



Leader in Shopping Centres in Central and Eastern Europe



Interim Financial Report  
30 September 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 will be predominantly focused on income generating shopping centres in the most mature and stable CEE countries, producing long term solid cash flows. Organic growth is to be provided by proactive hands-on asset management, ensuring we uphold our "retail is detail" approach. Further growth is to be achieved through the acquisition of high quality assets in our region and through a selected number of development, redevelopment and extension projects.

## Our Profile

Atrium owns a €2.4 billion portfolio of 156 primarily food anchored retail properties and shopping centres which produced €151.4 million rental income during the reporting period. These properties, which are located predominantly in Poland, the Czech Republic, Slovakia and Russia, are, except for one, managed by Atrium's internal team of retail real estate professionals. In addition, Atrium owns a €603.9 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

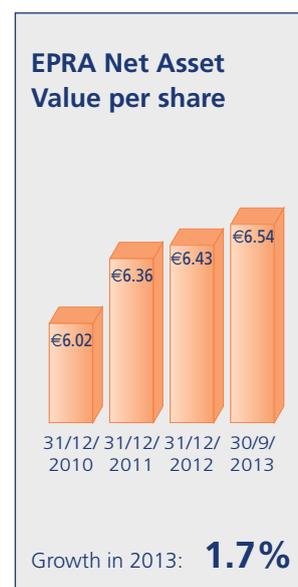
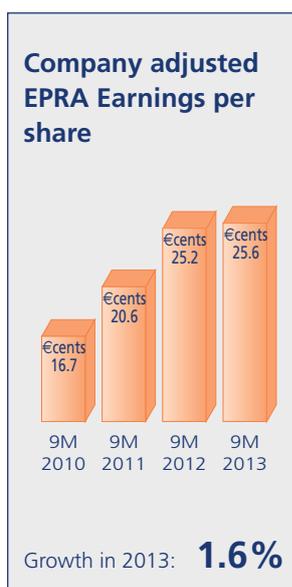
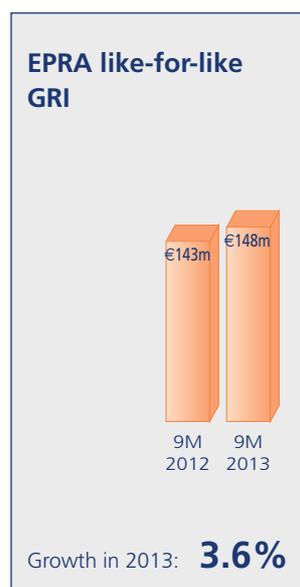
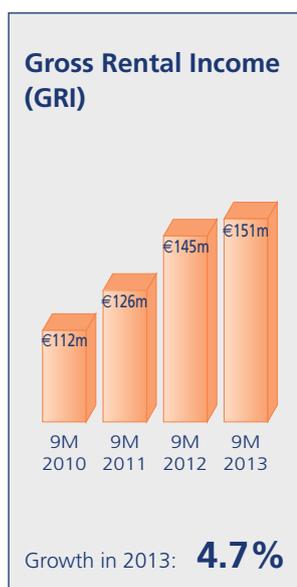
- Continue to drive the financial and operational performance of our assets while striving to constantly improve our offering for retailers and consumers;
- Maintain our pursuit of appropriate investment opportunities in our core markets of Poland, the Czech Republic and Slovakia;
- Further improve the 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	9M 2013	9M 2012	Change %	FY 2012
Gross rental income	€ '000	151,403	144,594	4.7%	193,475
EPRA like-for-like gross rental income	€ '000	148,046	142,923	3.6%	161,517
Net rental income	€ '000	143,018	137,453	4.0%	181,279
EPRA like-for-like net rental income	€ '000	140,194	135,240	3.7%	148,844
Operating margin	%	94.5	95.1	(0.6%)	93.7
EBITDA excluding revaluation, disposals and impairments	€ '000	121,075	113,173	7.0%	145,993
Company adjusted EPRA Earnings	€ '000	95,907	93,936	2.1%	120,904
Revaluation of standing investments	€ '000	13,947	60,236	(76.8%)	58,533
Revaluation of developments and land	€ '000	(4,670)	(35,538)	86.9%	(63,494)
Profit before taxation	€ '000	96,304	120,436	(20.0%)	116,073
Profit after taxation	€ '000	84,381	106,893	(21.1%)	96,175
Net cash generated from operating activities	€ '000	103,582	92,220	12.3%	126,493
IFRS Earnings per share	€ cents	22.5	29.3	(23.2%)	26.5
Company adjusted EPRA Earnings per share	€ cents	25.6	25.2	1.6%	32.4

Balance sheet	Unit	30/9/2013	31/12/2012	Change %
Standing investments at fair value	€ '000	2,368,618	2,185,336	8.4%
Developments and land at fair value	€ '000	603,923	538,395	12.2%
Cash and cash equivalents	€ '000	331,000	207,843	59.3%
Equity	€ '000	2,303,560	2,281,372	1.0%
Borrowings	€ '000	836,113	537,061	55.7%
LTV (gross)	%	28.1	19.7	8.4%
LTV (net)	%	17.0	12.1	4.9%
IFRS NAV per share	€	6.15	6.12	0.5%
EPRA NAV per share	€	6.54	6.43	1.7%



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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 conditions, 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 differ materially from those expected by Atrium or the Group.



# Group Management Report

## Group Management Report

### Business Review

#### **Operational and financial performance**

The third quarter of 2013 saw a continuation of the solid operational performance that characterised the first half of the year.

Gross rental income for the nine months ended 30 September 2013 grew by 4.7% to €151.4 million compared to the same period last year, while net rental income increased by 4.0% to €143.0 million. On a like-for-like basis, gross and net rental income increased by 3.6% to €148.0 million and 3.7% to €140.2 million, respectively. In line with the trend of recent periods, these results benefited from the strong performance of our portfolios in the key markets of Poland and Russia, which recorded increases for the nine month period compared to last year in gross rental income of 4.5% and 12.4% respectively, and EPRA like-for-like net rental income growth of 3.3% and 12.7%. Our operating margin for the nine months of 2013 came in at 94.5% at the higher end of our targeted range.

Following the rental income growth, the Group also performed strongly with EBITDA, excluding the revaluation result and the impact of disposals and impairments, increasing by 7.0% to €121.1 million compared to €113.2 million in the first nine months of last year. Net cash generated from operating activities increased by 12.3% to €103.6 million.

Profit before tax was impacted by a €15.4 million lower revaluation result, a €4.9 million goodwill and other impairments and by €5.7 million higher interest expenses. In addition, the current period's result includes a slight loss of €0.4 million from foreign exchange differences compared to a €6.3 million gain in the first nine months of 2012. All of these items have resulted in a fall in profit before tax to €96.3 million compared to €120.4 million in the nine months of 2012.

This also impacted IFRS earnings per share, which declined to 22.5 cents from 29.3 cents in the same period of 2012. However, company adjusted EPRA earnings per share, which strips out the impact of non-recurring and non-cash items such as revaluations, foreign exchange differences and impairments, increased by 1.6% to 25.6 cents, from 25.2 cents in 2012.

The value of the Group's standing investments grew by 8.4% compared to 31 December 2012 to €2.4 billion, which includes Galeria Dominikańska, a prime quality shopping centre we acquired for €151.7 million during the period. Together with the development and land portfolio of €603.9 million, our total real estate portfolio was valued at €3.0 billion as at 30 September 2013. At the same time, EPRA NAV per share increased by 1.7% to €6.54 compared to €6.43 as at 31 December 2012.

The balance sheet remains conservatively positioned, with a gross and net LTV of 28.1% and 17.0% respectively as at 30 September 2013.

#### **Events during and after the period**

##### **Acquisitions**

On 29 August 2013 we completed the acquisition of a prime quality shopping centre, the Galeria Dominikańska, in Wrocław, Poland, and, as a result, a full four month period's contribution from this important asset will be reflected in our full year 2013 results. It is a great addition to the portfolio which has led to Poland now accounting for 50.3% of the Group's assets by value.

##### **Financing transactions**

As previously announced in April 2013, Atrium successfully completed the placement of a €350 million unsecured seven year Eurobond, maturing in April 2020 and bearing a fixed coupon of 4.00% per annum. The proceeds of the bond have already been put to work by the Group funding the acquisition of Galeria Dominikańska and repayments of maturing indebtedness.

In July 2013, the outstanding €39.2 million secured bond originally issued in 2003 was repaid on maturity. This maturity released €147.7 million of investment properties to the unencumbered pool.

On 25 October 2013, in its annual review Fitch Ratings reiterated Atrium's corporate and unsecured bond ratings at 'BBB-' with Stable Outlook.

##### **Development and land**

The development of the Atrium Felicity shopping centre in Lublin, Poland, with 75,000 sqm GLA, is also progressing on schedule with a planned opening in March 2014. The project is now 92.4% pre-let with an average lease length of approximately six years. In addition, in October 2013 we handed over the hypermarket premises to Auchan, completing the transaction with this major international food retailer.

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, and construction works are currently underway. 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.

In January 2013 and in June 2013, we acquired the remaining stakes in companies that own lands in Kalisz and Gdansk Poland, for a total consideration of €5.9 million.

##### **Board of Directors and Group executive management team changes**

On 11 November 2013, Roger Orf was appointed to Atrium's Board as a non-executive director with immediate effect, following the retirement from the Board of Dipak Rastogi. Mr. Orf, who is a partner at Apollo Global Management ("Apollo") and head of its real estate

business in Europe, will be one of Apollo's appointed directors on the Atrium Board.

On 1 September 2013, Soňa Hýbnerová took up her new role as Chief Financial Officer. 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.

## **Dividend**

In line with our approach of sharing the Group's success with its shareholders, while maintaining a prudent ratio of dividend to recurring income, the Board has approved an increase in both Atrium's annual dividend payment for 2014 and the final quarterly payment for 2013.

As a result, the fourth and final quarterly dividend payment for 2013 will be €0.06 per share, which will be paid as a capital repayment on 30 December 2013 to shareholders on the register on 23 December 2013, with an ex-dividend date of 19 December 2013. Following the quarterly dividend payments of €0.05 per share on 28 March, 28 June and 30 September, this brings the total dividend for the year to €0.21 per share.

For 2014 the Board has approved a 14% increase in the annual dividend to at least €0.24 per share, which will be paid in quarterly instalments commencing at the end of March 2014 (subject to any legal and regulatory requirements and restrictions of commercial viability). This increase will imply a 15% annual compounded growth rate starting from the first introduction of the annual dividend to the company four years ago.

## **Our markets**

Despite the still challenging economic environment and some disparity between individual countries, the latest macroeconomic activity data indicates that CEE's recovery is continuing. The recovery has been driven in large part by the early indications of a turnaround in the euro zone over recent quarters, particularly in Germany. Consequently, the IMF recently increased its 2013 GDP growth forecast for CEE from 2.2% to 2.3%, providing a 2.7% positive spread above the euro zone forecast.

The improvement has been most evident in our core markets of Poland, the Czech Republic, and Slovakia. Consumer spending is gathering pace across the region, largely thanks to the low levels of inflation, which are boosting real wages. All three markets are enjoying a recent rise in exports as well as a revival in retail sales growth. Poland stands out, with third quarter 2013 GDP growth expected to reach 2.5% year on year.

At the same time, Russia continues to grow, albeit at a slightly lower rate, with 2013 GDP growth projections at 1.5%. The Russian economy is mostly driven by consumer spending, and is benefiting from a slowdown in inflation.

Having signed a fresh IMF stand-by agreement in August 2013, Romania's economy has also started to stabilise. Moreover, Romanian private consumption is anticipated to expand, as inflation is likely to continue to fall this year. The most challenging market remains Hungary, however, the country has shown some signs of improvement recently, with retail sales and consumer confidence picking up after a relatively long period of depressed domestic demand.

Although retail markets remain challenging, prime retail rents have mostly remained stable across the CEE countries in third quarter 2013, emphasizing the importance of proactive asset management in order to achieve the best tenant mix and drive footfall. Both retail sales and consumer confidence seem to have been on an improving trend over the last few months across all of Atrium's markets.

During the first nine months of the year, property transaction volumes increased across almost all of Atrium's markets, still driven mainly by Russia and Poland, which together were responsible for 82% of the total in CEE. However, in both countries, offices still dominated investment. In addition, retail transaction volumes largely comprised several sizeable deals. This reflects the ongoing discrepancy between strong investor demand for quality retail assets and market availability.

## **Outlook**

Our performance over the first nine months of 2013, during which we delivered continued growth in gross, net and like-for-like income, further strengthens our belief in our ability to produce strong and sustainable levels of rental income and cash flow.

Although we are aware that there are still economic issues to contend with both in our own regions of operation and in the euro zone, we nevertheless can see the first signs that the economies have finally started to grow.

Our strong operating results, together with the ongoing improvement in the economies in which we operate, have given the Board the confidence to increase the Company's annual dividend for the fourth year running.

## 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 reporting period:

Country	Gross rental income			Net rental income		
	9M 2013	9M 2012	Change	9M 2013	9M 2012	Change
	€'000	€'000	%	€'000	€'000	%
Poland	57,727	55,245	4.5%	58,490	55,339	5.7%
Czech Republic	28,437	28,860	(1.5%)	25,638	26,657	(3.8%)
Slovakia	8,444	8,451	(0.1%)	8,236	8,332	(1.2%)
Russia	44,260	39,382	12.4%	40,207	36,284	10.8%
Hungary	5,892	6,470	(8.9%)	4,977	5,554	(10.4%)
Romania	5,599	5,391	3.9%	5,054	4,919	2.7%
Latvia	1,044	795	31.3%	416	368	13.0%
<b>Total</b>	<b>151,403</b>	<b>144,594</b>	<b>4.7%</b>	<b>143,018</b>	<b>137,453</b>	<b>4.0%</b>

Country	EPRA like-for-like gross rental income			EPRA like-for-like net rental income		
	9M 2013	9M 2012	Change	9M 2013	9M 2012	Change
	€'000	€'000*	%	€'000	€'000*	%
Poland	56,229	55,254	1.8%	57,152	55,348	3.3%
Czech Republic	28,165	28,124	0.1%	25,603	26,297	(2.6%)
Slovakia	8,444	8,451	(0.1%)	8,236	8,332	(1.2%)
Russia	42,673	38,439	11.0%	38,756	34,385	12.7%
Hungary	5,892	6,469	(8.9%)	4,977	5,596	(11.1%)
Romania	5,599	5,391	3.9%	5,054	4,911	2.9%
Latvia	1,044	795	31.3%	416	371	12.1%
<b>Like-for-like rental income</b>	<b>148,046</b>	<b>142,923</b>	<b>3.6%</b>	<b>140,194</b>	<b>135,240</b>	<b>3.7%</b>
Remaining rental income	3,357	976		2,824	1,966	
<b>Total rental income</b>	<b>151,403</b>	<b>143,899</b>	<b>5.2%</b>	<b>143,018</b>	<b>137,206</b>	<b>4.2%</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 nine months grew 4.7% over the same period last year to €151.4 million. In Russia the 12.4% increase in GRI reflects the benefits obtained from restructuring investments performed in the past years in several properties, rental indexation, higher turnover rents, higher general mall leasing, and the benefit of additional rental income from the RCH transaction completed in 2012. The 4.5% uplift in Poland primarily reflects the one month contribution from Galeria Dominikańska, rental indexation, higher turnover rent and other rental income. In the Czech Republic, the weakening of the Czech Krona offset by rental indexation was mainly responsible for the decrease. The decline in Hungary was primarily due to the weak 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 4.0% to €143.0 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 3.6% to €148.0 million and 3.7% to €140.2 million, respectively. This was predominantly driven by the strong like-for-like performance in Poland and, in particular, in Russia, which delivered gross rental growth of 11.0% and a net rental growth of 12.7%.

Both our operating margin for the nine month period and our EPRA Occupancy at 30 September 2013 remained solid at 94.5% and 98.1% respectively.

EBITDA, excluding the valuation result and the impact of disposals and impairments, increased by 7.0% to €121.1 million compared with the first nine months of last year, primarily due to a €5.6 million increase in NRI together with a €0.7 million reduction in costs connected with developments and a €1.6 million decrease in administrative expenses. Company adjusted EPRA earnings increased by 2.1% to €95.9 million compared to €93.9 million in the first nine months 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	22	422,800	33.1%	1,190,756	50.3%	1,185
Czech Republic	98	375,100	29.3%	437,444	18.5%	(8,029)
Slovakia	3	65,500	5.1%	146,030	6.1%	(1,220)
Russia	7	238,300	18.7%	433,743	18.3%	31,557
Hungary	24	102,200	8.0%	75,825	3.2%	(7,908)
Romania	1	53,400	4.2%	70,420	3.0%	(790)
Latvia	1	20,400	1.6%	14,400	0.6%	(849)
<b>Total standing investments</b>	<b>156</b>	<b>1,277,700</b>	<b>100.0%</b>	<b>2,368,618</b>	<b>100.0%</b>	<b>13,947</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	6.8%	6.9%	97.7%
Czech Republic	8.1%	7.6%	97.8%
Slovakia	7.7%	7.5%	98.0%
Russia	12.1%	11.9%	99.2%
Hungary	9.6%	8.9%	94.8%
Romania	9.1%	8.9%	100.0%
Latvia	12.0%	3.2%	90.9%
<b>Average</b>	<b>8.2%</b>	<b>8.1%</b>	<b>98.1%</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 decreased slightly to 8.2% and 8.1% respectively (31 December 2012: 8.4% and 8.3%). An increase in estimated rental values and a slight yield compression in Russia were the main drivers behind the EPRA net initial yield decrease. The alternative EPRA "topped up" NIY for the first nine months of 2013 was 8.2% (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 €2,369 million at 30 September 2013. The increase comprised primarily the acquisition of Galeria Dominikańska for €151.7 million, the €13.9 million revaluation, and €21.8 million of additions.

Our Russian portfolio was revalued upwards by 8.0%, or €31.6 million, resulting from the effect of significant value driving changes in tenant mix coming through during the period, which drove the estimated rental values upwards, as well as a slight yield compression. The Polish portfolio recorded a small gain of €1.2 million. In the Czech Republic, the portfolio was devalued by €8.0 million predominately due to a slight decrease in estimated rental values and in Hungary the €7.9 million reduction was primarily attributable to the weak economic environment in that country, leading to both lower rents and a widening in yields.

In August 2013, Atrium completed the acquisition of Galeria Dominikańska shopping centre in Wrocław, Poland, for €151.7 million. The acquisition is in line with the Group's aim of having the majority of its income producing shopping centres in the major cities of Poland, Czech Republic and Slovakia, the countries with the strongest economies in the CEE region.

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 in a prominent location and anchored by a Carrefour supermarket and Media Markt and houses a wide range of international and domestic retail brands. The average duration of lease contracts is over 6 years. In addition, the centre includes more than 900 parking spaces.



## Development Activities

As at 30 September 2013, Atrium's development and land portfolio was valued at €603.9 million, and comprised 36 projects at varying stages of development. The portfolio has increased in value by 12.2% since year end 2012 due, primarily, to €43.8 million costs incurred on existing projects and €28.9 million reclassification from loans to

associates following the purchase of the remaining 76% of the shares in three companies which jointly own a land site in Gdansk, Poland. We believe that this portfolio includes significant long term 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	30/9/2013 Market value €'000	Portfolio %	Size of land (hectares)	31/12/2012 Market value €'000
Poland	14	213,959	35.4%	64	143,125
Russia	12	140,036	23.2%	145	145,230
Turkey	4	209,594	34.7%	44	209,376
Others	6	40,334	6.7%	54	40,664
<b>Total</b>	<b>36</b>	<b>603,923</b>	<b>100.0%</b>	<b>307</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. 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 a total net incremental development spend in the region of approximately €134 million over the next three to five years.

Of these eight priority projects, two are under development. Our Atrium Felicity shopping centre in Lublin, Poland, with 75,000 sqm GLA, has been the main focus of our development team's efforts during the period. We have made solid progress with construction activities and the centre is on target to open in March 2014. Our pre-leasing efforts have also progressed, such that the project is now substantially pre-let at 92.4% with an average lease length of approximately six years. The total market value of Atrium Felicity at 30 September 2013 was €85.5 million and the net incremental costs to completion are now assessed at approximately €23.7 million. In October 2013 we completed the sale of the hypermarket component of the project to Auchan, a major international food retailer, in line with a forward sale agreement concluded in June 2012.

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 getting underway in August. 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 September 2013 was €17.3 million and the incremental costs to completion are now assessed at approximately €26.9 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>9M 2013</b>	<b>9M 2012</b>
	<b>€'000</b>	<b>€'000</b>
<b>Earnings attributable to equity holders of the parent company</b>	<b>84,424</b>	<b>109,338</b>
Revaluation of investment properties	(9,277)	(24,698)
Net result on acquisitions and disposals	(44)	(756)
Goodwill impairment and amortisation of intangible assets	4,118	674
Deferred tax in respect of EPRA adjustments	3,698	10,949
Non controlling interest in respect of the above adjustments	-	(2,247)
Close-out costs of financial instruments	-	1,519
<b>EPRA Earnings</b>	<b>82,919</b>	<b>94,779</b>
Weighted average number of shares (in shares)	374,119,243	372,988,116
<b>EPRA Earnings per share (in €cents)</b>	<b>22.2</b>	<b>25.4</b>
<b>Company adjustments:*</b>		
Legacy legal matters	2,371	1,435
Impairment of investment in associate	1,483	-
Foreign exchange differences	429	(6,302)
Deferred tax not related to revaluations	6,981	1,688
Changes in the fair value of financial instruments	1,724	2,350
Non controlling interest in respect of company adjustments	-	(14)
<b>Company adjusted EPRA Earnings</b>	<b>95,907</b>	<b>93,936</b>
<b>Company adjusted EPRA Earnings per share (in €cents)</b>	<b>25.6</b>	<b>25.2</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")	30/9/2013		31/12/2012	
	€'000	in € per ordinary share	€'000	in € per ordinary share
<b>Equity</b>	<b>2,303,560</b>		<b>2,281,372</b>	
Non controlling interest	725		3,061	
<b>IFRS NAV per the financial statements</b>	<b>2,304,285</b>	<b>6.15</b>	<b>2,284,433</b>	<b>6.12</b>
Effect of exercise of options	15,689		15,280	
<b>Diluted NAV, after the exercise of options</b>	<b>2,319,974</b>	<b>6.13</b>	<b>2,299,713</b>	<b>6.08</b>
Fair value of financial instruments	12,303		17,828	
Goodwill	(7,616)		(11,025)	
Deferred tax	152,588		128,468	
<b>EPRA NAV</b>	<b>2,477,249</b>	<b>6.54</b>	<b>2,434,984</b>	<b>6.43</b>

## EPRA Triple NAV ("NNNAV")

EPRA Triple NAV ("NNNAV")	30/9/2013		31/12/2012	
	€'000	in € per ordinary share	€'000	in € per ordinary share
<b>EPRA NAV</b>	<b>2,477,249</b>		<b>2,434,984</b>	
Fair value of financial instruments	(12,303)		(17,828)	
Impact of debt fair value	(9,197)		(10,821)	
Deferred tax	(152,588)		(128,468)	
<b>EPRA NNNAV</b>	<b>2,303,161</b>	<b>6.08</b>	<b>2,277,867</b>	<b>6.02</b>
Number of outstanding shares	374,573,267		373,388,756	
Number of outstanding shares and options	378,767,402		378,519,715	



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## Condensed Consolidated Interim Financial Statements

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

	Note	30/9/2013		31/12/2012	
		€'000 (Unaudited)	€'000 (Unaudited)	€'000 (Audited)	€'000 (Audited)
<b>Assets</b>					
<b>Non current assets</b>					
Standing investments	4	2,368,618		2,185,336	
Developments and land	5	603,923		538,395	
Other non current assets		57,468		93,386	
			<b>3,030,009</b>		<b>2,817,117</b>
<b>Current assets</b>					
Cash and cash equivalents	6	331,000		207,843	
Other current assets*		53,148		40,562	
			<b>384,148</b>		<b>248,405</b>
<b>Total assets</b>			<b>3,414,157</b>		<b>3,065,522</b>
<b>Equity</b>	7		<b>2,303,560</b>		<b>2,281,372</b>
<b>Liabilities</b>					
<b>Non current liabilities</b>					
Long term borrowings	8	800,995		462,075	
Derivatives	9	12,303		17,828	
Other non current liabilities		178,038		166,825	
			<b>991,336</b>		<b>646,728</b>
<b>Current liabilities</b>					
Short term borrowings	8	35,118		74,986	
Other current liabilities*		84,143		62,436	
			<b>119,261</b>		<b>137,422</b>
<b>Total equity and liabilities</b>			<b>3,414,157</b>		<b>3,065,522</b>

\* 31/12/2012 balances have been reclassified

The 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 11 November 2013 and were duly signed on the Board's behalf by Rachel Lavine, Chief Executive Officer and Chaim Katzman, Chairman.



**Condensed Consolidated Income Statement** for the period ended 30 September 2013

(Unaudited)	Note	1/7/2013 - 30/9/2013		1/1/2013 - 30/9/2013		1/7/2012 - 30/9/2012		1/1/2012 - 30/9/2012	
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income		50,273		151,403		48,437		144,594	
Service charge income		18,696		56,832		18,307		55,469	
Net property expenses		(22,228)		(65,217)		(21,028)		(62,610)	
<b>Net rental income</b>			<b>46,741</b>		<b>143,018</b>		<b>45,716</b>		<b>137,453</b>
Net result on acquisitions and disposals		(23)		44		401		756	
Costs connected with developments		(1,690)		(3,854)		(1,134)		(4,564)	
Revaluation of investment properties		1,764		9,277		(8,280)		24,698	
Other depreciation, amortisation and impairments	10	(833)		(6,385)		(482)		(1,274)	
Administrative expenses		(5,236)		(18,089)		(7,501)		(19,716)	
<b>Net operating profit</b>			<b>40,723</b>		<b>124,011</b>		<b>28,720</b>		<b>137,353</b>
Net financial expenses	11	(6,128)		(27,707)		797		(16,917)	
<b>Profit before taxation</b>			<b>34,595</b>		<b>96,304</b>		<b>29,517</b>		<b>120,436</b>
Taxation charge for the period	12	(2,292)		(11,923)		672		(13,543)	
<b>Profit after taxation for the period</b>			<b>32,303</b>		<b>84,381</b>		<b>30,189</b>		<b>106,893</b>
<b>Attributable to:</b>									
Owners of the parent		32,318		84,424		30,100		109,338	
Non controlling interest		(15)		(43)		89		(2,445)	
			<b>32,303</b>		<b>84,381</b>		<b>30,189</b>		<b>106,893</b>
Basic and diluted earnings per share in €cents attributable to shareholders		8.6		22.5		8.1		29.3	

**Condensed Consolidated Statement of Comprehensive Income** for the period ended 30 September 2013

(Unaudited)	1/7/2013 - 30/9/2013		1/1/2013-30/9/2013		1/7/2012 - 30/9/2012		1/1/2012 - 30/9/2012	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Profit for the period	32,303		84,381		30,189		106,893	
<b>Items that may be reclassified subsequently to the income statement:</b>								
Exchange differences arising on translation of foreign operations (net of deferred tax)	(5,248)		(5,154)		(5,199)		533	
Movements in hedging reserves (net of deferred tax)	333		4,475		(2,446)		(6,483)	
<b>Total comprehensive income for the period</b>		<b>27,388</b>		<b>83,702</b>		<b>22,544</b>		<b>100,943</b>
<b>Attributable to:</b>								
Owners of the parent	27,403		83,745		22,455		103,384	
Non controlling interest	(15)		(43)		89		(2,441)	
		<b>27,388</b>		<b>83,702</b>		<b>22,544</b>		<b>100,943</b>

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### Condensed Consolidated Cash Flow Statement for the period ended 30 September 2013

(Unaudited)	1/1/2013 - 30/9/2013 €'000	1/1/2012 - 30/9/2012 €'000
Net cash generated from operating activities	103,582	92,220
Cash flows used in investing activities	(209,257)	(29,011)
Cash flows generated from/(used in) financing activities	230,116	(129,676)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>124,441</b>	<b>(66,467)</b>
Cash and cash equivalents at the beginning of the period	207,843	234,924
Effect of exchange rate fluctuations on cash held	(1,284)	484
<b>Cash and cash equivalents at the end of the period</b>	<b>331,000</b>	<b>168,941</b>

### Consolidated Statement of Changes in Equity for the period ended 30 September 2013

(Unaudited)	Note	Stated capital €'000	Other reserves €'000	Hedging reserves €'000	Retained earnings €'000	Currency translation €'000	Equity attribut- able to controlling share- holders €'000	Non controlling interest €'000	Total equity €'000
<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		-	-	4,475	84,424	(5,154)	83,745	(43)	83,702
<b>Transactions with owners</b>									
Share based payment		-	395	-	-	-	395	-	395
Issue of no par value shares		947	(784)	-	-	-	163	-	163
Dividends	7	(56,131)	-	-	-	-	(56,131)	-	(56,131)
Acquisition of non controlling interest	7	-	-	-	(8,320)	-	(8,320)	2,379	(5,941)
<b>Balance as at 30 September 2013</b>		<b>2,781,474</b>	<b>4,490</b>	<b>(9,966)</b>	<b>(381,054)</b>	<b>(90,659)</b>	<b>2,304,285</b>	<b>(725)</b>	<b>2,303,560</b>

(Unaudited)	Note	Stated capital €'000	Other reserves €'000	Hedging reserves €'000	Retained earnings €'000	Currency translation €'000	Equity attribut- able to controlling share- holders €'000	Non controlling interest €'000	Total equity €'000
<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		-	-	(6,483)	109,338	529	103,384	(2,441)	100,943
<b>Transactions with owners</b>									
Share based payment		-	1,173	-	-	-	1,173	-	1,173
Issue of no par value shares		854	(129)	-	-	-	725	-	725
Dividends	7	(47,563)	-	-	-	-	(47,563)	-	(47,563)
Acquisition of non controlling interest		-	-	-	(21,441)	-	(21,441)	12,372	(9,069)
<b>Balance as at 30 September 2012</b>		<b>2,852,409</b>	<b>4,615</b>	<b>(13,822)</b>	<b>(443,234)</b>	<b>(83,864)</b>	<b>2,316,104</b>	<b>(5,352)</b>	<b>2,310,752</b>



## Notes to the Condensed Consolidated Interim Financial Statements for the period ended 30 September 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.

#### Amendments 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

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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 retrospectively apply 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 de-recognition 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 adopted early 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 amortised 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 to 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).

	30/9/2013 €'000	31/12/2012 €'000
Balance as at 1 January	2,185,336	2,077,246
Acquisition and additions	167,816	33,629
Movements – financial leases	5,820	3,861
Transfers from developments and land	877	6,750
Currency translation difference	(4,993)	5,317
Revaluation of standing investments	13,947	58,533
Disposal	(185)	-
<b>Balance as at the end of the period</b>	<b>2,368,618</b>	<b>2,185,336</b>



The acquisition and additions consist of technical improvements, extensions and the acquisition in August 2013 of Galeria Dominikańska shopping centre in Wrocław, Poland for an agreed value of €151.7 million which was revised for accounting purposes to €146.0 million due to IFRS requirements in respect of deferred taxes at initial recognition. The transaction was accounted for as an asset acquisition rather than a business combination. This is because the shopping centre is located in one of our core markets and therefore Atrium has the ability to manage it, even though an external party will continue the day to day management of the centre, working closely alongside Atrium's in-house team of retail experts. Furthermore, Atrium has the right to make all strategic decisions and all the incumbent directors are now Atrium's nominees.

## 5. Developments and land

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

	30/9/2013 €'000	31/12/2012 €'000
Balance as at 1 January	538,395	587,351
Additions – cost of land and construction	43,753	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)
Transfer to assets classified as held for sale	(4,859)	-
Disposals	-	(3,310)
Interest capitalised	595	1,320
Currency translation difference	(112)	-
Revaluation of developments and land	(4,670)	(63,494)
<b>Balance as at the end of the period</b>	<b>603,923</b>	<b>538,395</b>

In July 2012, Atrium signed definitive contracts with a general contractor for the construction of its development project in Lublin, Poland. The total market value of Atrium Felicity at 30 September 2013 was €85.5 million, including additions of €34.6 million during the period. The total net incremental costs to complete the project are approximately €23.7 million. As at 30 September 2013, €7.4 million (31 December 2012: €2.2 million) was held as inventory and is reported within other current assets.

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. The total market value of the extension at 30 September 2013 was €17.3 million, including additions of €6.4 million during the period.

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 also refer to note 7.

## 6. Cash and cash equivalents

As at 30 September 2013, the Group held total cash and cash equivalents of €331.0 million (31 December 2012: €207.8 million). The Group held cash of €8.0 million (31 December 2012: €18.7 million) as security for guarantees and/or other restricted cash held in 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	30/9/2013 €'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 September 2013, the total number of ordinary shares issued was 374,573,267 (31 December 2012: 373,388,756 shares). During the nine month period ended 30 September 2013, Atrium paid a dividend of €0.15 (9M 2012: €0.1275) per ordinary share, which amounted to a total of €56.1 million (9M 2012: €47.6 million).

During the nine month period ended 30 September 2013, 1,615,000 options were exercised, 210,000 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 3,657,627 as at 30 September 2013.

During the third quarter of 2013, 703,174 options were granted under ESOP 2013.

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 of ESOP 2013's adoption. The exercise price on the date of 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

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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. No more grants will be made under 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, through a two stage agreement, MD CE Holding Limited acquired the remaining 76% of the shares it did not already hold 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.; consequently it now owns 100% of these entities. The total consideration paid amounted to €2.5 million.

### 8. Borrowings

	30/9/2013 Net book value €'000	30/9/2013 Fair value €'000	31/12/2012 Net book value €'000	31/12/2012 Fair value €'000
Bonds	500,616	508,880	193,958	202,505
Bank loans	335,497	336,430	343,103	345,378
<b>Total</b>	<b>836,113</b>	<b>845,310</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. The Eurobond will mature on 20 April 2020 and the issue price was 99.57%.

In July 2013, Atrium repaid upon maturity €39.2 million bonds issued in 2003.

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:

	30/9/2013 Net book value €'000	31/12/2012 Net book value €'000
Due within one year	35,118	74,986
In second year	77,232	6,557
In third to fifth years inclusive	271,207	347,089
After five years	452,556	108,429
<b>Total</b>	<b>836,113</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 with 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 September 2013, the IRSs are in a liability position and have a fair value of €12.4 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. The inputs used are derived either directly (i.e. as prices) or indirectly (i.e. from prices). Therefore, these IRSs are classified as Level 2 Fair value measurements under IFRS 13.

### 10. Other depreciation, amortisation and impairments

	1/1/2013- 30/9/2013 €'000	1/1/2012- 30/9/2012 €'000
Other depreciation and amortisation	1,438	947
Impairments	4,947	327
<b>Total</b>	<b>6,385</b>	<b>1,274</b>



**11. Net financial expenses**

	<b>1/1/2013- 30/9/2013 €'000</b>	<b>1/1/2012- 30/9/2012 €'000</b>
Interest income	2,224	2,883
Interest expense	(23,028)	(17,365)
Finance lease interest expense	(4,673)	(3,498)
Foreign currency differences	(429)	6,302
Net profit/(loss) from bond buy back	-	(1,519)
Impairment of financial instruments	(1,724)	(2,350)
Other financial expenses	(77)	(1,370)
<b>Total</b>	<b>(27,707)</b>	<b>(16,917)</b>

**12. Taxation charge for the period**

	<b>1/1/2013- 30/9/2013 €'000</b>	<b>1/1/2012- 30/9/2012 €'000</b>
Current period corporate income tax expense	(1,198)	(906)
Deferred tax charge	(10,679)	(12,637)
Adjustments to prior periods	(46)	-
<b>Total</b>	<b>(11,923)</b>	<b>(13,543)</b>

## Interim Financial Statements

### 13. Segment reporting

#### Reportable segments

For the period ended 30 September 2013	Standing investment segment €'000	Development segment €'000	Reconciling items €'000	Total €'000
Gross rental income	151,403	-	-	151,403
Service charge income	56,832	-	-	56,832
Net property expenses	(65,217)	-	-	(65,217)
<b>Net rental income</b>	<b>143,018</b>	-	-	<b>143,018</b>
Net result on acquisitions and disposals	44	-	-	44
Costs connected with developments	-	(3,854)	-	(3,854)
Revaluation of investment properties	13,947	(4,670)	-	9,277
Other depreciation, amortisation and impairments	(4,539)	(37)	(1,809)	(6,385)
Administrative expenses	(8,604)	(1,167)	(8,318)	(18,089)
<b>Net operating profit/(loss)</b>	<b>143,866</b>	<b>(9,728)</b>	<b>(10,127)</b>	<b>124,011</b>
Net financial expense	(29,716)	1,648	361	(27,707)
<b>Profit/(loss) before taxation for the period</b>	<b>114,150</b>	<b>(8,080)</b>	<b>(9,766)</b>	<b>96,304</b>
Taxation credit/(charge) for the period	(11,557)	(100)	(266)	(11,923)
<b>Profit/(loss) after taxation for the period</b>	<b>102,593</b>	<b>(8,180)</b>	<b>(10,032)</b>	<b>84,381</b>
Investment properties	2,368,618	603,923	-	2,972,541
Segment assets	2,445,534	655,551	313,072	3,414,157
Segment liabilities	851,876	91,205	167,516	1,110,597

For the period ended 30 September 2012	Standing investment segment €'000	Development segment €'000	Reconciling items €'000	Total €'000
Gross rental income	144,594	-	-	144,594
Service charge income	55,469	-	-	55,469
Net property expenses	(62,610)	-	-	(62,610)
<b>Net rental income</b>	<b>137,453</b>	-	-	<b>137,453</b>
Net result on acquisitions and disposals	404	352	-	756
Costs connected with developments	-	(4,564)	-	(4,564)
Revaluation of investment properties	60,236	(35,538)	-	24,698
Other depreciation, amortisation and impairments	(936)	-	(338)	(1,274)
Administrative expenses	(8,349)	(623)	(10,744)	(19,716)
<b>Net operating profit/(loss)</b>	<b>188,808</b>	<b>(40,373)</b>	<b>(11,082)</b>	<b>137,353</b>
Net financial income/(expense)	(20,192)	(1,515)	4,790	(16,917)
<b>Profit/(loss) before taxation for the period</b>	<b>168,616</b>	<b>(41,888)</b>	<b>(6,292)</b>	<b>120,436</b>
Taxation charge for the period	(13,478)	371	(436)	(13,543)
<b>Profit/(loss) after taxation for the period</b>	<b>155,138</b>	<b>(41,517)</b>	<b>(6,728)</b>	<b>106,893</b>
Investment properties	2,166,633	567,069	-	2,733,702
Segment assets	2,261,272	611,114	176,501	3,048,887
Segment liabilities	634,589	95,252	8,294	738,135



## 14. Transactions with related parties

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.

In August 2013, Gazit-Globe Ltd. ("Gazit-Globe") purchased 20,416,463 shares from Apollo Global Real Estate ("Apollo"), representing approximately 5.5% of Atrium's total shares. Following the acquisition, Gazit-Globe holds 149,325,178 and Apollo holds 52,069,621 shares in Atrium, representing approximately 39.9% and 13.9% respectively of Atrium total shares as at 30 September 2013.

## 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 8 November 2013, the latest practicable date prior to authorisation of this report, the aggregate amounts claimed in proceedings to which Atrium was then a party in this regard was approximately €14.5 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 euro zone 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.

## 16. Subsequent events

In its meeting on 11 November 2013, the Company's Board of Directors approved a dividend distribution for the fourth quarter of 2013 amounting to €0.06 per share. For 2014, the dividend will increase to at least €0.24 per share and will be paid in 4 quarterly installments of €0.06 per share at the end of each calendar quarter starting from the first quarter of 2014 (subject to any legal and regulatory requirements and restrictions of commercial viability).

The Board also approved in that same meeting, the appointment of Roger Orf, as a non-executive director, following the retirement from the Board of Dipak Rastogi.

# Independent Review Report to Atrium European Real Estate Limited

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## 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 nine months ended 30 September 2013 which comprises the condensed consolidated statement of financial position as at 30 September 2013, the condensed consolidated income statement for the three month and nine month periods ending 30 September 2013, the condensed consolidated statement of comprehensive income for the three month and nine month periods ending 30 September 2013, the condensed consolidated cash flow statement and the consolidated statement of changes in equity for the nine months ended 30 September 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 nine months ended 30 September 2013 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the EU.

## Heather J MacCallum

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

Chartered Accountants and Recognized Auditor

37 Esplanade

St Helier

Jersey

JE4 8WQ

11 November 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 11 November 2013. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 11 November 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

## Directors:

Chaim Katzman  
Rachel Lavine  
Joseph Azrack  
Noam Ben-Ozer  
Peter Linneman  
Simon Radford  
Roger Orf  
Aharon Soffer  
Thomas Wernink  
Andrew Wignall

## Group Executive Management:

Rachel Lavine	CEO
Soňa Hýbnerová	CFO
Nils-Christian Hakert	COO
Thomas Schoutens	CDO
Geraldine Copeland-Wright	GC
Liad Barzilai	Head of Acquisitions
Ljudmila Popova	Head of Business Development & Investor Relations

## 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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## Principal locations:

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### The Netherlands

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## Cover photo:

*Atrium Promenada shopping centre in Warsaw, Poland*

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**PROMENADA**  
Z MYŚLĄ O TOBIE



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