929**	**(50,771)**	**(44,461)**	**169,697**
Taxation credit/(charge) for the year	(27,707)	1,790	(534)	(26,451)
Profit/(loss) after taxation for the year	**237,222**	**(48,981)**	**(44,995)**	**143,246**
Investment properties	2,077,246	587,351	-	2,664,597
Additions to investment properties	431,460	22,352	-	453,812
Segment assets	2,156,277	639,880	244,544*	3,040,701
Segment liabilities	665,095	105,116	5,947	776,158

**The amount mainly relates to cash and cash equivalents.*
*** The amount mainly relates to the settlement agreement with Multi investment BV.*

Geographical segments by business sector in 2012

For the year ended 31 December 2012	Poland: Standing investment segment €'000	Poland: Develop-ment segment €'000	Poland: Reconciling item €'000	Poland: Total €'000	Czech Republic: Standing investment segment €'000	Czech Republic: Develop-ment segment €'000	Czech Republic: Reconciling item €'000	Czech Republic: Total €'000
Gross rental income	73,851	-	-	73,851	38,629	-	-	38,629
Service charge income	27,949	-	-	27,949	11,424	-	-	11,424
Net property expenses	(28,223)	-	-	(28,223)	(15,036)	-	-	(15,036)
Net rental income	**73,577**	**-**	**-**	**73,577**	**35,017**	**-**	**-**	**35,017**
Net result on acquisitions and disposals	427	(24)	-	403	-	-	-	-
Cost connected with developments and land	-	109	-	109	-	-	-	-
Revaluation of investment properties	25,681	(11,677)	-	14,004	59	2,433	-	2,492
Other depreciation and amortisation	(222)	-	-	(222)	(263)	-	-	(263)
Administrative expenses	(4,939)	(226)	513	(4,652)	(3,086)	(11)	146	(2,951)
Net operating profit/ (loss)	**94,524**	**(11,818)**	**513**	**83,219**	**31,727**	**2,422**	**146**	**34,295**
Interest income	108	9	9	126	58	-	-	58
Interest expense	(10,016)	(186)	-	(10,202)	(6,441)	(5)	-	(6,446)
Other financial expenses	(4,489)	(235)	(100)	(4,824)	(1,097)	(3)	(5)	(1,105)
Profit/(loss) before taxation	**80,127**	**(12,230)**	**422**	**68,319**	**24,247**	**2,414**	**141**	**26,802**
Taxation credit/(charge) for the year	(7,084)	174	(135)	(7,045)	(3,873)	(12)	(376)	(4,261)
Profit/(loss) after taxation for the year	**73,043**	**(12,056)**	**287**	**61,274**	**20,374**	**2,402**	**(235)**	**22,541**
Investment properties	1,030,350	143,125	-	1,173,475	445,901	4,776	-	450,677
Additions to investment properties	14,785	23,018	-	37,803	5,164	425	-	5,589
Segment assets	1,059,616	153,154	2,657	1,215,427	461,909	4,783	1,071	467,763
Segment liabilities	343,680	23,249	27	366,956	176,827	251	-	177,078

For the year ended 31 December 2012	Slovakia Standing investment segment €'000	Slovakia Develop-ment segment €'000	Slovakia Reconciling item €'000	Slovakia Total €'000	Russia Standing investment segment €'000	Russia Develop-ment segment €'000	Russia Reconciling item €'000	Russia Total €'000
Gross rental income	11,248	-	-	11,248	52,940	-	-	52,940
Service charge income	5,703	-	-	5,703	22,157	-	-	22,157
Net property expenses	(5,803)	-	-	(5,803)	(27,408)	-	-	(27,408)
Net rental income	**11,148**	**-**	**-**	**11,148**	**47,689**	**-**	**-**	**47,689**
Net result on acquisitions and disposals	-	-	-	-	-	377	-	377
Cost connected with developments and land	-	-	-	-	-	(3,307)	-	(3,307)
Revaluation of investment properties	6,593	(13)	-	6,580	37,523	(38,028)	-	(505)
Other depreciation and amortisation	(214)	-	-	(214)	(88)	-	-	(88)
Administrative expenses	(754)	(1)	50	(705)	(1,450)	(618)	(101)	(2,169)
Net operating profit/ (loss)	**16,773**	**(14)**	**50**	**16,809**	**83,674**	**(41,576)**	**(101)**	**41,997**
Interest income	1	-	-	1	27	3	-	30
Interest expense	(1,727)	-	-	(1,727)	(3,104)	(151)	-	(3,255)
Other financial income / (expenses)	(34)	-	(3)	(37)	(889)	1,371	(63)	419
Profit/(loss) before taxation	**15,013**	**(14)**	**47**	**15,046**	**79,708**	**(40,353)**	**(164)**	**39,191**
Taxation credit/(charge) for the year	(3,274)	(2)	(70)	(3,346)	(5,155)	42	(301)	(5,414)
Profit/(loss) after taxation for the year	**11,739**	**(16)**	**(23)**	**11,700**	**74,553**	**(40,311)**	**(465)**	**33,777**
Investment properties	145,990	54	-	146,044	394,375	145,230	-	539,605
Additions to investment properties	1,320	13	-	1,333	16,962	3,884	-	20,846
Segment assets	151,421	56	653	152,130	412,614	149,953	3,085	565,652
Segment liabilities	64,964	51	-	65,015	87,779	24,113	506	112,398

For the year ended 31 December 2012	Hungary Standing investment segment	Hungary Develop-ment segment	Hungary Reconciling item	Hungary Total	Romania Standing investment segment	Romania Develop-ment segment	Romania Reconciling item	Romania Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	8,567	-	-	8,567	7,172	-	-	7,172
Service charge income	3,383	-	-	3,383	2,151	-	-	2,151
Net property expenses	(4,900)	-	-	(4,900)	(2,894)	-	-	(2,894)
Net rental income	**7,050**	**-**	**-**	**7,050**	**6,429**	**-**	**-**	**6,429**
Net result on acquisitions and disposals	-	-	-	-	-	-	-	-
Cost connected with developments and land	-	-	-	-	-	(54)	-	(54)
Revaluation of investment properties	(9,644)	-	-	(9,644)	(1,068)	(9,365)	-	(10,433)
Other depreciation and amortisation	(559)	-	-	(559)	(58)	-	-	(58)
Administrative expenses	(517)	-	(54)	(571)	(486)	(5)	(73)	(564)
Net operating profit/ (loss)	**(3,670)**	**-**	**(54)**	**(3,724)**	**4,817**	**(9,424)**	**(73)**	**(4,680)**
Interest income	15	-	1	16	10	-	-	10
Interest expense	(425)	-	-	(425)	(446)	(47)	-	(493)
Other financial income / (expenses)	(363)	-	1	(362)	(5)	(3)	(2)	(10)
Profit/(loss) before taxation	**(4,443)**	**-**	**(52)**	**(4,495)**	**4,376**	**(9,474)**	**(75)**	**(5,173)**
Taxation credit for the year	724	-	-	724	-	-	8	8
Profit/(loss) after taxation for the year	**(3,719)**	**-**	**(52)**	**(3,771)**	**4,376**	**(9,474)**	**(67)**	**(5,165)**
Investment properties	82,870	-	-	82,870	70,700	12,173	-	82,873
Additions to investment properties	1,529	-	-	1,529	468	-	-	468
Segment assets	90,006	-	478	90,484	71,435	12,464	294	84,193
Segment liabilities	11,011	-	-	11,011	7,154	4,801	55	12,010

For the year ended 31 December 2012	Latvia				Turkey, Bulgaria, Ukraine, Georgia			
	Standing investment segment €'000	Develop-ment segment €'000	Reconciling item €'000	Total €'000	Standing investment segment €'000	Develop-ment segment €'000	Reconciling item €'000	Total €'000
Gross rental income	1,068	-	-	1,068	-	-	-	-
Service charge income	995	-	-	995	-	-	-	-
Net property expenses	(1,694)	-	-	(1,694)	-	-	-	-
Net rental income	**369**	**-**	**-**	**369**	**-**	**-**	**-**	**-**
Net result on acquisitions and disposals	-	-	-	-	-	13	-	13
Cost connected with developments and land	-	-	-	-	-	(2,003)	-	(2,003)
Revaluation of investment properties	(611)	-	-	(611)	-	(6,844)	-	(6,844)
Other depreciation and amortisation	(26)	-	-	(26)	-	-	(29)	(29)
Administrative expenses	(46)	-	(3)	(49)	-	(220)	(386)	(606)
Net operating loss	**(314)**	**-**	**(3)**	**(317)**	**-**	**(9,054)**	**(415)**	**(9,469)**
Interest income	-	-	-	-	-	7	-	7
Interest expense	(204)	-	-	(204)	-	(346)	-	(346)
Other financial income / (expenses)	(22)	-	(1)	(23)	-	7,602	2	7,604
Loss before taxation	**(540)**	**-**	**(4)**	**(544)**	**-**	**(1,791)**	**(413)**	**(2,204)**
Taxation credit/(charge) for the year	(610)	-	-	(610)	-	360	-	360
Loss after taxation for the year	**(1,150)**	**-**	**(4)**	**(1,154)**	**-**	**(1,431)**	**(413)**	**(1,844)**
Investment properties	15,150	-	-	15,150	-	233,037	-	233,037
Additions to investment properties	151	-	-	151	-	141	-	141
Segment assets	15,689	-	54	15,743	-	266,551	102	266,653
Segment liabilities	4,049	-	-	4,049	-	30,685	-	30,685

For the year ended 31 December 2012	Standing investment segment €'000	Develop- ment segment €'000	Reconciling Reconciling item €'000	Total €'000
Gross rental income	-	-	-	-
Service charge income	-	-	-	-
Net property expenses	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**
Net result on acquisitions and disposals	-	-	-	-
Cost connected with developments and land	-	(906)	-	(906)
Revaluation of investment properties	-	-	-	-
Other depreciation and amortisation	-	-	(376)	(376)
Administrative expenses	-	-	(16,858)	(16,858)
Net operating loss	**-**	**(906)**	**(17,234)**	**(18,140)**
Interest income	-	-	3,635	3,635
Interest expense	-	-	(5)	(5)
Other financial expenses	-	-	(6,359)	(6,359)
Loss before taxation	**-**	**(906)**	**(19,963)**	**(20,869)**
Taxation charge for the year	-	-	(314)	(314)
Loss after taxation for the year	**-**	**(906)**	**(20,277)**	**(21,183)**
Investment properties	-	-	-	-
Additions to investment properties	-	-	-	-
Segment assets	-	-	210,496	210,496
Segment liabilities	-	-	7,967	7, 967

Geographical segments by business sector in 2011

For the year ended 31 December 2011	Poland Standing investment segment €'000	Poland Develop-ment segment €'000	Poland Reconciling item €'000	Poland Total €'000	Czech Republic Standing investment segment €'000	Czech Republic Develop-ment segment €'000	Czech Republic Reconciling item €'000	Czech Republic Total €'000
Gross rental income	64,099	-	-	64,099	29,687	-	-	29,687
Service charge income	24,559	-	-	24,559	7,961	-	-	7,961
Net property expenses	(26,171)	-	-	(26,171)	(11,885)	-	-	(11,885)
Net rental income	**62,487**	**-**	**-**	**62,487**	**25,763**	**-**	**-**	**25,763**
Net result on acquisitions and disposals	-	162	-	162	-	-	-	-
Cost connected with developments and land	-	(731)	-	(731)	-	-	-	-
Revaluation of investment properties	62,415	(15,208)	-	47,207	9,747	(96)	-	9,651
Other depreciation and amortisation	(9)	-	(198)	(207)	(82)	-	(95)	(177)
Administrative expenses	(3,798)	(241)	(29)	(4,068)	(2,243)	(13)	(42)	(2,298)
Net operating profit/(loss)	**121,095**	**(16,018)**	**(227)**	**104,850**	**33,185**	**(109)**	**(137)**	**32,939**
Interest income	616	-	13	629	91	-	-	91
Interest expense	(6,471)	(442)	(1)	(6,914)	(6,592)	(27)	-	(6,619)
Other financial income / (expenses)	1,837	(282)	6	1,561	(723)	30	(13)	(706)
Profit/(loss) before taxation	**117,077**	**(16,742)**	**(209)**	**100,126**	**25,961**	**(106)**	**(150)**	**25,705**
Taxation credit/(charge) for the year	(13,687)	419	-	(13,268)	(3,820)	(12)	(224)	(4,056)
Profit/(loss) after taxation for the year	**103,390**	**(16,323)**	**(209)**	**86,858**	**22,141**	**(118)**	**(374)**	**21,649**
Investment properties	986,215	142,276	-	1,128,491	435,214	1,873	-	437,087
Additions to investment properties	230,723	15,024	-	245,747	190,334	96	-	190,430
Segment assets	1,009,603	155,310	-	1,164,913	453,128	1,918	223	455,269
Segment liabilities	284,340	31,299	1,071	316,710	187,287	327	447	188,061

For the year ended 31 December 2011	Slovakia Standing investment segment €'000	Slovakia Develop-ment segment €'000	Slovakia Reconciling item €'000	Slovakia Total €'000	Russia Standing investment segment €'000	Russia Develop-ment segment €'000	Russia Reconciling item €'000	Russia Total €'000
Gross rental income	10,808	-	-	10,808	45,190	-	-	45,190
Service charge income	5,675	-	-	5,675	21,485	-	-	21,485
Net property expenses	(5,861)	-	-	(5,861)	(29,186)	-	-	(29,186)
Net rental income	**10,622**	**-**	**-**	**10,622**	**37,489**	**-**	**-**	**37,489**
Net result on acquisitions and disposals	-	-	-	-	-	(55)	-	(55)
Cost connected with developments and land	-	(100)	-	(100)	-	(1,245)	-	(1,245)
Revaluation of investment properties	8,504	(78)	-	8,426	46,839	(18,558)	-	28,281
Other depreciation and amortisation	(125)	-	(41)	(166)	(55)	-	(45)	(100)
Administrative expenses	(1,279)	-	13	(1,266)	(1,025)	(277)	(538)	(1,840)
Net operating profit/ (loss)	**17,722**	**(178)**	**(28)**	**17,516**	**83,248**	**(20,135)**	**(583)**	**62,530**
Interest income	1	-	-	1	64	-	-	64
Interest expense	(2,084)	-	-	(2,084)	(2,716)	(468)	-	(3,184)
Other financial income / (expenses)	(32)	-	-	(32)	(6,614)	706	601	(5,307)
Profit/(loss) before taxation	**15,607**	**(178)**	**(28)**	**15,401**	**73,982**	**(19,897)**	**18**	**54,103**
Taxation credit/(charge) for the year	(2,706)	-	(109)	(2,815)	(4,272)	34	(379)	(4,617)
Profit/(loss) after taxation for the year	**12,901**	**(178)**	**(137)**	**12,586**	**69,710**	**(19,863)**	**(361)**	**49,486**
Investment properties	138,075	54	-	138,129	339,847	178,792	-	518,639
Additions to investment properties	4,318	78	-	4,396	4,646	7,927	-	12,573
Segment assets	143,433	54	227	143,714	363,911	183,154	-	547,065
Segment liabilities	66,139	-	120	66,259	95,655	23,096	1,205	119,956

For the year ended 31 December 2011	Hungary Standing investment segment €'000	Hungary Develop-ment segment €'000	Hungary Reconciling item €'000	Hungary Total €'000	Romania Standing investment segment €'000	Romania Develop-ment segment €'000	Romania Reconciling item €'000	Romania Total €'000
Gross rental income	8,222	-	-	8,222	7,000	-	-	7,000
Service charge income	3,393	-	-	3,393	2,520	-	-	2,520
Net property expenses	(4,790)	-	-	(4,790)	(2,961)	-	-	(2,961)
Net rental income	**6,825**	**-**	**-**	**6,825**	**6,559**	**-**	**-**	**6,559**
Net result on acquisitions and disposals	-	-	-	-	-	-	-	-
Cost connected with developments and land	-	-	-	-	-	(322)	-	(322)
Revaluation of investment properties	(455)	-	-	(455)	2,033	-	-	2,033
Other depreciation and amortisation	(98)	-	(65)	(163)	(20)	-	(24)	(44)
Administrative expenses	(584)	-	(29)	(613)	(527)	(38)	(3)	(568)
Net operating profit/ (loss)	**5,688**	**-**	**(94)**	**5,594**	**8,045**	**(360)**	**(27)**	**7,658**
Interest income	16	-	2	18	9	-	-	9
Interest expense	(551)	-	-	(551)	(412)	(290)	-	(702)
Other financial income / (expenses)	272	-	(4)	268	335	(1)	(2)	332
Profit/(loss) before taxation	**5,425**	**-**	**(96)**	**5,329**	**7,977**	**(651)**	**(29)**	**7,297**
Taxation credit/(charge) for the year	(527)	-	30	(497)	(253)	-	-	(253)
Profit/(loss) after taxation for the year	**4,898**	**-**	**(66)**	**4,832**	**7,724**	**(651)**	**(29)**	**7,044**
Investment properties	90,985	-	-	90,985	71,300	21,537	-	92,837
Additions to investment properties	1,125	-	-	1,125	277	-	-	277
Segment assets	98,126	-	56	98,182	72,207	21,852	358	94,417
Segment liabilities	18,175	-	359	18,534	9,308	6,150	174	15,632

For the year ended 31 December 2011	Latvia Standing investment segment €'000	Develop-ment segment €'000	Reconciling item €'000	Total €'000	Turkey, Bulgaria, Ukraine, Georgia Standing investment segment €'000	Develop-ment segment €'000	Reconciling item €'000	Total €'000
Gross rental income	963	-	-	963	6,204	-	-	6,204
Service charge income	931	-	-	931	1,907	-	-	1,907
Net property expenses	(1,532)	-	-	(1,532)	(3,348)	-	-	(3,348)
Net rental income	**362**	**-**	**-**	**362**	**4,763**	**-**	**-**	**4,763**
Net result on acquisitions and disposals	-	-	-	-	15,567	16,117	-	31,684
Cost connected with developments and land	-	-	-	-	-	(1,567)	-	(1,567)
Revaluation of investment properties	(377)	-	-	(377)	-	(17,445)	-	(17,445)
Other depreciation and amortisation	-	-	(10)	(10)	(28)	-	(37)	(65)
Administrative expenses	(55)	-	-	(55)	(101)	(578)	(115)	(794)
Net operating profit/(loss)	**(70)**	**-**	**(10)**	**(80)**	**20,201**	**(3,473)**	**(152)**	**16,576**
Interest income	-	-	-	-	9	-	-	9
Interest expense	(195)	-	-	(195)	(15)	(1,894)	-	(1,909)
Other financial income / (expenses)	(55)	-	-	(55)	(976)	(7,135)	1	(8,110)
Profit/(loss) before taxation	**(320)**	**-**	**(10)**	**(330)**	**19,219**	**(12,502)**	**(151)**	**6,566**
Taxation charge for the year	-	-	-	-	(2,442)	1,349	-	(1,093)
Profit/(loss) after taxation for the year	**(320)**	**-**	**(10)**	**(330)**	**16,777**	**(11,153)**	**(151)**	**5,473**
Investment properties	15,610	-	-	15,610	-	242,819	-	242,819
Additions to investment properties	37	-	-	37	-	(773)	-	(773)
Segment assets	15,869	-	70	15,939	-	277,592	111	277,703
Segment liabilities	4,191	-	35	4,226	-	44,244	22	44,266

For the year ended 31 December 2011	Standing investment segment €'000	Reconciling Develop-ment segment €'000	Reconciling item €'000	Total €'000
Gross rental income	-	-	-	-
Service charge income	-	-	-	-
Net property expenses	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**
Net result on acquisitions and disposals	-	-	-	-
Cost connected with developments and land	-	(695)	-	(695)
Revaluation of investment properties	-	-	-	-
Other depreciation and amortisation	-	-	(460)	(460)
Administrative expenses	-	-	(26,268)	(26,268)
Net operating loss	**-**	**(695)**	**(26,728)**	**(27,423)**
Interest income	-	-	5,299	5,299
Interest expense	-	-	(1,085)	(1,085)
Other financial income / (expenses)	-	-	(21,292)	(21,292)
Loss before taxation	**-**	**(695)**	**(43,806)**	**(44,501)**
Taxation credit for the year	-	-	148	148
Loss after taxation for the year	**-**	**(695)**	**(43,658)**	**(44,353)**
Investment properties	-	-	-	-
Additions to investment properties	-	-	-	-
Segment assets	-	-	243,499	243,499
Segment liabilities	-	-	2,514	2,514

2.36 Investment in Group undertakings

During the year ended 31 December 2012:

- Atrium established new companies in the Czech Republic, Georgia, Hungary, The Netherlands, Poland and Spain in order to facilitate efficient portfolio management initiatives. The new companies were: Atrium Alfa Czech Republic s.r.o., Atrium Pardubice Czech Republic s.r.o., Atrium Černého Czech Republic s.r.o., Atrium Beta Czech Republic s.r.o., Atrium Gamma Czech Republic s.r.o., Atrium Kappa Czech Republic s.r.o., Atrium Ostrava Czech Republic s.r.o., Atrium Zlín Czech Republic s.r.o., Atrium Delta Czech Republic s.r.o., and Atrium Lambda Czech Republic s.r.o., Atrium Alpha LLC, Atrium Alfa HU Kft, Atrium Beta HU Kft, Atrium Europe B.V., Atrium Hungarian Holding 1 B.V., Atrium Hungarian Holding 2 B.V., Atrium Hungarian Holding 3 B.V., Atrium Hungarian Holding 4 B.V., Atrium Hungarian Holding 5 B.V., Atrium Hungarian Holding 6 B.V., Atrium Hungarian Holding 7 B.V., Atrium Hungarian Holding 8 B.V., Atrium Russian Holding 1 B.V., Atrium Russian Holding 2 B.V., Ipopema 77 FIZ and Atrium European Real Estate Spain S.L.U.

- Atrium acquired the remaining 23% of the shares in the company MD TIME HOLDING LIMITED and now owns 100% of this entity and its subsidiaries. MD CE Holding Limited, a 100% owned subsidiary of Atrium, purchased 20% of the shares in the company MD REAL ESTATE MANAGEMENT LTD and now owns 100% of this entity and its subsidiary. Total consideration paid and transaction costs amounted to €9.0 million. Accordingly, as there is no longer any non-controlling interest ("NCI"), the negative historic NCI balance of €12.4 million was eliminated.

- BROADVALE HOLDINGS LIMITED, a 100% owned subsidiary of Atrium, purchased 15% of the shares in the company PATTONGATE TRADING LIMITED and now owns 100% of this entity and its subsidiary. Total consideration paid and transaction costs amounted to €0.4 million. Accordingly, as there is no longer any non-controlling interest ("NCI"), the negative historic NCI balance of €2.9 million was eliminated.

The change in the parent's ownership interest in the respective subsidiaries is accounted for directly in equity as there is no change in control and the impact was a decrease of €24.7 million.

2.37 Merger

In 2012, OOO Foras Magnitogorsk, OOO Foras Kislovodsk and OOO Foras Sergiev Posad merged into OOO Manhattan Brateevo. All assets and liabilities of OOO Foras Magnitogorsk, OOO Foras Kislovodsk and OOO Foras Sergiev Posad were combined with OOO Manhattan Brateevo. As a result of the merger, deferred tax assets of €2.0 million were recognised.

2.38 Categories of financial instruments

The Group distinguishes the following categories of financial instruments:

2012	**Carrying amount €'000**	**Loans and receivables €'000**	**Financial liabilities at amortised cost €'000**	**Financial liabilities at fair value €'000**
Financial assets				
Long term loans	36,592	36,592	-	-
Receivables from tenants	18,037	18,037	-	-
Other receivables	2,584	2,584	-	-
Short term loans	59	59	-	-
Cash and cash equivalents	207,843	207,843	-	-
Total financial assets	**265,115**	**265,115**	**-**	**-**
Financial liabilities				
Long term borrowings	462,075	-	462,075	-
Derivatives	17,828	-	-	17,828
Long term liabilities from leases	47,320	-	47,320	-
Other long term liabilities	19,730	-	19,730	-
Trade and other payables	22,807	-	22,807	-
Payables related to acquisitions	389	-	389	-
Accrued expenditure	26,131	-	26,131	-
Short term borrowings	74,986	-	74,986	-
Total financial liabilities	**671,266**	**-**	**653,438**	**17,828**

2011	Carrying amount €'000	Loans and receivables €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets				
Long term loans	41,240	41,240	-	-
Receivables from tenants	14,267	14,267	-	-
Other receivables	3,062	3,062	-	-
Short term loans	101	101	-	-
Cash and cash equivalents	234,924	234,924	-	-
Total financial assets	**293,594**	**293,594**	**-**	**-**
Financial liabilities				
Long term borrowings	542,662	-	542,662	-
Derivatives	9,060	-	-	9,060
Long term liabilities from leases	44,483	-	44,483	-
Other long term liabilities	17,457	-	17,457	-
Trade and other payables	23,533	-	23,533	-
Payables related to acquisitions	485	-	485	-
Accrued expenditure	22,959	-	22,959	-
Short term borrowings	25,330	-	25,330	-
Total financial liabilities	**685,969**	**-**	**676,909**	**9,060**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.18. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The fair values of the financial assets are deemed to equal their book values. The Group has pledged some cash as collateral, for more information see note 2.15.

2.39 Risk management

The objective of the Group is to manage, invest and develop commercial real estate in Central and Eastern Europe, South Eastern Europe and Russia in order to increase their intrinsic value. In the initial phase of growth a group company (a subsidiary) mainly relies on equity, and to a smaller extent debt, as a source of financing. The Group has always applied a conservative funding strategy.

Group executive management constantly assesses and reports the risk exposures of the Group to the Board of Directors. Together with monthly management reporting, Board meetings are held at least quarterly.

The capital structure of the Group is described in note 2.16.

Development risk

Since 2004, the Group has been active in property development and is therefore exposed to certain development risks.

Development risk relates to the construction of investment properties. The main risks arising on development are commercial, financial, technical and procedural risks. Examples of commercial and financial risks are letting risks and risks connected with foreign exchange rate fluctuations. To mitigate commercial and financial risks, before any project is started a detailed analysis of the market conditions is performed and the situation is monitored during the whole construction process. Technical risks include for example design risk, construction risk and environmental risks. Procedural and technical risks are mitigated also by a primary detailed analysis. Further, the Group uses external professionals to deal with procedural actions, project design, project management, construction and other associated matters. Although management has implemented controls to mitigate development risk, the turbulence on the global real estate markets has required management to redesign and reconsider many of the projects.

Developments which are found to be incompatible with the Group's development objectives are carefully reviewed by the Group's development and design teams in order to find the best configurations for continued development in the existing market conditions. This may include re-designing the property to allow for a better utilisation of building rights, space and gross lettable area, the thorough analysis and improvement of development budgets, re-scheduling construction and re-negotiating enabling agreements where appropriate.

Credit risk

Credit risk is defined as unforeseen losses on financial assets if counterparties should default.

The credit worthiness of tenants is closely monitored by a regular review of accounts receivable. Rents from tenants are generally payable in advance.

Atrium attempts to minimise concentration of credit risk by spreading the exposure over a large number of counterparties.

The credit risk exposure is comprised of normal course of business transactions with third parties and associates.

Furthermore, the Group holds collateral from tenants which would reduce the financial impact on the Group in the event of default. The collateral is represented by deposits from tenants and cover rents of one to three months. In 2012, the Group had secured long term deposits from tenants amounting to €18.9 million (2011: €16.9 million) and short term deposits amounting to €7.9 million (2011: €5.6 million).

The table in note 2.12 provides an ageing analysis of receivables from tenants and gives an overview of the allowances made for doubtful balances.

The credit exposure of the Group arising from the financial assets, as disclosed in note 2.38, represents the maximum credit exposure from financial assets.

Refer also to the note 2.40 for further discussion on loans to associates.

To spread the risk connected to the potential insolvency of financial institutions, the Group deposits cash balances at various international banking institutions. Before a deposit is made management reviews the credit ratings of the banking institutions and only banks with credit ratings of an investment grade or better are selected.

Liquidity risk
Liquidity within the Group is managed by appropriate liquidity planning and through an adequate financing structure.

The Group's liquidity requirements arise primarily from the need to fund its development projects, property acquisitions and other capital expenditures, debt servicing costs, property management services and operating expenses. To date, these have been funded through a combination of equity funding, bonds and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges).

Liquid funds, comprising cash and cash equivalents as disclosed in note 2.15, amounted to €207.8 million as at 31 December 2012 (2011: €234.9 million). The total net liquid funds calculated as cash and cash equivalents plus short term loans less short term borrowings, amounts to €132.9 million (2011: €209.7 million). The table below analyses the Group's financial liabilities, including interest payments, based on maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

2012	**Carrying amount**	**Total contractual cash flows**	**One year or less**	**One to two years**	**Two to five years**	**More than five years**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Borrowings*	540,626	632,418	99,875	25,329	388,361	118,853
Derivatives	17,828	17,904	5,126	4,837	7,526	415
Other liabilities**	112,813	336,603	47,763	17,156	23,852	247,832
Total	**671,267**	**986,925**	**152,764**	**47,322**	**419,739**	**367,100**

**Borrowings include accrued interest.*
***Other liabilities comprise long term liabilities from leases, other long term liabilities, trade and other payables, payables related to acquisitions and accrued expenditure.*

2011	**Carrying amount**	**Total contractual cash flows**	**One year or less**	**One to two years**	**Two to five years**	**More than five years**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Borrowings*	572,667	697,363	50,780	150,270	239,589	256,724
Derivatives	9,060	7,809	3,127	3,007	2,921	(1,246)
Other liabilities**	104,242	306,894	44,134	8,341	22,285	232,134
Total	**685,969**	**1,012,066**	**98,041**	**161,618**	**264,795**	**487,612**

**Borrowings include accrued interest.*
***Other liabilities comprise long term liabilities from leases, other long term liabilities, trade and other payables, payables related to acquisitions, liabilities held for sale and accrued expenditure.*

Market risk
Market risk embodies the potential for both losses and gains and includes price risk, currency risk and interest rate risk.

The Group's strategy for managing market risk is driven by the Group's investment objective which is managing and administrating the existing property portfolio and identifying potentially attractive new investments in the market, conducting due diligence for acquisitions and managing all the stages of the acquisition process. The Group's market risk is managed on a daily basis by the Group's leasing managers in accordance with the policies and procedures in place.

The Group's overall market positions are monitored on a monthly basis by management.

Key factors such as market yields, gross and net rental income are used in the fair value measurement of investment properties. Sensitivity of the fair value to these factors can be tested by altering the key factors as outlined in the table below.

	Impact on standing investments fair value	
Sensitivity Analysis	**2012**	**2011**
	€'000	**€'000**
Increase of 0.25% to discount rate	2,121,922	2,017,198
Decrease of 0.25% to discount rate	2,252,657	2,140,980
Increase of 5% in stabilised (forecasted) net rental income	2,294,603	2,181,109
Decrease of 5% in stabilised (forecasted) net rental income	2,076,069	1,973,384
Fair Value	**2,185,336**	**2,077,246**

	Impact on developments and land fair value	
Sensitivity Analysis	**2012**	**2011**
	€'000	**€'000**
Increase of 10% to price per sqm	590,361	644,116
Decrease of 10% to price per sqm	486,424	530,586
Increase of 5% to price per sqm	564,377	613,462
Decrease of 5% to price per sqm	512,408	556,697
Fair Value	**538,395**	**587,351**

Price risk

The Group is not materially exposed to price risk resulting from financial instruments as it does not own financial instruments whose value would fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

However, the Group's investment properties are valued at fair value. These fair values are influenced by the recent turbulence in the global markets as well as the limited amount of publicly available and up to date data relating to the real estate markets in the countries in which the Group operates. The Group is therefore exposed to the price risk resulting from movements in the Group's asset values that could change significantly during subsequent periods. At present, management is not able to assess with accuracy the extent of such changes.

Currency risk

The Group is exposed to currency risk on cash balances that are denominated in foreign currencies. Currency risks arising from investment properties and from financial instruments denominated in the functional currency do not represent a currency risk.

To eliminate the risk of transactions in foreign currencies, the Group attempts to match its income with its expense in the same currency, reducing currency risk.

The Group is mainly financed in EUR. The rents payable to the Group under the various lease agreements with tenants are mainly denominated in euro. The Group currently has 78% of GRI denominated in EUR (2011: 77%) 11 % in CZK (2011: 14%), 4% in USD (2011: 5%) and 7% in other local currencies (2011: 4%). GRI denominated in USD is generated mainly from Russia. The tenants however, mostly have their income denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of its turnover, can be affected by fluctuations of the euro, the currency in which rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly a weakening of the local currency against the euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in such rent becoming unsustainable with respect to the concerned tenant leading to a demand for discounts or even default by the respective tenants.

The following tables set out the Group's total exposure to foreign currency risk and net exposure to foreign currencies of the financial assets and liabilities:

2012	**Financial assets €'000**	**Financial liabilities €'000**	**Net exposure €'000**
CZK	6,290	(43,273)	(36,983)
HUF	3,081	(1,335)	1,746
PLN	42,147	(48,650)	(6,503)
DKK	2	(27)	(25)
RON	722	(322)	400
RUB	7,454	(19,431)	(11,977)
TRY	2	(2,190)	(2,188)
LVL	197	(653)	(456)
BGN	5	(78)	(73)
UAH	-	(31)	(31)
GEL	3	(15)	(12)
USD	886	(1,108)	(222)

2011	**Financial assets €'000**	**Financial liabilities €'000**	**Net exposure €'000**
CZK	7,132	(42,680)	(35,548)
HUF	3,044	(2,402)	642
PLN	45,115	(41,000)	4,115
DKK	38	-	38
RON	927	(633)	294
RUB	12,328	(19,027)	(6,699)
TRY	2	(2,513)	(2,511)
LVL	274	(327)	(53)
BGN	-	(24)	(24)
UAH	4	(8)	(4)
USD	241	(9,425)	(9,184)

Sensitivity Analysis
The table below indicates how a 10 percentage point strengthening of the currencies stated below against the euro as at 31 December 2012 and 31 December 2011 would have increased/(decreased) the profit in the income statement. This analysis assumes that all other variables remain constant. Recording and measurement of foreign currency results follows the principles outlined in standard IAS 21.
The table below does not take into account potential gains and losses on investment properties measured at fair value which are sensitive to foreign exchange fluctuations (e.g. rents in Russia denominated in USD) nor does it take into account the impact on any other non financial assets or liabilities.

	2012 Gain/(Loss) €'000	2011 Gain/(Loss) €'000
CZK	(3,698)	(3,555)
HUF	175	64
PLN	(650)	412
DKK	(3)	4
RON	40	29
RUB	(1,198)	(670)
TRY	(219)	(251)
LVL	(46)	(5)
BGN	(7)	(2)
UAH	(3)	(1)
GEL	(1)	(1)
USD	(22)	(918)

Interest rate risk
The majority of financial instruments bear interest on a fixed interest basis. The interest rate risks associated with the Group's financial instruments bearing variable interest rates are hedged by making use of financial derivatives (interest rate swaps). As all financial instruments other than the derivatives, were measured at amortised cost in 2012, there were no value movements due to interest rate risk fluctuations in 2012. The interest rate risk was, therefore, reduced to the impact on the income statement of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates was €190.4 million (2011: €231.5 million) as at 31 December 2012.

Group executive management analyses interest rate exposure arising from long term borrowings on a regular basis. As at 31 December 2012, 65% (2011: 59%) of the Group's borrowings were at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

Numerous general economic factors cause interest rates to fluctuate; in addition, interest rates are highly sensitive to a government's monetary policy, domestic and international economic and political conditions, the situation in the financial markets and inflation rates. Interest rates on real estate loans are also affected by other factors specific to real estate finance and equity markets, such as changes in real estate values and overall liquidity in the real estate debt and equity markets.

Increases in interest rates could adversely affect the Group's ability to finance or refinance additional borrowings, as the availability of financing and refinancing proceeds may be reduced to the extent that income from properties fails to increase sufficiently to maintain debt service coverage.

Sensitivity Analysis
The Group seeks to safeguard its results and cash flow against interest rate fluctuations by using financial derivatives (interest rate swaps) to hedge financial instruments bearing variable interest rates.

As at 31 December 2012 and 31 December 2011, it was estimated that a general increase of one percentage point (100 basis points) in interest rates would increase the Group's interest expense arising from variable interest rate instruments and subsequently decrease the profit for the year by approximately €1.9 million (2011: €2.3 million). The same would be true for a one percentage point (100 basis points) decrease, which would increase the profit for the year by approximately the same amount.

2.40 Transactions with related parties
To the best of management's knowledge, during the year ended 31 December 2012 and 31 December 2011, no single shareholder of Atrium held more than 5% of the listed ordinary shares, except for:

- Gazit-Globe Ltd ("Gazit-Globe") which held 128,908,715 shares (2011: 117,862,332 shares) in Atrium, representing approximately 34.5% (2011: 31.6%) of Atrium's total shares as at 31 December 2012 and

- Apollo Global Real Estate ("Apollo") which held 72,486,084 shares in Atrium, representing approximately 19.4% (2011: 19.4%) of Atrium's total shares as at 31 December 2012 and as at 31 December 2011.

Gazit-Globe and Apollo jointly held approximately 53.9% (2011: 51.0%) of Atrium's shares in issue as at 31 December 2012.

Transactions between Atrium and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Except as described in the following paragraphs, the directors have not entered into any transactions with Atrium and its subsidiaries, do not own shares in Atrium and have not invested in any debt issued by the Group.

a. Chaim Katzman, Director and Chairman of the Board of Directors together with family members held 255,000 shares (2011: 240,000 shares) in Atrium as at 31 December 2012. In total, Mr. Katzman and his family, through his holdings in Norstar Holdings

Inc and Gazit-Globe held indirectly 31,429,124 of Atrium's shares (2011: 35,645,097 shares), as at 31 December 2012. Together, these direct and indirect holdings represented approximately 8.4% of Atrium's total shares as at 31 December 2012. In August 2012, the Compensation and Nominating Committee approved the grant of 127,119 options to Mr. Katzman in lieu of a consultancy fee of €0.15 million. Chaim Katzman is also the Chairman of the Board of Directors of Gazit-Globe.

b. Aharon Soffer, Director, through his holding of Gazit-Globe shares, held indirectly 5,352 of Atrium's shares (2011: 4,521 shares), as at 31 December 2012. This indirect holding represents approximately 0.001% (2011: 0.001%) of Atrium's total shares as at 31 December 2012.

c. Dipak Rastogi, Director, held through his family trust an indirect investment of 435,755 shares in Atrium as at 31 December 2012 and as at 31 December 2011.

d. Joseph Azrack, Director, acquired 13,831 shares in Atrium during the year 2012, 6,915 of which were received in lieu of €25,000 of his director's fee and 6,916 of which were purchased with his own funds. He also held an indirect beneficial ownership of 10,661 shares in Atrium as at 31 December 2012. In addition, Joseph Azrack is the Managing Partner of Apollo. Apollo and its affiliates advise and manage a syndicate of investors who in aggregate own 72,486,084 Atrium shares, including the 10,661 shares indirectly beneficially owned by Mr. Azrack.

e. Thomas Wernink, Director, held 5,000 shares in Atrium as at 31 December 2012 and as at 31 December 2011.

f. Peter Linneman, Director, held 24,260 shares in the Atrium as at 31 December 2012 and as at 31 December 2011.

g. In September 2012, Simon Radford elected to receive 11,065 shares in Atrium in lieu of €40,000 of his annual director's fee.

h. In March 2012, the Compensation and Nominating Committee approved employee annual bonus payments for 2011. Rachel Lavine, Chief Executive Officer, was awarded a total bonus award of €729,167 which was settled partially by the guaranteed payment of €375,000 in cash and partially via the issuance of 63,274 shares at €3.63 per share, net of tax. The new shares were issued on 5 April 2012 and are subject to a lock-up period through to 31 July 2013.

i. Based on a consultancy agreement with the Group, Chaim Katzman, Chairman of the Board was entitled to consultancy fees of €0.6 million (2011: €0.5 million) and expenses as permitted under his agreement.

Atrium has paid flight and travel expenses of €0.2 million (2011: €0.8 million) to MGN Icarus Inc. a subsidiary of Gazit-Globe. Such travel expenses were at arm's length and were incurred by the Chairman of the Board and management for property tours and other business activities.

The total remuneration of the non-executive directors arising from their directors' contracts amounted to €0.6 million for the year 2012 (2011: €0.4 million).

During the year ended 31 December 2012, the total compensation paid or payable to group executive management personnel amounted to €3.3 million (2011: €3.9 million) and share based payment expenses amounted to €0.9 million (2011: €1.0 million).

Transactions with associates are represented by loans provided in 2006 with a book value of €42.5 million (2011: €35.4 million) as at 31 December 2012. The loans are granted to Euro Mall Polska XVI SP zoo, Euro Mall Polska XIX SP zoo and Euro Mall Polska XX SP zoo, entities in which the Group held a 24% stake at 31 December 2012. These loans have a fixed interest rate of 6.7% per year and are secured over a plot of land in Poland.

The Group contracted for legal services amounting to €0.5 million (2011: €0.6 million) provided by Atlas Legal Consultancy Services B.V., a consultancy company controlled by Marc Lavine, a related party to Rachel Lavine. Amounts were billed based on arm's length rates for such services.

During the year ended 31 December 2012, 227,119 options were granted. Out of the 5,372,171 outstanding options as at 31 December 2011, 408,333 options were exercised and 59,998 options were returned to the option pool. The total number of the outstanding options was 5,130,959 as at 31 December 2012.

Atrium did not conclude any contracts with Aztec Financial Services (Jersey) Limited except for a services contract of €0.2 million (2011: €0.2 million), connected with the provision of administration, company secretarial and registrar services for Atrium. Aztec Financial Services (Jersey) Limited is part of Aztec Group where Simon Radford is a director and shareholder.

2.41 Contingencies

The circumstances of the acquisition of 88,815,500 Austrian Depositary Receipts ("ADCs") representing shares of Atrium announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria.

On 7 February 2012, the Jersey Financial Services Commission reconfirmed its conclusions, following an investigation commenced in July 2008, that the ADC Purchases involved no breach of the relevant articles of the Jersey Companies (Jersey) Law and that its investigation has concluded without any finding of wrong- doing.

Atrium is involved in certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 11 March 2013, the latest practicable date prior to authorization of this report, the value of the claims and proceedings to which Atrium was then a party in this regard was approximately €13 million. The number of claims and amounts claimed are expected to fluctuate over time as proceedings develop or are dismissed. The claims are at varying stages of development and are expected to be resolved over a number of years. While a provision has been recorded in respect of these proceedings, based on current knowledge and management assumptions and includes the estimated associated expenses, the actual outcome of the claims and the timing of their resolution cannot be estimated reliably by the Company at this time. The further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets' has not been disclosed on the grounds that it can be expected seriously to prejudice the outcome of the claims. Atrium rejects the claims and is defending them vigorously. Where judgment has been handed down against Atrium in any proceedings, the matter is subject to appeal.

There are currently criminal proceedings pending against Mr. Julius Meinl and others before the criminal court in Vienna relating to events that occurred in 2007 and earlier. In connection with this, a law firm representing various investors in Atrium, who had invested at the time of these events, has alleged that Atrium is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor has directed Atrium to reply to the allegations and has started criminal investigation proceedings against Atrium based on the Austrian Corporate Criminal Liability Act. This legislation, which came into force in 2006, is of uncertain application. Atrium's management believes a finding of liability on its part would be inappropriate. Accordingly, Atrium intends to actively defend the proceedings.

A settlement agreement dated 17 June 2011 between Atrium, Meinl Bank AG ("Meinl Bank"), Mr. Julius Meinl and the other related parties resolved a number of pending legal proceedings and disputes between those parties including a derivative action in the Royal Court of Jersey. An independent committee of the Board also determined that there was no basis for the claims made in the derivative action and no benefit to Atrium in pursuing the action.

The continuing uncertainty in the global markets, especially the Euro Zone and real estate markets, as well as the limited amount of publicly available up-to-date data and research relating to the real estate markets in the countries in which the Group invests could lead to significant changes in the values of the Group's assets during subsequent periods. Management is not at present able to assess with accuracy the extent of any such changes.

2.42 Subsequent events

In January 2013, MD CE Holding Limited, a 100% owned subsidiary of Atrium, purchased 49% of the shares in Nokiton Investments Limited and now owns 100% of this entity and its subsidiaries. Total consideration paid and transaction costs amounted to €3.0 million.


Auchan
DECATHLON
dm
MEDIA GALAXY
Hervis
HUMANIC
SECUIANA
TAKKO
militari

Atrium's Standalone Financial Report

3. Atrium's Standalone Financial Report

Statement of Financial Position of Atrium European Real Estate Limited as at 31 December 2012

	Note	2012 €'000	2012 €'000	2011 €'000	2011 €'000
Assets					
Non-current assets					
Financial investments	3.2	319,093		365,603	
Other assets		5		811	
Loans and receivables	3.3	2,348,687		2,252,238	
			2,667,785		**2,618,652**
Current assets					
Other receivables		633		670	
Cash and cash equivalents	3.4	168,959		199,250	
			169,592		**199,920**
Total assets			**2,837,377**		**2,818,572**
Equity and liabilities					
Equity					
Stated capital		2,836,658		2,899,118	
Other reserves		4,879		3,571	
Retained Earnings	3.5	(205,359)		(335,066)	
Total equity			**2,636,178**		**2,567,623**
Liabilities					
Non-current liabilities					
Long term borrowings	3.6	154,802		242,826	
Provisions		1,000		100	
			155,802		**242,926**
Current liabilities					
Short term borrowings	3.6	39,155		-	
Other payables	3.7	1,198		1,877	
Accrued expenditure	3.8	5,044		6,146	
			45,397		**8,023**
Total liabilities			**201,199**		**250,949**
Total equity and liabilities			**2,837,377**		**2,818,572**

Income Statement of Atrium European Real Estate Limited for the year ended 31 December 2012

	Note	2012 €'000	2012 €'000	2011 €'000	2011 €'000
Administrative expenses	3.9	(10,652)		(22,188)	
Cost of disposal of financial investments	3.10	-		(22,895)	
Reversal of impairment of assets / (impairment)	3.11	(64,461)		191,290	
Net operating profit / (loss)			**(75,113)**		**146,207**
Interest income	3.12	212,831		203,407	
Interest expense	3.12	(10,623)		(14,040)	
Other financial income / (expenses)	3.13	2,612		(5,611)	
Total net financial income			**204,820**		**183,756**
Profit before and after taxation for the year			**129,707**		**329,963**

3.1 Basis of Atrium's standalone financial report

Atrium European Real Estate Limited ("Atrium") has prepared its standalone statement of financial position, income statement and related notes to the financial statements.

The significant accounting policies of Atrium are the same as those of the Group as described in note 2.3 except for that mentioned below.

The financial assets of Atrium are classified into the following categories:
- Loans and receivables; and
- Available for sale financial assets.

Financial investments represent Atrium's investment in subsidiaries and are, therefore eliminated in the consolidated financial statements.

These financial investments are classified as available for sale financial assets stated at cost less impairment, which represent the fair value, as they are not quoted in an active market. They are recognised and derecognised on the date of the transaction with any resulting gain or loss recognised in the income statement.

All financial assets presented by Atrium are tested for impairment. The testing is performed annually or whenever there is an indication that an asset may be impaired. The recoverable amounts of financial investments and amounts due from subsidiary undertakings were assessed on the basis of the net assets of subsidiaries included in the consolidated financial statements of the Group.

3.2 Financial investments

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership 2012 %	Ownership 2011 %	Carrying amount 2012 €'000	Carrying amount 2011 €'000
Broadvale Holdings Limited	Cyprus	Holding company	100%	100%	3	3
Mall Gallery I Limited	Cyprus	Holding company	63%	63%	46,515	46,515
Mall Gallery II Limited	Cyprus	Holding company	100%	100%	30,228	30,228
MD CE Holding Limited (*)	Cyprus	Holding company	0%	100%	-	1
MD Russia Holding Limited (*)	Cyprus	Holding company	0%	100%	-	1
MD Time Holding Limited (*)	Cyprus	Holding company	0%	77%	-	47,657
Atrium European Cooperatief U.A.	Netherlands	Holding company	100%	100%	6,831	5,321
Manhattan Real Estate Management, s.r.o.	Czech Republic	Management company	100%	100%	1,756	1,756
Manhattan Real Estate Management Kft.	Hungary	Management company	100%	100%	530	530
Atrium European Real Estate Nominees Ltd.	Jersey	Management company	100%	100%	-	-
Atrium Treasury Services Ltd.	Jersey	Management company	100%	100%	304,000	304,000
SIA Manhattan Real Estate Management	Latvia	Management company	100%	100%	3	3
Manhattan Real Estate Management Sp. z o.o.	Poland	Management company	100%	100%	4,423	4,423
Manhattan Real Estate Management SRL	Romania	Management company	100%	100%	5	5
OOO Manhattan Real Estate Management	Russia	Management company	100%	100%	-	-
Manhattan Real Estate Management SK s.r.o.	Slovakia	Management company	100%	100%	988	988
Manhattan Gayrimenkul Yönetimi Limited Şirketi	Turkey	Management company	99%	99%	3	3
Balcova Gayrimenkul A.S.	Turkey	Property investment	96%	96%	23	23
Istmar Tem Gayrimenkul Yatirim Insaat Ve Ticaret AS (**)	Turkey	Property investment	96%	96%	7	7
Total gross value					**395,315**	**441,464**
Accumulated impairment loss					(76,222)	(75,861)
Total net value					**319,093**	**365,603**

(*) The investment was sold in 2012 to subsidiaries of Atrium.

(**) Previously called "Multi Turkmall Alti Emlak A.S."

3.3 Loans and receivables

	2012 €'000	2011 €'000
Loans to third parties	16,254	15,786
Impairment of amounts due from third parties	(8,254)	(5,786)
Amounts due from subsidiary undertakings	3,008,125	2,901,035
Impairment of amounts due from subsidiary undertakings	(667,438)	(658,797)
Total	**2,348,687**	**2,252,238**

3.4 Cash and cash equivalents

Within the total cash amount of €169.0 million (2011: €199.3 million) Atrium holds cash of €10.1 million (2011: €9.8 million) as backing for guarantees issued by PricewaterhouseCoopers, who act as a trustee in relation to Atrium's 2003 and 2005 bonds.

3.5 Retained Earnings

	2012 €'000	2011 €'000
Opening balance 1 January	(335,066)	(665,029)
Net result for the year	129,707	329,963
Closing balance	**(205,359)**	**(335,066)**

3.6 Borrowings

Borrowings consist of bonds issued in the total amount of €194.0 million (2011: €242.8 million). Bonds issued in the amount of €154.8 million are due after more than 12 months and the amount of €39.2 million is due in July 2013. Further information about bonds is disclosed in note 3.12.

3.7 Other payables

	2012 €'000	2011 €'000
Payables for consultancy and audit services	640	859
Payables related to acquisitions	-	27
Other payables	558	991
Total	**1,198**	**1,877**

3.8 Accrued expenditure

	2012 €'000	2011 €'000
Accrued interest	3,503	4,642
Accrued management and directors' fees	285	388
Accrued consultancy and audit fees	1,256	1,116
Total	**5,044**	**6,146**

3.9 Administrative expenses

	2012 €'000	2011 €'000
Consultancy and other fees	(1,319)	(1,640)
Directors' fees	(600)	(515)
Legal fees	(5,112)	(16,614)
Audit fees	(1,119)	(1,038)
Other expenses	(2,502)	(2,381)
Total	**(10,652)**	**(22,188)**

3.10 Cost of disposal of financial investments

The loss in the amount of €22.9 million in 2011 relates to the entity owning the Forum Trabzon shopping centre in Turkey. The entity was sold in August 2011 as a part of the agreement terminating Atrium's co-operation with Multi.

3.11 Impairment / Reversal of impairment of assets

The net impairment of assets for the year 2012 amounted to €64.5 million (2011 reversal of impairment: €191.3 million) and comprised mainly of the impairment loss on financial investments of €57.0 million (2011: €29.7 million), and the impairment on amounts due from subsidiaries undertakings of €9.0 million (reversal of impairment losses in 2011: €221.8 million). The increase in the impairment amount is mainly due to the decrease in the fair value of the subsidiaries in 2012.

3.12 Interest income and interest expense

	2012 €'000	2011 €'000
Interest income		
From loans to subsidiaries	211,919	200,064
From deposits, loans to third parties and other	912	3,343
	212,831	**203,407**
Interest expense		
Related to issued bonds*	(9,792)	(12,389)
Amortisation of premiums and discounts	(831)	(1,651)
	(10,623)	**(14,040)**

** Atrium's major interest expense in 2012 and 2011 is the interest related to the company's issued bonds, and comprises the following bonds (see also note 2.18):*

1. *EUR bonds issued in 2003 and due in 2013, interest rate of 6% for tranche A and SWAP 10Y EURO (30/360) for tranche B payable on an annual basis in July of every year, but minimum 5.5% p.a.*
2. *EUR bonds issued in 2005 and due in 2015, interest rate of 4.35% payable on an annual basis in August of every year.*
3. *EUR bonds issued in 2005 and due in 2017, interest rate of SWAP 10Y EURO (30/360) payable on an annual basis in August of every year, but minimum 4.0% p.a.*
4. *CZK bonds issued in 2005 and due in 2015, interest rate of 6M Pribor + 120 basis points payable twice a year in February and in August of every year.*
5. *EUR Subordinated Convertible Securities issued in 2008 and due in 2015, interest rate of 10.75% payable quarterly in February, May, August and November of every year. These bonds were fully repurchased in 2011.*

3.13 Other financial income /(expenses)

	2012 €'000	2011 €'000
Profit/(loss) from financial transactions	(4,568)	912
Foreign exchange differences	7,180	(6,523)
Total	**2,612**	**(5,611)**

Profit / (loss) from financial transactions includes a €2.5 million impairment on third party loans in 2012 (2011: €0.5 million) and €1.7 million loss connected to bonds buy backs in 2012 (2011: €1 million profit).

3.14 Taxation

With effect from 1 January 2009, Jersey implemented a new tax regime which imposes a general corporate income tax rate of 0%, while applying a 10% rate to certain regulated financial services companies and a 20% rate to utilities and income from Jersey land (i.e. rents and development profits). Jersey registered companies are treated as resident for tax purposes and are subject to a 0% or 10% standard income tax rate. As Atrium is not a regulated financial services company, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at 0%.

3.15 Categories of financial instruments

Atrium distinguishes the following categories of financial instruments as required by IFRS 7:

2012	Carrying amount €'000	Loans and receivables €'000	Available for sale financial assets €'000	Financial liabilities at amortised cost €'000
Financial assets				
Financial investments	319,093	-	319,093	-
Long term loans and receivables	2,348,687	2,348,687	-	-
Other receivables	633	633	-	-
Cash and cash equivalents	168,959	168,959	-	-
Total financial assets	**2,837,372**	**2,518,279**	**319,093**	**-**
Financial liabilities				
Long term borrowings	154,802	-	-	154,802
Short term borrowings	39,155	-	-	39,155
Other payables	1,198	-	-	1,198
Accrued expenditure	5,044	-	-	5,044
Total financial liabilities	**200,199**	**-**	**-**	**200,199**

2011	Carrying amount €'000	Loans and receivables €'000	Available for sale financial assets €'000	Financial liabilities at amortised cost €'000
Financial assets				
Financial investments	365,603	-	365,603	-
Long term loans and receivables	2,252,238	2,252,238	-	-
Other receivables	670	670	-	-
Cash and cash equivalents	199,250	199,250	-	-
Total financial assets	**2,817,761**	**2,452,158**	**365,603**	**-**
Financial liabilities				
Long term borrowings	242,826	-	-	242,826
Short term borrowings	-	-	-	-
Other payables	1,877	-	-	1,877
Accrued expenditure	6,146	-	-	6,146
Total financial liabilities	**250,849**	**-**	**-**	**250,849**

The fair values of bonds presented under long term and short term borrowings are stated in note 2.18.

The fair values of financial assets and remaining financial liabilities approximate their book values. Financial liabilities are stated at amortised cost.

Atrium has pledged some cash as collateral, for more information see note 3.4.

3.16 Risk management

The risk management processes of Atrium are the same as those of the Group, described in note 2.39, except as stated below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Atrium's principal financial assets are cash and cash equivalents, other receivables, loans and receivables and financial investments. The maximum exposure of Atrium to credit risk is the carrying amount of each class of financial assets; see also note 3.15.

Financial assets subject to credit risk are represented principally by financial investments and loans and receivables which mainly comprise the amounts due from subsidiary undertakings within the Group. In 2012, the carrying value of investments decreased mainly due to impairments relating to subsidiary undertakings, as a result of a decrease in the fair value of those companies. The amounts due from subsidiary undertakings were impaired as disclosed in note 3.3. As intercompany transactions and balances are eliminated in the consolidated financial statements, they only represent a credit risk exposure on Atrium's level. To mitigate the other credit risk arising from financial instruments - loans to third parties, historical data of counterparties from the business relationship are used, in particular data in relation to payment behaviour. Allowances for receivables are recorded in respect of the level of recognised risks, are individually tailored to each borrower and are calculated on the basis of management knowledge of the business and the market.

The credit risk exposure is comprised of normal course of business transactions with third parties, associates and its subsidiaries.

Liquidity risk

The liquid funds, comprising cash and cash equivalents (note 3.4), amount to € 169.0 million (2011: € 199.3 million).

The table below analyses Atrium's financial liabilities including accrued interest payments based on maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

2012	**Carrying amount**	**Total contractual cash flows**	**One year or less**	**One to two years**	**Two to five years**	**More than five years**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Borrowings	197,460	224,358	47,610	6,032	170,716	-
Other liabilities	2,739	2,739	2,739	-	-	-
Total	**200,199**	**227,097**	**50,349**	**6,032**	**170,716**	**-**

2011	**Carrying amount**	**Total contractual cash flows**	**One year or less**	**One to two years**	**Two to five years**	**More than five years**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Borrowings	247,468	284,130	11,318	99,050	86,866	86,896
Other liabilities	3,381	3,381	3,381	-	-	-
Total	**250,849**	**287,511**	**14,699**	**99,050**	**86,866**	**86,896**

Other liabilities comprise accrued expenditures and other payables but exclude provisions and accrued interest on bonds.

Currency risk

Atrium is mainly financed in Euros. Atrium's main exposure to currency risk arises from financial instruments representing intercompany transactions within the Group. Atrium currently has 70% of financial instruments denominated in EUR (2011: 64%), 16% in USD (2011: 22%) and 14% in local currencies (2011: 14%).

The following table sets out Atrium's total exposure to foreign currency risk and the net exposure to foreign currencies of its financial assets and liabilities:

2012	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	156,412	(31,809)	124,603
HUF	72,194	-	72,194
PLN	165,925	-	165,925
RUB	2,990	-	2,990
USD	460,519	-	460,519

2011	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	169,210	(30,891)	138,319
HUF	62,439	-	62,439
PLN	140,634	-	140,634
RUB	27,071	-	27,071
USD	620,785	-	620,785

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2012 and 31 December 2011 would have changed profit in the income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

Company's sensitivity analysis of Euro against foreign currency	2012 Gain/(Loss) €'000	2011 Gain/(Loss) €'000
CZK	(12,460)	(13,832)
HUF	(7,219)	(6,244)
PLN	(16,593)	(14,063)
RUB	(299)	(2,707)
USD	(46,052)	(62,078)

Interest rate risk

A large share of financial instruments i.e. 29% of financial liabilities (2011: 29%) and 65% of financial assets (2011: 66%) bore interest on a fixed interest basis in 2012. Therefore, interest rate risk is reduced to the income statement impact from interest paid and received on variable interest rate of financial instruments. The carrying amounts of these instruments are stated in the table below:

Financial instruments bearing variable interest rates	2012 €'000	2011 €'000
Financial assets	1,002,630	958,088
Financial liabilities	(141,923)	(176,927)
Total	**860,707**	**781,161**

Sensitivity Analysis

At 31 December 2012 and 31 December 2011, it was estimated that a general increase of one percentage point (100 basis points) in interest rates would increase Atrium's interest income and profit by approximately €8.6 million (2011: €7.8 million). As Atrium does not use derivatives, the same would be true for a one percentage point (100 basis points) decrease, which would decrease the profit by approximately the same amounts. Equity would not be affected, as Atrium's financial investments are measured at cost less impairment.

3.17 Contingencies and subsequent events

Contingencies and subsequent events are the same as those of the Group and are disclosed in notes 2.41 and 2.42.

4. Independent Auditor's Report to the Members of Atrium European Real Estate Limited

We have audited the Group and Parent Company financial statements (the 'Annual Financial Statements') of Atrium European Real Estate Limited for the year ended 31 December 2012 which comprise the Consolidated and Parent Company Statements of Financial Positions, the Consolidated and Parent Company Income Statements, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as endorsed by the EU.

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the directors are responsible for the preparation of the Annual Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Annual Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Annual Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the Annual Financial Statements sufficient to give reasonable assurance that the Annual Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Annual Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Annual Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Annual Financial Statements
In our opinion:

- The Annual Financial Statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2012 and of the Group's and the Parent Company's profit for the year then ended;
- the Group Annual Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU; and
- the Parent Company Statement of Financial Position, Income Statement and related notes have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU as applied in accordance with the provisions of the Companies (Jersey) Law 1991; and
- the Annual Financial Statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Report on other legal and regulatory requirements: Group Management Report and comment on the declaration of the Parent Company's management according to para 82 BorseG
Pursuant to statutory provisions, the Group Management Report is to be audited as to whether it is consistent with the Group Annual Financial Statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the Group Management Report is consistent with the Group Annual Financial Statements.

In our opinion, the Group Management Report is consistent with the Group Annual Financial Statements.

The Group Management Report for the year ended 31 December 2012 includes the declaration of the Parent Company’s management according to para 82 (4) fig 3 BorseG.

Heather J. MacCallum
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditors
37 Esplanade
St Helier
Jersey
JE4 8WQ

12 March 2013

Notes:

- *The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 12 March 2013. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 12 March 2013 which in any way extends this date.*
- *Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.*

Key Performance Indicators

5. Key Performance Indicators

KEY FINANCIAL FIGURES	Unit	2012	2011	Change
Gross rental income	€ '000	193,475	172,173	12.4%
EPRA Like-for-like gross rental income	€ '000	161,517	153,490	5.2%
Net rental income	€ '000	181,279	154,870	17.1%
EPRA Like-for-like net rental income	€ '000	148,844	138,678	7.3%
Operating margin	%	93.7	90.0	3.7%
EBITDA excluding revaluation and disposals	€ '000	145,993	112,440	29.8%
Company adjusted EPRA Earnings	€ '000	120,904	102,688	17.7%
Revaluation of standing investments	€ '000	58,533	128,706	(54.5%)
Revaluation of developments and land	€ '000	(63,494)	(51,385)	23.6%
Profit before taxation	€ '000	116,073	169,697	(31.6%)
Profit after taxation	€ '000	96,175	143,246	(32.9%)
Net cash generated from operating activities	€ '000	126,493	101,401	24.7%
Total assets	€ '000	3,068,541	3,040,701	0.9%
Equity	€ '000	2,281,372	2,264,543	0.7%
Borrowings	€ '000	537,061	567,992	(5.4%)
Borrowings, net	€ '000	329,218	333,068	(1.2%)
LTV (gross)	%	19.7	21.3	(1.6%)
LTV (net)	%	12.1	12.5	(0.4%)
PORTFOLIO KEY FIGURES				
Number of standing investments properties	Number	156	155	0.6%
Standing investments at fair value	€ '000	2,185,336	2,077,246	5.2%
Net equivalent yield (weighted average)	%	8.4	8.4	-
EPRA Occupancy rate	%	98.0	97.6	0.4%
Number of development and land projects	Number	36	37	(2.7%)
Developments and land at fair value	€ '000	538,395	587,351	(8.3%)
PER SHARE FIGURES				
IFRS Earnings per share	€	0.26	0.39	(33.3%)
Company adjusted EPRA Earnings per share	€	0.32	0.28	14.3%
Dividend per share	€	0.17	0.14	21.4%
EPRA NAV per share	€	6.44	6.36	1.3%
IFRS NAV per share	€	6.12	6.11	0.2%
Share price end of period	€	4.45	3.48	27.9%

6. Directors, Group Executive Management, Professional Advisors and Principal Locations

Directors:
Chaim Katzman
Rachel Lavine
Joseph Azrack
Noam Ben-Ozer
Peter Linneman
Simon Radford
Dipak Rastogi
Aharon Soffer
Thomas Wernink
Andrew Wignall

Group Executive Management:

Rachel Lavine	CEO
David Doyle	CFO
Nils-Christian Hakert	COO
Thomas Schoutens	CDO

Administrator and Registrar:
Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH

Independent Auditors:
KPMG Channel Islands Limited
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 8WQ

Media Relations Advisor:
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London, WC2A 1 PB, UK

Registered office:
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Jersey
JE4 0QH

Principal locations:

Czech Republic
Manhattan Real Estate Management s.r.o.
U Libeňského pivovaru 63/2, CZ-180-00
Prague

Hungary
Manhattan Real Estate Management Kft
Bécsi út 154, HU-1032
Budapest

The Netherlands
Atrium European Management NV
World Trade Center, C tower, Strawinskylaan 941
1077XX
Amsterdam

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Warsaw

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Cover photo:
Atrium Promanada shopping centre in Warsaw, Poland


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