



Leader in Shopping Centres in Central and Eastern Europe



Interim Financial Report  
30 June 2013

# 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 key 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 €592.7 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

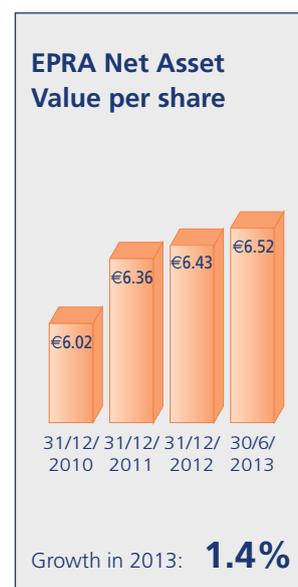
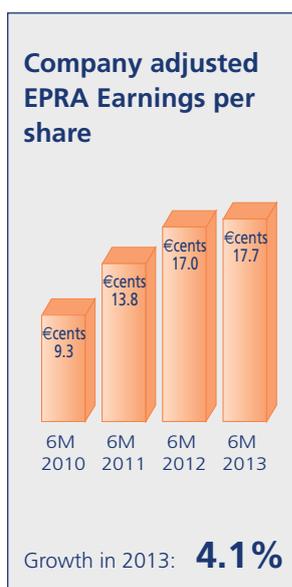
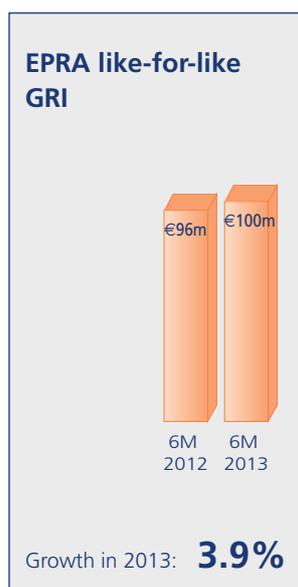
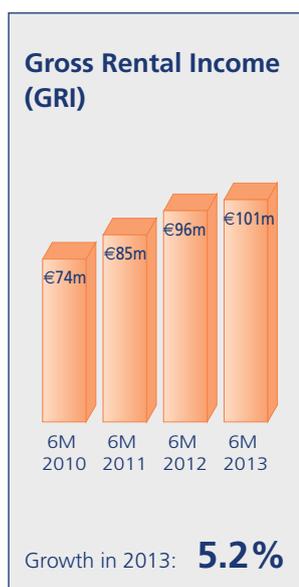
- Continue to drive the financial and operational performance of our assets while striving to constantly improve our offering for retailers and consumers;
- Maintain our pursuit of appropriate investment opportunities in our core markets of Poland, the Czech Republic and Slovakia;
- Further improve the capital structure and efficiency of the Group's balance sheet; and
- 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.



# Key Performance Indicators

Income statement	Unit	6M 2013	6M 2012	Change %	FY 2012
Gross rental income	€ '000	101,130	96,157	5.2%	193,475
EPRA like-for-like gross rental income	€ '000	99,650	95,907	3.9%	161,517
Net rental income	€ '000	96,277	91,737	4.9%	181,279
EPRA like-for-like net rental income	€ '000	94,845	91,511	3.6%	148,844
Operating margin	%	95.2	95.4	(0.2%)	93.7
EBITDA excluding revaluation, disposals and impairments	€ '000	81,260	76,092	6.8%	145,993
Company adjusted EPRA Earnings	€ '000	66,139	63,405	4.3%	120,904
Revaluation of standing investments	€ '000	11,604	56,996	(79.6%)	58,533
Revaluation of developments and land	€ '000	(4,091)	(24,018)	83.0%	(63,494)
Profit before taxation	€ '000	61,709	90,919	(32.1%)	116,073
Profit after taxation	€ '000	52,078	76,704	(32.1%)	96,175
Net cash generated from operating activities	€ '000	71,072	67,878	4.7%	126,493
IFRS Earnings per share	€ cents	13.9	21.4	(35.0%)	26.5
Company adjusted EPRA Earnings per share	€ cents	17.7	17.0	4.1%	32.4

Balance sheet	Unit	30/6/2013	31/12/2012	Change %
Standing investments at fair value	€ '000	2,203,697	2,185,336	0.8%
Developments and land at fair value	€ '000	592,665	538,395	10.1%
Cash and cash equivalents	€ '000	529,853	207,843	154.9%
Equity	€ '000	2,294,708	2,281,372	0.6%
Borrowings	€ '000	879,493	537,061	63.8%
LTV (gross)	%	31.5	19.7	11.8%
LTV (net)	%	12.5	12.1	0.4%
IFRS NAV per share	€	6.13	6.12	0.2%
EPRA NAV per share	€	6.52	6.43	1.4%



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## Statement Regarding Forward Looking Information

This Interim 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 Interim Financial Report and include statements regarding the intentions, beliefs or current expectations of Atrium European Real Estate Limited ("Atrium") and its subsidiaries (together with Atrium, the "Group"). 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 Interim Financial Report is up to date only as of the date of this Interim 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 Interim Financial Report, and particularly the forward looking statements, are qualified by these cautionary statements.

You should read this Interim 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.

# Group Management Report

## Group Management Report

### Business Review

#### **Solid operational performance supported by good progress in implementation of growth strategy**

During the period under review we have continued to deliver solid operational progress and passed two new milestones with gross rental income for the first half of 2013 surpassing the €100 million mark and the standing investment portfolio value exceeding €2.2 billion as at 30 June 2013.

Gross rental income grew by 5.2% to €101.1 million while net rental income increased 4.9% to €96.3 million for the period. On a like-for-like basis, gross and net rental income increased by 3.9% to €99.7 million and 3.6% to €94.8 million, respectively. These results highlight our continued ability to create value through asset management in a market characterised by low, or flat, rental growth and against a backdrop of some macro-economic uncertainty. In line with the trend of recent periods, these figures benefited from the strong performance of our portfolios in the key markets of Poland and Russia, which recorded growth in gross rental income of 3.0% and 15.3% respectively, and EPRA like-for-like net rental income growth of 3.1% and 10.3%. We achieved an operating margin of 95.2% for the half year, which remains ahead of our expectations for the full year.

In January 2013, we acquired the outstanding 49% stake in a group subsidiary that owns land in Kalisz, Poland for a total consideration, including transaction costs, of €3.4 million. Additionally, in June 2013, we acquired from our venture partner the 76% majority stake in associated companies that own land in Gdansk, Poland for a total consideration, including transaction costs, of €2.5 million. Both these transactions are in line with our strategy of acquiring stakes in our legacy projects where we do not benefit from full control.

In April 2013, we successfully raised €350.0 million through the placing of an unsecured seven year Eurobond bearing a 4.0% fixed coupon, further strengthening our balance sheet and positioning us strongly to take advantage of opportunities to grow the portfolio. The high level of demand for the bond, which was over-subscribed by 3.7 times, was very encouraging and both reflects the progress we have made and the level of confidence that investors have in Atrium and our future performance. Both Standard & Poor's and Fitch assigned a BBB- investment grade credit rating to the bond, in line with Atrium's own corporate rating.

In June 2013, we were very pleased to announce the €151.7 million acquisition of the Galeria Dominikańska shopping centre in Wroclaw, Poland. The acquisition is perfectly in line with our aim of acquiring prime, income producing shopping centres in the major cities of our core markets which have the strongest and most stable economies in the CEE region. The asset is a fully occupied, Grade A shopping centre located at the heart of the city centre and will be a great addition to our portfolio. It is anchored by a Carrefour supermarket and comprises approximately 32,900 sqm of gross lettable area and 1,250 sqm of office space. During July we received approval from the Polish antimonopoly office and we anticipate that the transaction will close during the third quarter.

Our development team has continued to make solid progress with the construction and pre-letting of our 75,000 sqm Atrium Felicity centre in Lublin, Poland, which is on schedule to open in early March 2014. We have begun the initial phases of tenant handover on site and as of the date of this report the centre is over 90% pre-leased with an average lease length of approximately six years.

In July 2013, we signed agreements with the general contractor for the second phase of the redevelopment of our Atrium Copernicus centre in Torun, Poland, with construction works underway this month. Together with the first phase, comprising a multi-level car park expansion, the extension will add an additional 17,300 sqm of GLA and a further 640 parking spaces to the centre by late 2014. As of the date of this report 65% of the extension has already been pre-let to a range of tenants including Decathlon, Smyk, Carry and Rossmann.

Following on from our successes at Europa Property's CEE Retail Real Estate Awards in 2011 and 2012, when Atrium was named Investor of the Year, at this year's ceremony in March 2013, we were delighted to be named as the Overall Company of the Year. This was a particularly pleasing result as the award is judged by industry professionals active across the region.

#### **Operating profit, cash flow and balance sheet remain strong**

At an operating level, the Group performed well, with EBITDA, excluding portfolio valuation changes and disposals, improving 6.8% to €81.3 million from €76.1 million in the first half of 2012. Our operating margin of 95.2% for the first half year was slightly ahead of management expectations and in line with the 95.4% reported in the prior period, while net cash generated from operating activities increased 4.7% to €71.1 million.

IFRS profit before tax was impacted by a €25.5 million lower revaluation result which, whilst still a positive €7.5 million, was significantly lower than the very strong €33.0 million reported in the first half of 2012. Additionally the current period includes €4.6 million of goodwill and other impairments and €2.8 million of interest expense associated with the new bond issuance, all of which have resulted in a fall in profit before tax to €61.7 million this year, compared to €90.9 million in the first half of 2012. This also impacted IFRS earnings per share, which declined to 13.9 cents per share from 21.4 cents per share in the first half of 2012. Conversely, company adjusted EPRA earnings per share, which excludes non-recurring and largely non-cash items such as revaluations, foreign exchange and impairments, increased by 4.1% to 17.7 cents per share, against 17.0 cents for the same period last year.

Our portfolio of 156 standing investments increased in value by 0.8% to over €2.2 billion, which together with the development and land portfolio of €592.7 million, results in a total portfolio valuation to €2.8 billion as at 30 June 2013. At the same time, IFRS and EPRA NAV per share increased to €6.13 and €6.52 respectively, compared to €6.12 and €6.43 per share at year end 2012. The increase in our net asset values arising from earnings generated during the period were largely offset by dividend payments and the impact of the acquisition of the non-controlling interests referred to earlier.

As referenced earlier, in April we successfully completed a €350 million unsecured bond issuance, proving our ability to diversify our sources of debt finance and extending the average maturity of our debt to 5.2 years. In July, the remaining €39.2 million outstanding on the secured bond originally issued in 2003 was repaid on maturity. This maturity released a further €147.7 million of investment properties to the unencumbered pool. The balance sheet remains very conservatively positioned, with a gross and net LTV of 31.5% and 12.5% respectively as at 30 June 2013.

### **Dividend**

On 12 November 2012 Atrium's Board approved a 17.6% increase in the Group's annual dividend for 2013 from €0.17 per share to at least €0.20 per share (subject to any legal or regulatory requirements and restrictions of commercial viability), to be declared and paid quarterly as a capital repayment. This increase reflects the Group's continued robust financial performance and the Board's confidence in its future prospects and was applied to our first and second dividend payments of €0.05 per share on 28 March 2013 and 28 June 2013. The third dividend payment for the year will also be made as a capital repayment on 30 September 2013 to shareholders on the register at 21 September 2013 with an ex date of 19 September 2013. The dividend remains comfortably covered by earnings.

### **Our markets**

Despite differences between countries, the slowdown in CEE appears to have started bottoming out in recent months and there are tentative signs of a turnaround in regional growth. These positive signs include the GDP growth forecasts for 2013 and 2014, which the IMF updated in July and did not revise downward for CEE, with the exception of Russia which is affected by lower global commodity prices. Although the IMF lowered its 2013 and 2014 growth estimates for both the Eurozone and the worldwide economies in July, the institution has maintained its 2.2% and 2.8% GDP growth forecasts for the CEE region this year and the next, respectively.

The uplift in the outlook for CEE is mostly driven by a general recovery in retail sales and consumer confidence. Despite the impact of weakening local currencies versus the Euro, inflation has remained at low levels throughout the year to date. In addition, as the long and harsh winter across Europe finally came to an end in May, retailers started to reap the benefits of a relatively warm summer, ultimately resulting in flat or higher first half year turnover compared to the prior year. Consequently, the current retail sales outlook for the 2013 full year is moderately more positive across Atrium's markets than previously forecast.

In line with this cautiously optimistic outlook, as well as the still promising long-term prospects of the region, retailers' interest in CEE remains strong, with Poland and Russia continue to stand out as particularly attractive destinations. Furthermore, with the exception of Poland and Russia, the shopping centre development market in CEE has remained relatively slow. This has constrained supply and led to a much stronger focus on enhancing the value of existing assets through extensions and modernisation works. In overall terms, the

CEE shopping centre markets remain unsaturated in terms of quality supply.

With respect to investment markets, CEE property investment enjoyed a 38% year-on-year increase in the first six months of 2013. Although the retail sector accounted for only one third of these investment volumes, several transactions will be officially closed later this year, including Atrium's acquisition of Galeria Dominikańska, and JLL forecasts the full-year volume will reach €3.5 billion, which is close to pre-crisis levels.

### **Group executive management team change**

We recently announced the appointment of Soňa Hybnerová as our new Chief Financial Officer to succeed David Doyle, who is leaving the Group to pursue other business interests. Soňa will assume her new role on 1<sup>st</sup> September 2013, following the completion of an orderly handover. Soňa has been with the Group for almost eight years, during which time she has held a number of senior financial positions, most recently as Director of Finance for Strategic Projects.

### **Outlook**

Our ability to consistently grow gross, net and like-for-like income on a quarterly basis again demonstrates the quality of our portfolio and our strong presence in the leading CEE countries as well as the expertise of our team and its ability to create value. While our first half year performance underpins our confidence in our ability to continue to produce strong and sustainable levels of rental income and cash flow, and despite the positive spread in GDP growth rates our region enjoys over the Euro area, we cannot ignore the impact of the on-going issues in the Eurozone on the economies in which we operate.

Demographically, the rising number of middle class consumers in CEE supports our strategy of focusing on supermarket anchored real estate that meets consumers' everyday needs and gives us confidence in our future performance. The continued steady expansion of international and strong domestic retail brands in the key cities of our core markets provides us with further encouragement, especially since the current low supply of suitable new retail stock makes space in successful retail assets all the more desirable. As such, we remain committed to our strategy of growth through the hands-on portfolio and asset management of our existing portfolio and a combination of selective acquisitions and developments.

We were very encouraged by investor demand for our successful €350 million Eurobond issuance in April and extremely pleased to secure the acquisition of the Galeria Dominikańska centre in Poland which is a perfect fit with our acquisition strategy and an excellent addition to our portfolio. We continue to believe that we are well placed to achieve our aims and our strong cash position and low leverage give us a competitive advantage when assets such as Galeria Dominikańska become available. We therefore look forward to the remainder of 2013 with a cautious degree of confidence and optimism.

## Operating Activities

Atrium's 156 standing investment properties produced the following results in terms of gross, net and EPRA like-for-like rental income during the first six months of 2013:

Country	Gross rental income			Net rental income		
	6M 2013	6M 2012	Change	6M 2013	6M 2012	Change
	€'000	€'000	%	€'000	€'000	%
Poland	38,043	36,950	3.0%	38,827	37,242	4.3%
Czech Republic	19,079	19,185	(0.6%)	17,287	17,611	(1.8%)
Slovakia	5,677	5,674	0.1%	5,553	5,589	(0.6%)
Russia	29,835	25,887	15.3%	27,406	24,008	14.2%
Hungary	3,962	4,314	(8.2%)	3,382	3,752	(9.9%)
Romania	3,827	3,616	5.8%	3,462	3,288	5.3%
Latvia	707	531	33.1%	360	247	45.7%
<b>Total</b>	<b>101,130</b>	<b>96,157</b>	<b>5.2%</b>	<b>96,277</b>	<b>91,737</b>	<b>4.9%</b>

Country	EPRA like-for-like gross rental income			EPRA like-for-like net rental income		
	6M 2013	6M 2012	Change	6M 2013	6M 2012	Change
	€'000	€'000*	%	€'000	€'000*	%
Poland	37,628	37,038	1.6%	38,500	37,331	3.1%
Czech Republic	19,079	18,999	0.4%	17,287	17,446	(0.9%)
Slovakia	5,677	5,674	0.1%	5,553	5,589	(0.6%)
Russia	28,770	25,735	11.8%	26,301	23,854	10.3%
Hungary	3,962	4,314	(8.2%)	3,382	3,762	(10.1%)
Romania	3,827	3,616	5.8%	3,462	3,281	5.5%
Latvia	707	531	33.1%	360	248	45.2%
<b>Like-for-like rental income</b>	<b>99,650</b>	<b>95,907</b>	<b>3.9%</b>	<b>94,845</b>	<b>91,511</b>	<b>3.6%</b>
Remaining rental income	1,480	25		1,432	155	
<b>Total rental income</b>	<b>101,130</b>	<b>95,932</b>	<b>5.4%</b>	<b>96,277</b>	<b>91,666</b>	<b>5.0%</b>

\* To enhance comparability of GRI/NRI, prior period values for like-for-like properties have been recalculated using the 2013 exchange rates.

GRI for the six months grew 5.2% over the same period last year to €101.1 million. In Russia the 15.3% increase in GRI reflects rental indexation, higher base and turnover rents, and the benefit of additional rental income from the RCH transaction completed in 2012. The 3.0% uplift in Poland primarily reflects rental indexation, higher turnover rent and other rental income. An increase in occupancy over the prior period and rental indexation drove GRI growth in Latvia, while in the Czech Republic the weakening of the Czech Krona offset by rental indexation were mainly responsible for the modest decrease. In Hungary the decline primarily resulted from the weakening economic environment in that country leading to lower occupancy. GRI in Slovakia remained flat reflecting the stability of that economy. In Romania rental indexation and the receipt of a one-off fee drove the increase in GRI.

The growth in GRI flowed through into NRI, which increased by 4.9% to €96.3 million, mainly as a result of the continued positive performance in Russia and Poland.

On a like-for-like basis we achieved growth in both gross and net rental income, with increases of 3.9% to €99.7 million and 3.6% to €94.8 million, respectively. This was predominantly driven by the strong like-for-like performance in Russia, which delivered gross rental growth of 11.8% and a net rental growth of 10.3%, and in Poland.

Whilst our operating margin for the first half year decreased slightly by 0.2% over the same period last year to 95.2%, it remains modestly ahead of our expectations for the full year. Occupancy at 30 June 2013, as measured under the EPRA guidelines, held firm at a very healthy 98.0%.

EBITDA, excluding the valuation result and the impact of disposals and impairments, increased by 6.8% to €81.3 million compared with the first half of last year, primarily due to a €4.5 million increase in NRI together with a €1.3 million reduction in costs connected with developments offset by a €0.6 million increase in administrative expenses. Company adjusted EPRA earnings increased by 4.3% to €66.1 million compared to €63.4 million in the first half of 2012, due to the higher EBITDA partially offset by higher interest expenses.

## Group Management Report

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

Standing investments	No. of properties	Gross lettable area sqm	Portfolio %	Market value €'000	Portfolio %	Revaluation €'000
Poland	21	390,200	31.3%	1,035,828	47.0%	2,216
Czech Republic	98	375,400	30.1%	435,462	19.8%	(6,198)
Slovakia	3	65,500	5.3%	145,830	6.6%	(1,044)
Russia	7	237,000	19.0%	424,802	19.3%	24,400
Hungary	25	104,500	8.4%	76,865	3.5%	(6,588)
Romania	1	53,400	4.3%	70,590	3.2%	(253)
Latvia	1	20,400	1.6%	14,320	0.6%	(929)
<b>Total standing investments</b>	<b>156</b>	<b>1,246,400</b>	<b>100.0%</b>	<b>2,203,697</b>	<b>100.0%</b>	<b>11,604</b>

The yield diversification of the Group's income producing portfolio and EPRA occupancy are presented below:

Standing investments	Net equivalent yield* (weighted average) %	EPRA Net initial yield (NIY) ** %	EPRA Occupancy %
Poland	6.9%	7.0%	97.4%
Czech Republic	8.1%	7.9%	97.5%
Slovakia	7.7%	7.6%	98.3%
Russia	12.2%	12.1%	99.3%
Hungary	9.6%	9.1%	93.8%
Romania	9.1%	8.9%	100.0%
Latvia	12.0%	3.2%	91.5%
<b>Average</b>	<b>8.4%</b>	<b>8.3%</b>	<b>98.0%</b>

\* The net equivalent yield takes into account 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 net initial yield remained constant at 8.4% and 8.3% as respectively reported at 31 December 2012. The alternative EPRA "topped up" NIY for the first half year was 8.4% (31 December 2012: 8.4%).

The market value of the Group's 156 standing investments increased from €2,185 million at year end 2012, to €2,204 million at 30 June 2013 and comprised an €11.6 million revaluation, €9.4 million of additions, €3.3 million of additional finance leases and transfers of €0.9 million from our developments and land portfolio. The increase was offset by €6.8 million of currency translation differences given the weakening of the Czech Krona.

Our Russian portfolio was revalued upwards by 6.2%, or €24.4 million, resulting from the significant value driving changes in tenant mix proven during the period, which drove the estimated rental values upwards. The Polish portfolio recorded a small €2.2 million gain. In the Czech Republic the portfolio was devalued by €6.2 million predominately due to a slight decrease in estimated rental values and in Hungary the €6.6 million reduction was primarily attributable to the weakening economic environment in that country, leading to both lower rents and a widening in yields.

On 21 June 2013, Atrium announced the €151.7 million acquisition of the Galeria Dominikańska shopping centre in Wroclaw, Poland. The acquisition will be financed using the Group's existing cash resources and is in line with the Group's aim of acquiring prime, income producing shopping centres in the major cities of Poland, Czech Republic and Slovakia, which have the strongest economies in the CEE region. During July 2013 we received approval for the acquisition from the Polish antimonopoly office and expect the transaction to be finalized in Q3 2013.

Galeria Dominikańska is a fully occupied, Grade A shopping centre which comprises approximately 32,900 sqm of gross lettable area spread over three levels and across 102 units, as well as a gym let to AM Fitness Club and approximately 1,250 sqm of office space. The shopping centre is anchored by a Carrefour supermarket and Media Markt and houses a wide range of international and domestic retail brands. Average duration of all lease contracts is over 6 years. In addition, the centre includes over 900 parking spaces.



## Development Activities

At 30 June 2013 Atrium's development and land portfolio was valued at €592.7 million, and comprised 36 projects at all stages of development. The portfolio increased in value by 10.1% since year end 2012 and comprised €27.2 million of additions to existing projects, a €28.9 million reclassification from loans to associates, €2.8 million of additional finance leases offset by a €0.9 million

transfer to standing investments and a €4.1 million devaluation. In aggregate, 93% of the portfolio by value, and 83% 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 portfolio is presented below:

Country	Number of projects	30/6/2013 Market value €'000	Portfolio %	Size of land (hectares)	31/12/2012 Market value €'000
Poland	14	197,776	33.3%	64	143,125
Russia	12	144,956	24.5%	149	145,230
Turkey	4	209,594	35.4%	44	209,376
Others	6	40,339	6.8%	54	40,664
<b>Total</b>	<b>36</b>	<b>592,665</b>	<b>100.0%</b>	<b>311</b>	<b>538,395</b>

We have identified eight priority projects, either with a secured building permit or for which the required administrative decisions might be obtained in the relatively near term, two of which are under active development. These priority developments are all 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 in these projects in order to take them 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 in the region of approximately €152 million over the next three to five years.

Within these eight priority projects two are under development. Our Atrium Felicity shopping centre in Lublin, Poland, our first major greenfield project, with 75,000 sqm GLA, has been the main focus of our development team's efforts during the first half year. We have made solid progress with construction activities and the centre is on target to open in early 2014. Our pre-leasing efforts have also progressed, such that the project is now substantially pre-let at 90.8% with an average lease length of approximately six years. The total market value of Atrium Felicity at 30 June 2013 was €70.1 million and the net incremental costs to completion are now assessed at approximately €39.4 million.

In July 2013, we signed agreements with the general contractor for the second phase of the redevelopment of our Atrium Copernicus centre in Torun, Poland, with construction works underway this month. Together with the first phase multi-level car park expansion, the total extension will add an additional 17,300 sqm of GLA and a further 640 parking spaces to the centre upon completion in late 2014. As of the date of this report 65% of the extension has already been pre-let. The total market value of the extensions at 30 June 2013 was €15.3 million and the incremental costs to completion are now assessed at approximately €26.8 million.

The remaining six identified priority projects are all extensions to existing income producing assets. Three, including our Atrium Promenada centre, are located in Poland and three are in Russia.

In June 2013, we acquired the remaining 76% of the shares we did not already hold in three companies which jointly own a land site in Gdansk, Poland. The initial land acquisition had been previously financed by us and was presented as a long term loan. Post the share acquisitions and the assumption of control, the land, including its finance lease, is now presented within developments and land at its fair value of €28.9 million.

## EPRA Results

### EPRA Earnings

EPRA Earnings are calculated in accordance with the latest Best Practice Recommendations of the European Public Real Estate Association ("EPRA").

	<b>6M 2013</b>	<b>6M 2012</b>
	<b>€'000</b>	<b>€'000</b>
<b>Earnings attributable to equity holders of the parent company</b>	<b>52,106</b>	<b>79,238</b>
Revaluation of investment properties	(7,513)	(32,978)
Net results on acquisitions and disposals	(67)	(355)
Goodwill impairment and amortisation of intangible assets	3,861	379
Deferred tax in respect of EPRA adjustments	2,504	11,465
Non controlling interest in respect of the above adjustments	-	(2,193)
Close-out costs of financial instruments	-	1,519
<b>EPRA Earnings</b>	<b>50,891</b>	<b>57,075</b>
Weighted average number of shares (in shares)	373,906,432	372,945,659
<b>EPRA Earnings per share (in €cents)</b>	<b>13.6</b>	<b>15.3</b>
<b>Company adjustments:*</b>		
Legacy legal matters	1,714	968
Impairment of investment in associate	1,158	-
Foreign exchange differences	4,746	1,750
Deferred tax not related to revaluations	5,985	2,309
Changes in the fair value of financial instruments	1,645	1,548
Non controlling interest in respect of company adjustments	-	(245)
<b>Company adjusted EPRA Earnings</b>	<b>66,139</b>	<b>63,405</b>
<b>Company adjusted EPRA Earnings per share (in €cents)</b>	<b>17.7</b>	<b>17.0</b>

\* Company adjustments represent adjustments of other non-recurring items which could distort Atrium's operating results. Such non-recurring 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

Net Asset Value ("NAV")	30/6/2013		31/12/2012	
	€'000	in € per ordinary share	€'000	in € per ordinary share
<b>Equity</b>	<b>2,294,708</b>		<b>2,281,372</b>	
Non controlling interest	710		3,061	
<b>IFRS NAV per the financial statements</b>	<b>2,295,418</b>	<b>6.13</b>	<b>2,284,433</b>	<b>6.12</b>
Effect of exercise of options	13,021		15,280	
<b>Diluted NAV, after the exercise of options</b>	<b>2,308,439</b>	<b>6.11</b>	<b>2,299,713</b>	<b>6.08</b>
Fair value of financial instruments	12,781		17,828	
Goodwill	(7,616)		(11,025)	
Deferred tax	151,585		128,468	
<b>EPRA NAV</b>	<b>2,465,189</b>	<b>6.52</b>	<b>2,434,984</b>	<b>6.43</b>

## EPRA Triple NAV ("NNNAV")

EPRA Triple NAV ("NNNAV")	30/6/2013		31/12/2012	
	€'000	in € per ordinary share	€'000	in € per ordinary share
<b>EPRA NAV</b>	<b>2,465,189</b>		<b>2,434,984</b>	
Fair value of financial instruments	(12,781)		(17,828)	
Impact of debt fair value	(6,799)		(10,821)	
Deferred tax	(151,585)		(128,468)	
<b>EPRA NNNAV</b>	<b>2,294,024</b>	<b>6.07</b>	<b>2,277,867</b>	<b>6.02</b>
Number of outstanding shares	374,520,898		373,388,756	
Number of outstanding shares and options	378,108,525		378,519,715	



## Statement to § 87 of the Austrian Stock Exchange Act

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### Statement in accordance with § 87 of the Austrian Stock Exchange Act (BörseG)

With respect to paragraph 87 of the Austrian Stock Exchange Act (§ 87 BörseG) the directors confirm that to the best of their knowledge the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting

standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions.



**CHAIM KATZMAN**  
Chairman of the Board



**RACHEL LAVINE**  
Director and CEO



**DIPAK RASTOGI**  
Director



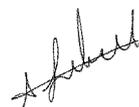
**JOSEPH AZRACK**  
Director



**PETER LINNEMAN**  
Director



**THOMAS WERNINK**  
Director



**AHARON SOFFER**  
Director



**NOAM BEN-OZER**  
Director



**ANDREW WIGNALL**  
Director



**SIMON RADFORD**  
Director

# Interim Financial Statements

## Condensed Consolidated Interim Financial Statements

### Condensed Consolidated Statement of Financial Position as at 30 June 2013

	Note	30/6/2013		31/12/2012	
		€'000 (Unaudited)	€'000 (Unaudited)	€'000 (Audited)	€'000 (Audited)
<b>Assets</b>					
<b>Non current assets</b>					
Standing investments	4	2,203,697		2,185,336	
Developments and land	5	592,665		538,395	
Other non current assets		54,752		93,386	
			<b>2,851,114</b>		<b>2,817,117</b>
<b>Current assets</b>					
Cash and cash equivalents	6	529,853		207,843	
Other current assets*		46,145		40,562	
			<b>575,998</b>		<b>248,405</b>
<b>Total assets</b>			<b>3,427,112</b>		<b>3,065,522</b>
<b>Equity</b>	7		<b>2,294,708</b>		<b>2,281,372</b>
<b>Liabilities</b>					
<b>Non current liabilities</b>					
Long term borrowings	8	804,188		462,075	
Derivatives	9	12,781		17,828	
Other non current liabilities		172,351		166,825	
			<b>989,320</b>		<b>646,728</b>
<b>Current liabilities</b>					
Short term borrowings	8	75,305		74,986	
Other current liabilities*		67,779		62,436	
			<b>143,084</b>		<b>137,422</b>
<b>Total equity and liabilities</b>			<b>3,427,112</b>		<b>3,065,522</b>

\* 31/12/2012 balances have been reclassified

The interim Group management report and the condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors during the course of their meeting on 22 August 2013 and were duly signed on the Board's behalf by Rachel Lavine, Chief Executive Officer and Peter Linneman, Director.

## Interim Financial Statements

### Condensed Consolidated Income Statement for the period ended 30 June 2013

(Unaudited)	Note	1/4/2013 - 30/6/2013		1/1/2013 - 30/6/2013		1/4/2012 - 30/6/2012		1/1/2012 - 30/6/2012	
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income		50,555		101,130		47,578		96,157	
Service charge income		19,076		38,136		18,679		37,162	
Net property expenses		(20,576)		(42,989)		(19,771)		(41,582)	
<b>Net rental income</b>			<b>49,055</b>		<b>96,277</b>		<b>46,486</b>		<b>91,737</b>
Net result on acquisitions and disposals		-		67		99		355	
Costs connected with developments		(1,095)		(2,164)		(1,614)		(3,430)	
Revaluation of investment properties		(911)		7,513		29,241		32,978	
Other depreciation, amortisation and impairments	10	(4,908)		(5,552)		(421)		(792)	
Administrative expenses		(6,689)		(12,853)		(6,487)		(12,215)	
<b>Net operating profit</b>			<b>35,452</b>		<b>83,288</b>		<b>67,304</b>		<b>108,633</b>
Net financial expenses	11	(6,761)		(21,579)		(25,573)		(17,714)	
<b>Profit before taxation</b>			<b>28,691</b>		<b>61,709</b>		<b>41,731</b>		<b>90,919</b>
Taxation charge for the period	12	(7,382)		(9,631)		(11,011)		(14,215)	
<b>Profit after taxation for the period</b>			<b>21,309</b>		<b>52,078</b>		<b>30,720</b>		<b>76,704</b>
<b>Attributable to:</b>									
Owners of the parent		21,323		52,106		33,348		79,238	
Non controlling interest		(14)		(28)		(2,628)		(2,534)	
			<b>21,309</b>		<b>52,078</b>		<b>30,720</b>		<b>76,704</b>
Basic and diluted earnings per share in €cents attributable to shareholders		5.7		13.9		8.9		21.4	

### Condensed Consolidated Statement of Comprehensive Income for the period ended 30 June 2013

(Unaudited)	1/4/2013 - 30/6/2013		1/1/2013 - 30/6/2013		1/4/2012 - 30/6/2012		1/1/2012 - 30/6/2012	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Profit for the period	21,309		52,078		30,720		76,704	
<b>Items that may be reclassified subsequently to the income statement:</b>								
Exchange differences arising on translation of foreign operations (net of deferred tax)	(4,687)		94		10,600		5,732	
Movements in hedging reserves (net of deferred tax)	2,562		4,142		(2,305)		(4,037)	
<b>Total comprehensive income for the period</b>		<b>19,184</b>		<b>56,314</b>		<b>39,015</b>		<b>78,399</b>
<b>Attributable to:</b>								
Owners of the parent	19,198		56,342		41,640		80,929	
Non controlling interest	(14)		(28)		(2,625)		(2,530)	
		<b>19,184</b>		<b>56,314</b>		<b>39,015</b>		<b>78,399</b>



**Condensed Consolidated Cash Flow Statement** for the period ended 30 June 2013

<b>(Unaudited)</b>	<b>1/1/2013 - 30/6/2013</b> <b>€'000</b>	<b>1/1/2012 - 30/6/2012</b> <b>€'000</b>
Cash flows generated from operating activities	71,072	67,878
Cash flows used in investing activities	(41,902)	(14,478)
Cash flows generated from/(used in) financing activities	294,045	(59,074)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>323,215</b>	<b>(5,674)</b>
Cash and cash equivalents at the beginning of the period	207,843	234,924
Effect of exchange rate fluctuations on cash held	(1,205)	185
<b>Cash and cash equivalents at the end of the period</b>	<b>529,853</b>	<b>229,435</b>

**Consolidated Statement of Changes in Equity** for the period ended 30 June 2013

<b>(Unaudited)</b>	<b>Note</b>	<b>Stated capital</b> <b>€'000</b>	<b>Other reserves</b> <b>€'000</b>	<b>Hedging reserves</b> <b>€'000</b>	<b>Retained earnings</b> <b>€'000</b>	<b>Currency translation</b> <b>€'000</b>	<b>Equity attributable to controlling shareholders</b> <b>€'000</b>	<b>Non controlling interest</b> <b>€'000</b>	<b>Total equity</b> <b>€'000</b>
<b>Balance as at 1 January 2013</b>		<b>2,836,658</b>	<b>4,879</b>	<b>(14,441)</b>	<b>(457,158)</b>	<b>(85,505)</b>	<b>2,284,433</b>	<b>(3,061)</b>	<b>2,281,372</b>
Total comprehensive income		-	-	4,142	52,106	94	56,342	(28)	56,314
<b>Transactions with owners</b>									
Share based payment		-	382	-	-	-	382	-	382
Issue of no par value shares		681	(698)	-	-	-	(17)	-	(17)
Dividends	7	(37,402)	-	-	-	-	(37,402)	-	(37,402)
Acquisition of non controlling interest	7	-	-	-	(8,320)	-	(8,320)	2,379	(5,941)
<b>Balance as at 30 June 2013</b>		<b>2,799,937</b>	<b>4,563</b>	<b>(10,299)</b>	<b>(413,372)</b>	<b>(85,411)</b>	<b>2,295,418</b>	<b>(710)</b>	<b>2,294,708</b>

<b>(Unaudited)</b>	<b>Note</b>	<b>Stated capital</b> <b>€'000</b>	<b>Other reserves</b> <b>€'000</b>	<b>Hedging reserves</b> <b>€'000</b>	<b>Retained earnings</b> <b>€'000</b>	<b>Currency translation</b> <b>€'000</b>	<b>Equity attributable to controlling shareholders</b> <b>€'000</b>	<b>Non controlling interest</b> <b>€'000</b>	<b>Total equity</b> <b>€'000</b>
<b>Balance as at 1 January 2012</b>		<b>2,899,118</b>	<b>3,571</b>	<b>(7,339)</b>	<b>(531,131)</b>	<b>(84,393)</b>	<b>2,279,826</b>	<b>(15,283)</b>	<b>2,264,543</b>
Total comprehensive income		-	-	(4,037)	79,238	5,728	80,929	(2,530)	78,399
<b>Transactions with owners</b>									
Share based payment		-	840	-	-	-	840	-	840
Issue of no par value shares		382	(59)	-	-	-	323	-	323
Dividends	7	(31,701)	-	-	-	-	(31,701)	-	(31,701)
Acquisition of non controlling interest		-	-	-	(21,441)	-	(21,441)	12,375	(9,066)
<b>Balance as at 30 June 2012</b>		<b>2,867,799</b>	<b>4,352</b>	<b>(11,376)</b>	<b>(473,334)</b>	<b>(78,665)</b>	<b>2,308,776</b>	<b>(5,438)</b>	<b>2,303,338</b>

## Notes to the Condensed Consolidated Interim Financial Statements for the period ended 30 June 2013

(Unaudited)

### 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 principal activity of Atrium and its subsidiaries (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. Basis of preparation

#### Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as endorsed by the EU.

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2012.

The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.

#### Basis of measurements

The financial statements are presented in thousands of Euros ("€'000"), rounded to the nearest thousand, unless stated otherwise.

#### Amendment to and interpretations of existing standards effective in the current period

The Group has adopted the following amended IFRS as of 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 new standard does not include a change in the consolidation procedures. The standard did not have an 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 did not have an 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 did 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 did not have a material impact on the Group's financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* 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 did 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, IAS 32 *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. The amendments did not have a material impact on the Group's financial statements.

## 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 have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 and subsequent periods.

- IAS 32 *Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities* (Amendments, December 2011). An entity shall apply retrospectively those amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted. 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.
- 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 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised 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.

Other new standards, amendments to and interpretations of existing standards that are not yet effective and have not already been early adopted by the Group are currently being reviewed.

## Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

## Financial assets and liabilities

Other than as described in note 8, the Group believes that the carrying amounts of financial assets and liabilities which are carried at amortized cost in the financial statements are deemed not to be significantly different from their fair value. Loans to third parties with a book value of €8.1 million (31 December 2012: €8.1 million) were impaired to reflect the recoverable amounts.

## Reclassification

Certain prior period balances have been reclassified from those initially reported in order to conform with the current period presentation.

## 3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2012 except for the new standards adopted by the Group as described above.

## 4. Standing investments

The current portfolio of standing investments of the Group consists of 156 properties (31 December 2012: 156).

	30/6/2013 €'000	31/12/2012 €'000
Balance as at 1 January	2,185,336	2,077,246
Additions – technical improvements, extensions	9,360	33,629
Movements – financial leases	3,345	3,861
Transfers from developments and land	877	6,750
Currency translation difference	(6,825)	5,317
Revaluation of standing investments	11,604	58,533
<b>Balance as at the end of the period</b>	<b>2,203,697</b>	<b>2,185,336</b>

## Interim Financial Statements

On 21 June 2013, Atrium announced the €151.7 million acquisition of the Galeria Dominikańska shopping centre in Wrocław, Poland. During July 2013 we received approval for the acquisition from the Polish antimonopoly office and expect the transaction to be finalized in Q3 2013.

### 5. Developments and land

The current portfolio of developments and land of the Group consists of 36 projects (31 December 2012: 36).

	30/6/2013 €'000	31/12/2012 €'000
Balance as at 1 January	538,395	587,351
Additions – cost of land and construction	27,210	26,161
Additions- new property	28,862	-
Movements – financial leases	2,836	(1,139)
Transfer to inventory	-	(1,744)
Transfer to standing investments	(877)	(6,750)
Disposals	-	(3,310)
Interest capitalised	438	1,320
Currency translation difference	(108)	-
Revaluation of developments and land	(4,091)	(63,494)
<b>Balance as at the end of the period</b>	<b>592,665</b>	<b>538,395</b>

In July 2012, Atrium signed definitive contracts with a general contractor for the construction of its new development project in Lublin, Poland. The total market value of Atrium Felicity at 30 June 2013 was €70.1 million, including additions of €20.2 million during the period. The total net incremental costs to complete the project are approximately €39.4 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. Accordingly, as at 30 June 2013 €5.8 million (31 December 2012: €2.2 million) was held as inventory and is reported within other current assets. Additions for the period also include €4.9 million associated with the extension of the group's existing Atrium Copernicus centre in Torun, Poland.

In June 2013, the Group acquired the remaining 76% of the shares it did not already hold in three companies which jointly own a land site in Gdansk, Poland. The initial land acquisition had been previously financed by Atrium and was presented as a long term loan to associate within the balance sheet caption "Other non current assets". Post the share acquisitions and the assumption of control, the land, including its associated finance lease, is now presented at its fair value of €28.9 million. Please refer also to note 7.

### 6. Cash and cash equivalents

As at 30 June 2013, the Group held total cash and cash equivalents of €529.9 million (31 December 2012: €207.8 million). The Group held cash of €19.8 million (31 December 2012: €18.7 million) as backing for guarantees and/or other restricted cash issued by various banks on the Group's behalf.

Additional information to the condensed consolidated cash flow statement regarding the acquisition of subsidiaries is as follows:

Acquisition of subsidiaries	30/6/2013 €'000
Development and land	28,863
Prepayments	6
Other receivables	10
Long term lease liabilities	(335)
Accrued expenditure	(19)
Other payables	(32)
Cash of subsidiary	51

### 7. Equity

As at 30 June 2013, the total number of ordinary shares issued was 374,520,898 (31 December 2012: 373,388,756 shares). During the six month period ended 30 June 2013, Atrium paid a dividend of €0.1 (6M 2012: €0.085) per ordinary share, which amounted to a total of €37.4 million (6M 2012: €31.7 million).

On 23 May 2013, Atrium established and the shareholders approved a new Employee Share Option Plan ("ESOP 2013"), under which Atrium's Board of Directors or Compensation and Nominating Committee can grant share options to key employees, executive directors or consultants. The initial number of securities that can be issued on the exercise of options under the ESOP 2013 is limited to options representing 5,000,000, shares. Options must be granted within 10 years from ESOP 2013's adoption. The exercise price on grant of options shall be the average market value over the 30 dealing days immediately preceding the date of grant unless otherwise determined by Atrium's Board of Directors. Options will generally be exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Apart from existing commitments, no more grants will be made under the Atrium's Employee Share Option Plan approved by the shareholders in April 2009 ("ESOP 2009").

In January 2013, MD CE Holding Limited, a 100% owned subsidiary of Atrium, acquired the remaining 49% of the shares in Nokiton Investment Limited it did not already hold and now owns 100% of this entity and its subsidiaries. The total consideration paid and transaction costs amounted to €3.4 million.

In June 2013, MD CE Holding Limited, acquired the remaining 76% of the shares in Euro Mall Polska XVI Sp. z o.o., Euro Mall Polska XIX Sp. z o.o. and Euro Mall Polska XX Sp. z o.o. it did not already hold, through a two stage agreement and now owns 100% of these entities. The total consideration paid amounted to €2.5 million.



## 8. Borrowings

	30/6/2013 Net book value €'000	30/6/2013 Fair value €'000	31/12/2012 Net book value €'000	31/12/2012 Fair value €'000
Bonds	539,284	545,100	193,958	202,505
Bank loans	340,209	341,189	343,103	345,378
<b>Total</b>	<b>879,493</b>	<b>886,289</b>	<b>537,061</b>	<b>547,883</b>

In April 2013, Atrium issued a €350 million unsecured seven year Eurobond, carrying a 4.0% coupon. The bond was rated BBB- by both S&P and Fitch, in line with Atrium's own corporate rating, will mature on 20 April 2020 and the issue price was 99.569%.

The fair values of loans and bonds were determined by an external appraiser 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.

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.

Fair value measurements used for Bonds and Loans are categorised within Level 2 of the fair value hierarchy as described in IFRS 13.

The borrowings are repayable as follows:

	30/6/2013 Net book value €'000	31/12/2012 Net book value €'000
Due within one year	75,305	74,986
In second year	6,774	6,557
In third to fifth years inclusive	343,993	347,089
After five years	453,421	108,429
<b>Total</b>	<b>879,493</b>	<b>537,061</b>

## 9. Derivatives

The Group entered into two interest rate swap contracts ("IRSs") during 2011 in connection with two bank loans secured over newly acquired properties. 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 volatility from variable

interest rates on the bank loans. The IRSs are measured at fair value using the discounted future cash flows method.

As at 30 June 2013 the IRSs are in a liability position, and have a fair value of €12.8 million (31 December 2012: €17.8 million). The fair value measurements of the IRSs are derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are the 3 month Euribor Forward curve and an appropriate discount rate. These 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 13.

## 10. Other depreciation, amortisation and impairments

	1/1/2013- 30/6/2013 €'000	1/1/2012- 30/6/2012 €'000
Other depreciation and amortisation	949	684
Impairments	4,603	108
<b>Total</b>	<b>5,552</b>	<b>792</b>

## 11. Net financial expenses

	1/1/2013- 30/6/2013 €'000	1/1/2012- 30/6/2012 €'000
Interest income	1,974	1,955
Interest expense	(14,169)	(12,050)
Finance lease interest expense	(2,953)	(2,003)
Foreign currency differences	(4,746)	(1,750)
Net profit/(loss) from bond buy back	-	(1,519)
Impairment of financial instruments	(1,645)	(1,548)
Other financial expenses	(40)	(799)
<b>Total</b>	<b>(21,579)</b>	<b>(17,714)</b>

## 12. Taxation charge for the period

	1/1/2013- 30/6/2013 €'000	1/1/2012- 30/6/2012 €'000
Current period corporate income tax expense	(1,059)	(441)
Deferred tax charge	(8,489)	(13,774)
Adjustments to prior periods	(83)	-
<b>Total</b>	<b>(9,631)</b>	<b>(14,215)</b>

## Interim Financial Statements

### 13. Segment reporting

#### Reportable segments

For the period ended 30 June 2013	Standing investment segment €'000	Development segment €'000	Reconciling items €'000	Total €'000
Gross rental income	101,130	-	-	101,130
Service charge income	38,136	-	-	38,136
Net property expenses	(42,989)	-	-	(42,989)
<b>Net rental income</b>	<b>96,277</b>	-	-	<b>96,277</b>
Net result on acquisitions and disposals	67	-	-	67
Costs connected with developments	-	(2,164)	-	(2,164)
Revaluation of investment properties	11,604	(4,091)	-	7,513
Other depreciation, amortisation and impairments	(4,174)	-	(1,378)	(5,552)
Administrative expenses	(5,853)	(810)	(6,190)	(12,853)
<b>Net operating profit/(loss)</b>	<b>97,921</b>	<b>(7,065)</b>	<b>(7,568)</b>	<b>83,288</b>
Net financial expense	(14,470)	(2,051)	(5,058)	(21,579)
<b>Profit/(loss) before taxation for the period</b>	<b>83,451</b>	<b>(9,116)</b>	<b>(12,626)</b>	<b>61,709</b>
Taxation credit/(charge) for the period	(9,539)	112	(204)	(9,631)
<b>Profit/(loss) after taxation for the period</b>	<b>73,912</b>	<b>(9,004)</b>	<b>(12,830)</b>	<b>52,078</b>
Investment properties	2,203,697	592,665	-	2,796,362
Segment assets	2,272,489	645,588	509,035	3,427,112
Segment liabilities	676,682	98,949	356,773	1,132,404

For the period ended 30 June 2012	Standing investment segment €'000	Development segment €'000	Reconciling items €'000	Total €'000
Gross rental income	96,157	-	-	96,157
Service charge income	37,162	-	-	37,162
Net property expenses	(41,582)	-	-	(41,582)
<b>Net rental income</b>	<b>91,737</b>	-	-	<b>91,737</b>
Net result on acquisitions and disposals	-	355	-	355
Costs connected with developments	-	(3,430)	-	(3,430)
Revaluation of investment properties	56,996	(24,018)	-	32,978
Other depreciation, amortisation and impairments	(554)	-	(238)	(792)
Administrative expenses	(4,911)	(319)	(6,985)	(12,215)
<b>Net operating profit/(loss)</b>	<b>143,268</b>	<b>(27,412)</b>	<b>(7,223)</b>	<b>108,633</b>
Net financial income/(expense)	(13,839)	(4,678)	803	(17,714)
<b>Profit/(loss) before taxation for the period</b>	<b>129,429</b>	<b>(32,090)</b>	<b>(6,420)</b>	<b>90,919</b>
Taxation charge for the period	(13,836)	(74)	(305)	(14,215)
<b>Profit/(loss) after taxation for the period</b>	<b>115,593</b>	<b>(32,164)</b>	<b>(6,725)</b>	<b>76,704</b>
Investment properties	2,147,455	567,480	-	2,714,935
Segment assets	2,233,143	616,399	239,402	3,088,944
Segment liabilities	667,627	109,032	8,047	784,706



### 14. Transactions with related parties

During the six month period ended 30 June 2013, 1,565,000 options were exercised, 90,000 options were granted and 68,332 options were returned to the option pool, out of the 5,130,959 options outstanding under ESOP 2009 as at 31 December 2012. The total number of outstanding options was 3,587,627 as at 30 June 2013.

In March 2013, the Compensation and Nominating Committee determined employee annual bonus payments for 2012. Rachel Lavine, Chief Executive Officer, was awarded a total bonus award of €625,000 which was settled partially by the guaranteed payment of €375,000 in cash and partially via the issuance of 34,958 new shares on 22 April 2013, at €4.539 per share, net of tax. These shares are not subject to any lock-up period.

In April 2013, Rachel Lavine exercised 1,000,000 fully vested employee share options and accordingly received 532,184 new shares, net of tax, as a result of a cashless exercise pursuant to a separate agreement with Atrium in accordance with the terms of ESOP 2009.

### 15. Contingencies

There were no significant changes in the contingencies of the Group to those reported in note 2.41 of the Annual Financial Report 2012. Atrium is involved in certain claims submitted by holders of Austrian Depository Receipts alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 21 August 2013, the latest practicable date prior to authorization of this report, the aggregate amounts claimed in proceedings to which Atrium was then a party in this regard was approximately €14.3 million. The number of claims and amounts claimed are expected to fluctuate over time as proceedings develop, are dismissed, withdrawn or otherwise resolved.

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. Atrium rejects the claims and is defending them vigorously.

The continuing uncertainty in the various economies in which the Group has its operations and assets, especially the Eurozone and the developing markets in which the Group invests, could lead to significant changes in the values of the Group's assets during subsequent periods. Management is not presently able to assess, with accuracy, the extent of any such changes.

# Independent Review Report to Atrium European Real Estate Limited

## Introduction

We have been engaged by Atrium European Real Estate Limited ("Atrium") to review the condensed consolidated set of financial statements in the interim financial report for the six months ended 30 June 2013 which comprises the condensed consolidated statement of financial position as at 30 June 2013, the condensed consolidated income statement for the three month and six month periods ending 30 June 2013, the condensed consolidated statement of comprehensive income for the three month and six month periods ending 30 June 2013, the condensed consolidated cash flow statement and the consolidated statement of changes in equity for the six months ended 30 June 2013, and the related explanatory notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to Atrium in accordance with the terms of our engagement. Our review has been undertaken so that we might state to Atrium those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Atrium for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual consolidated financial statements of Atrium are prepared in accordance with International Financial Reporting Standards as endorsed by the EU. The condensed consolidated set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by the EU.

## Our responsibility

Our responsibility is to express to Atrium a conclusion on the condensed consolidated set of financial statements in the interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the EU.

## Statement on the Group management report for the 6 month period ended 30 June 2013 and on director's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

We have read the Group management report and evaluated whether it does not contain any apparent inconsistencies with the condensed consolidated interim financial statements. Based on our evaluation, the Group management report does not contain any apparent inconsistencies with the condensed consolidated interim financial statements.

The interim financial information contains the statement by directors in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

## Heather J MacCallum

### for and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognized Auditor  
37 Esplanade  
St Helier  
Jersey  
JE4 8WQ

22 August 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 KPMG Channel Islands Limited does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accept no responsibility for any changes that may have occurred to the condensed consolidated set of financial statements or review report since the 22 August 2013. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 22 August 2013 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of condensed consolidated 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 condensed consolidated financial statements are complete and unaltered in any way.



# Directors, Group Executive Management, Professional Advisors and Principal Locations

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## 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 (until 31/08/2013)
Soňa Hýbnerová	CFO (from 01/09/2013)
Nils-Christian Hakert	COO
Thomas Schoutens	CDO
Geraldine Copeland-Wright	GC

## Administrator and Registrar:

Aztec Financial Services (Jersey) Limited  
11-15 Seaton Place  
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Jersey  
JE4 0QH

## Independent Auditors:

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37 Esplanade  
St Helier  
Jersey  
JE4 8WQ

## Media Relations Advisor:

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## Registered office:

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## Cover photo:

*Atrium Promenada shopping centre in Warsaw, Poland*

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