



Leader in Shopping Centres in Central and Eastern Europe

# Interim Financial Report

## 30 September 2011



## Key Indicators

Like-for-like results, NAV, NNNAV (including results per share) are calculated according to EPRA Best Practice Recommendations.

Key indicators in TEUR	9M 2010	9M 2011	1H 2010	3Q 2010	1H 2011	3Q 2011
Gross rental income	111,832	126,255	74,350	37,482	85,097	41,158
Like-for-like gross rental income	105,181	113,823	70,039	35,142	76,406	37,417
Net rental income	100,237	115,063	65,338	34,899	78,041	37,022
Like-for-like net rental income	94,847	104,755	62,124	32,723	71,232	33,523
Operating margin	89.6%	91.1%	87.9%	93.1%	91.7%	90.0%
EBITDA* excluding the valuation result	75,949	113,951	49,782	26,167	55,841	58,110
EPRA Earnings	80,479	43,348	61,575	18,904	40,383	2,965
Revaluation of standing investments	45,667	112,363	44,344	1,323	69,056	43,307
Revaluation of developments and land	(16,686)	(30,556)	(6,814)	(9,872)	(10,232)	(20,324)
Profit before taxation	120,302	167,183	104,350	15,952	113,722	53,461
Profit after taxation	107,350	142,919	89,881	17,469	100,690	42,229
Net cash generated from operating activities	70,315	71,896	46,628	23,687	60,282	11,614
Earnings per share in EUR	0.27	0.37	0.24	0.03	0.24	0.13
EPRA Earnings per share in EUR	0.22	0.12	0.17	0.05	0.11	0.01
Adjusted EPRA Earnings per share in EUR	0.17	0.21	0.09	0.08	0.14	0.07

\*EBITDA Earnings before financial results, taxes, depreciation and amortisation.

Balance Sheet Results in TEUR	31/12/2010	30/9/2011
Standing investments at fair value	1,503,301	1,999,847
Developments and land at fair value	634,616	592,270
Cash and cash equivalents	373,524	289,562
Borrowings	425,235	561,583
LTV	19.9%	21.7%
EPRA NAV per share in EUR	6.02	6.33
EPRA NNNAV per share in EUR	5.79	6.03



## Contents

<b>Key Indicators</b>	<b>2</b>
<b>Group Management Report</b>	<b>4</b>
<b>Financial Summary</b>	<b>6</b>
<b>Business Activities</b>	<b>6</b>
<b>Operating Activities</b>	<b>8</b>
<b>Development Activities</b>	<b>10</b>
<b>EPRA Reporting</b>	<b>11</b>
<b>Statement Regarding Forward Looking Information</b>	<b>13</b>
<b>Condensed Consolidated Interim Financial Statements</b>	<b>14</b>
<b>Notes to the Condensed Consolidated Interim Financial Statements</b>	<b>20</b>
<b>Independent Review Report to Atrium European Real Estate Limited</b>	<b>26</b>





# Group Management Report

## Financial Summary of the Period Ended 30 September 2011

- Gross rental income ("GRI") increased by 12.9% to EUR 126.3m (9M 2010: EUR 111.8m) with an increase in like-for-like GRI of 8.2% to EUR 113.8m (9M 2010: EUR 105.2m).
- Net rental income ("NRI") increased by 14.8% to EUR 115.1m (9M 2010: EUR 100.2m) with an increase in like-for-like NRI of 10.4% to EUR 104.8m (9M 2010: EUR 94.8m).
- The operating margin increased to 91.1% (9M 2010: 89.6%).
- EBITDA, excluding the valuation result, increased by 50.2% or EUR 38.1m to EUR 114m (9M 2010: EUR 75.9m).
- Profit before taxation increased by 39% to EUR 167.2m (9M 2010: EUR 120.3m).
- Earnings per share increased by 37% to EUR 0.37 (9M 2010: EUR 0.27).
- Adjusted EPRA Earnings were EUR 0.21 (9M 2010: 0.17).
- Net cash generated from operating activities amounted to EUR 71.9m (9M 2010: EUR 70.3m).
- EPRA Net asset value ("NAV") per ordinary share increased to EUR 6.33 (2010: EUR 6.02).
- The income producing portfolio increased in value to EUR 2,000m as at 30 September 2011 (2010: EUR 1,503m) mainly as a result of the EUR 171m and EUR 186m acquisitions of Promenada and Palác Flóra, respectively, as well as a revaluation of EUR 112.4m.
- The developments and land portfolio was devalued by EUR 30.6m during the nine month period and was valued at EUR 592.3m as at 30 September 2011 (2010: EUR 634.6m).
- Borrowings increased from EUR 425.2m, as at 31 December 2010, to EUR 561.6m, as at 30 September 2011, as a result of the acquisitions detailed above.
- The weighted average occupancy level increased to 97.0% (9M 2010: 94.7%).
- As at 30 September 2011, the Group owned 154 income producing properties classified as standing investments and 34 projects classified as developments and land.

## Business Activities

### Strategy

The strategy of Atrium European Real Estate Limited ("Atrium" or the "Group") is to focus on the management, ownership and development of shopping centres that are anchored by a supermarket or a hypermarket.

Atrium is pursuing growth through the acquisition of income producing assets in the more stable Central and Eastern European countries, such as Poland, the Czech Republic and Slovakia, where it believes it can create value and best utilise its strong cash position and low leverage.

Atrium will further supplement its growth strategy by executing a number of full scale development projects. Atrium is also implementing a programme of improvements to its current portfolio of standing investments to achieve growth through the re-development and refurbishment of existing assets, in order to increase income and improve the value of the Group's portfolio.

### Credit rating

On 14 October 2011, Standard & Poor's improved the long term rating for Atrium from BB to BB+ with a stable outlook. On 17 October 2011, Fitch confirmed the rating of BB+ but changed the outlook to positive from stable. The management believes that the positive decision by both rating agencies is an important step in the repositioning of the company and reflects progress made on operational, financial and legal issues.

### Operational events during the period

#### *Sale of residential apartments in Ufa, Russia*

The Group finalised the sale of 422 residential apartments (21,820 sqm) in Ufa, Russia, to the municipality of Ufa for a total consideration of approximately EUR 15m. The first part of this sale took place in 2010 and was subsequently completed in January 2011. The sale, which was financially neutral to the Group, allowed the divestment of this non-core and non-income producing asset.

#### *Completion of the acquisition of the Promenada Shopping Centre and purchase of adjacent land*

In May 2011, Atrium completed the acquisition of the Promenada shopping centre ("Promenada") in Warsaw, Poland, for EUR 171m. Promenada is Warsaw's fourth biggest shopping centre. The acquisition of Promenada is an excellent addition to the Polish portfolio and is one of the best shopping centres in the Polish capital.

In February 2011, Atrium agreed to acquire the public ground lease of a land plot adjacent to the Promenada shopping centre for EUR 11m. The plot will provide the Group with the potential to create additional value by further extending the current shopping centre.

## **Sale of three land plots in Turkey**

In February 2011, the Group sold its wholly owned subsidiary MEL 2 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., which owns a land plot in the city of Samsun on the Black Sea coast in Turkey, to Renaissance Development, one of the main retail developers in Turkey, for EUR 18m; an amount in line with Atrium's book value of the asset.

In April 2011, Atrium also signed an agreement to sell its wholly owned subsidiary MEL 3 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., which owns a land plot in Kahramanmaraş, a city located in the southeast of Turkey. The sale price of EUR 16.5m was above Atrium's net book value.

In August 2011, the Group sold another wholly owned subsidiary MEL 4 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., which owns a land plot in the city of Sanliurfa in Turkey for EUR 14.5m. The profit generated from the transaction was EUR 11m.

## **Settlement agreement with Multi**

On 14 July 2011, Atrium also executed the settlement agreement (the "Agreement") with Multi Investment BV ("Multi") and their business relationship was terminated.

The Agreement covers five projects in total:

- Sale of 100% of Atrium's shares in the company that owns Trabzon shopping centre in Turkey to Multi.
- Acquisition of the remaining 49.9% of the shares in the company that owns Koszalin shopping centre in Poland from Multi. Koszalin is now 100% owned by Atrium.
- Acquisition of the remaining shares in three companies which respectively own a development project in Sofia, Bulgaria and in Balçova and Istanbul in Turkey.

As a result of the Agreement Atrium received net cash of approximately EUR 65m and generated a profit of EUR 16m in the period.

## **Purchase of a land plot in Torun**

Atrium has also continued to strengthen its Polish portfolio through the acquisition of a 38,000 sqm land plot adjacent to its Copernicus shopping centre, in Torun, for EUR 7.5m. The closing of the transaction is still subject to some conditions precedent.

## **Completion of the acquisition of the Palác Flóra shopping centre in Prague, Czech Republic**

On 26 September 2011, Atrium completed the EUR 191m acquisition of the 37,600 sqm Palác Flóra shopping centre in Prague (due to the balance sheet adjustments the value of Palác Flóra was recognised at EUR 186m as at 30 September 2011). Palác Flóra is one of the prime shopping centres in Prague and this acquisition is the largest real estate transaction in the Czech capital so far this year. The shopping centre is well located in an affluent residential area with excellent transport links that include its own metro station. Atrium believes that Palác Flóra will benefit from the operational efficiencies and

economies of scale made available from Palác Flóra being integrated into Atrium's portfolio.

## **Financial events during the period**

### **Payment of dividend**

The Group intends to pay an annual dividend of EUR 0.14 per ordinary share (subject to any legal regulatory requirements and restrictions of commercial viability), to be declared and paid quarterly. In accordance with this intention, Atrium made dividend payments of EUR 0.035 per share on 31 March, 30 June and 30 September 2011.

### **2008 Convertible bond**

In January 2011, Atrium bought back all EUR 20m of the outstanding units of the 2008 10.75% convertible bond issued to Meindl Bank and related parties ("Meindl Parties"), at par together with accrued interest.

### **Bond buy backs**

In April 2011, the Group announced a tender offer for the bond 2001 due in December 2011. At 30 September 2011, EUR 10.9m nominal value of the notes had been tendered.

During the nine month period ended 30 September 2011 Atrium also acquired EUR 10.1m nominal value of its 2003 bond and EUR 24.6m nominal value of its 2005 bond.

## **Legal events during the period**

On 17 June 2011, the Group announced the settlement of all legal disputes and the severance of all business ties with Meindl Bank. On 28 July 2011, Atrium announced that the settlement had become fully effective. This settlement has enabled Atrium to focus on its forward looking strategy rather than historical issues.

## **Board changes**

On 18 May 2011, Atrium announced that Aharon (Roni) Soffer had been appointed as a non-executive director, following the retirement from the board of Michael Bar Haim.

On 16 August 2011, Atrium also announced that Joseph Azrack had been appointed as a non-executive director, following the retirement from the board of Neil Hasson.

## Operating Activities

Atrium's 154 standing investment properties, located across seven countries, produced the following results in terms of gross and net rental income during the first nine months of 2011:

Gross rental income				Net rental income		
Country	9M 2010 TEUR	9M 2011 TEUR	Change in %	9M 2010 TEUR	9M 2011 TEUR	Change in %
Czech Republic	18,983	19,813	4.4	16,157	17,517	8.4
Hungary	5,937	6,143	3.5	4,637	5,304	14.4
Latvia	834	714	(14.4)	648	264	(59.3)
Poland	38,568	46,615	20.9	38,517	45,474	18.1
Romania	5,896	5,221	(11.4)	5,130	5,004	(2.5)
Russia	26,876	33,374	24.2	22,151	28,568	29.0
Slovakia	7,716	8,171	5.9	7,289	8,120	11.4
<b>Subtotal</b>	<b>104,810</b>	<b>120,051</b>	<b>14.5</b>	<b>94,529</b>	<b>110,251</b>	<b>16.6</b>
Plus rental income of the company divested in July 2011:						
Turkey	7,022	6,204	(11.6)	5,708	4,812	(15.7)
<b>Total</b>	<b>111,832</b>	<b>126,255</b>	<b>12.9</b>	<b>100,237</b>	<b>115,063</b>	<b>14.8</b>

Like-for-like gross rental income				Like-for-like net rental income		
Country	9M 2010 TEUR	9M 2011 TEUR	Change in %	9M 2010 TEUR	9M 2011 TEUR	Change in %
Czech Republic	19,726	19,673	(0.3)	16,751	17,380	3.8
Hungary	5,939	6,143	3.4	4,599	5,304	15.3
Latvia	834	714	(14.4)	329	264	(19.8)
Poland	38,552	40,527	5.1	38,729	40,115	3.6
Romania	5,896	5,221	(11.4)	5,102	5,004	(1.9)
Russia	26,518	33,374	25.9	22,018	28,568	29.7
Slovakia	7,716	8,171	5.9	7,319	8,120	10.9
<b>Like-for-like rental income</b>	<b>105,181</b>	<b>113,823</b>	<b>8.2</b>	<b>94,847</b>	<b>104,755</b>	<b>10.4</b>
Remaining rental income	7,022	12,432	77.0	5,686	10,308	81.3
<b>Total rental income</b>	<b>112,203</b>	<b>126,255</b>	<b>12.5</b>	<b>100,533</b>	<b>115,063</b>	<b>14.5</b>

### Gross Rental Income

During the first nine months of 2011, GRI improved by 12.9% to EUR 126.3m partly due to a five month contribution from the Promenada shopping centre, following the conclusion of its acquisition in May 2011. The Palác Flóra shopping centre acquisition became effective on 26 September 2011, consequently its impact on GRI for the period was only marginal and the balance of the improvement was due to a growth in rental income in the existing portfolio, as described below.

### Like-for-like gross rental income

The like-for-like GRI for the first nine months of 2011 improved by 8.2% to EUR 113.8m compared to the same period in 2010

(EUR 105.2m). 79% of this improvement came from Russia, where the strong progress in the first half continued, due to lower discounts, higher turnover rent and higher income from general mall leasing ("GML").

In addition to Russia, Poland contributed to the strong like-for-like GRI growth, showing an increase of 5.1%. This was mainly due to the effect of increased income from higher turnover rent and increase in GML.

In Hungary, the increase in like-for-like GRI was due to improved occupancy, while in Slovakia it was due to a combination of lower discounts, higher occupancy and turnover rent.

The small decrease in GRI in the Czech Republic was mainly due to rent free periods granted to a furniture shop in Atrium's shopping centre in Brno during a redevelopment of the first floor. The redevelopment has been completed and rental payments have now resumed.

The decrease in Romania was due to discounts to tenants facing difficulties due to the unfavourable financial situation, and in Latvia the decrease was due to a continued issue with accessibility to the centre.

### Like-for-like net rental income

Like-for-like NRI increased by 10.4% or EUR 9.9m to EUR 104.8m. The GRI accounted for EUR 8.6m of the growth in net like-for-like, with

the remainder mainly due to improved rental collection in the first half of the year, reflecting good credit control and a more positive retail environment in the region.

A substantial part of the increase in like-for-like NRI came from the improvement in Russia, in line with the higher GRI. In addition to this, Russia benefitted from improved operational efficiencies and improved its rental collection, which resulted in an increase of 29.7% in like-for-like NRI.

In Slovakia, cost savings on top of the stronger GRI resulted in a like-for-like NRI improvement of 10.9% compared to the same period in 2010.

### Standing investments

Country	No. of properties	Gross lettable area, sqm	Market value TEUR	Revaluation TEUR
Czech Republic	98	371,569	433,971	2,389
Hungary	25	101,796	91,275	520
Latvia	1	20,396	15,870	(214)
Poland	19	346,745	926,047	59,238
Romania	1	52,957	71,200	1,959
Russia	7	216,276	327,268	40,180
Slovakia	3	64,152	134,216	8,291
<b>Total standing investments</b>	<b>154</b>	<b>1,173,891</b>	<b>1,999,847</b>	<b>112,363</b>

### Standing investments

Country	Net equivalent yield* (weighted average) %	Gross running yield (GRY) %	Net running yield (NRY) %	Occupancy %
Czech Republic	8.1	9.0	8.2	96.2
Hungary	8.9	9.0	7.7	96.2
Latvia	13.0	6.0	2.2	81.4
Poland	7.0	7.4	6.0	98.1
Romania	9.4	9.8	9.4	99.1
Russia	12.6	13.6	11.6	97.3
Slovakia	7.9	8.1	8.1	98.3
<b>Group's yield/occupancy</b>	<b>8.4</b>	<b>9.0</b>	<b>7.7</b>	<b>97.0</b>

\* The net equivalent yield takes into consideration the potential of rental income and occupancy.

The market value of Atrium's standing investments increased to EUR 2,000m, as at 30 September 2011, due to a combination of the acquisition of Promenada for EUR 171m, Palác Flóra for EUR 191m (due to the balance sheet adjustments the value of Palác Flóra was recognised at EUR 186m as at 30 September 2011) and a portfolio revaluation gain of EUR 112m. In this period, the retail real estate market experienced a great deal of activity, especially in Poland, and when combined with strong investor demand, this resulted in yields being compressed. The increase in valuation in Poland was EUR 59m in the first nine months of 2011. The value of the portfolio in Russia increased by EUR 40m, mainly as a result of the higher rental income achieved.

In Slovakia, the portfolio value increased by more than EUR 8m, reflecting increased rental income and a positive real estate market.

### Occupancy

Occupancy increased to 97.0% from 96.6% in the second quarter and from 94.6% at the end of 2010; 97% is the highest occupancy that the Group has achieved since 2008. There have been improvements in the shopping centres in most countries, but the biggest impact resulted from the leasing of a distribution centre in Hungary, which is now 100% let, and the increase in occupancy in Hungary to 96.2% as at 30 September 2011, compared to 80.7% at the end of 2010.

### Development Activities

Atrium undertakes a continued evaluation of its entire development and land portfolio, in order to determine the best approach for each of the assets in its pipeline. Any decision to commence development takes into account specific factors, such as the location, the size of the project, the economic situation in the country and the risk profile.

Atrium has an extensive development pipeline with 34 projects at different stages. Three development projects in Poland - the first phase of Lublin Felicity, and the second phase of Galeria Mosty and Gdynia Media Markt have been approved by the Board of Directors, with the openings expected in 2013, 2012 and Q3 2012 respectively. Thirteen projects are in the feasibility study phase and 18 projects are classified as land bank. Atrium is also working on some smaller extensions and refurbishment projects to existing standing investments including the 1,100 sqm extension to the Optima shopping centre in Kosice which will open later in November 2011.

The Group has finalised the sale of 422 residential apartments (21,820 sqm) in Ufa, Russia, to the municipality of Ufa for a total consideration of approximately EUR 15m. The sale, which was financially neutral to the Group, allowed divestment of these non-core and non-income producing asset.

As mentioned earlier, a number of divestments were undertaken during the period. These included a land plot in the city of Samsun in Turkey, sold for EUR 18m in February 2011. In April 2011, the Group sold a land plot in Kahramanmaras in Turkey for EUR 16.5 and in August 2011, another land plot in the city of Sanliurfa in Turkey was sold for EUR 14.5m. All three projects were sold, as they no longer fitted in with Atrium's development strategy in Turkey.

A summary of the developments and land portfolio by country is presented in the table below:

Country	31/12/2010 TEUR	30/9/2011 TEUR
Turkey	239,880	208,876
Russia	181,914	187,573
Poland	139,589	133,743
Bulgaria	32,071	23,122
Romania	21,538	21,538
Georgia	14,321	14,321
Ukraine	3,316	-
Czech Republic	1,987	1,918
Slovakia	-	1,179
<b>Total</b>	<b>634,616</b>	<b>592,270</b>

## EPRA Reporting

### EPRA Earnings

EPRA Earnings are calculated in line with the position paper of the European Public Real Estate Association ("EPRA"). The objective according to EPRA is to promote greater transparency, uniformity and comparability of the financial information reported by property

companies. Unrealised changes in valuation, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of Atrium's underlying operational performance.

	9M 2010 TEUR	9M 2011 TEUR
<b>Earnings attributable to equity holders of the parent company</b>	<b>99,385</b>	<b>138,755</b>
Revaluation of investment property	(28,981)	(81,807)
Net result on acquisitions and disposals	270	(32,515)
Tax on profits or losses on disposals	(43)	-
Goodwill impairment and amortisation of intangible assets	214	328
Deferred tax in respect of EPRA adjustments	6,420	15,239
Non controlling interest in respect of the above	3,214	3,348
<b>EPRA Earnings</b>	<b>80,479</b>	<b>43,348</b>
Weighted average number of shares	372,357,632	372,824,782
<b>EPRA Earnings per share</b>	<b>0.22</b>	<b>0.12</b>
<b>Company adjustments:*</b>		
Net result on bond buy backs	(760)	(923)
Legal fees related to the Meinel dispute	7,482	12,470
Foreign exchange differences	(28,314)	6,823
Impairment of financial instruments	-	8,511
Deferred tax not related to revaluations	4,505	6,432
Non controlling interest in respect of company adjustments	(872)	20
<b>Company adjusted earnings</b>	<b>62,520</b>	<b>76,681</b>
<b>Company adjusted EPRA EPS</b>	<b>0.17</b>	<b>0.21</b>

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

## Group Management Report

### EPRA Net asset value ("NAV")

The concept of net asset value is used to describe the value of the assets of a group less the value of its liabilities and eliminating deferred tax and goodwill.

NAV	31/12/2010		30/09/2011	
	TEUR	EUR per ordinary share	TEUR	EUR per ordinary share
<b>Equity</b>	<b>2,186,975</b>		<b>2,270,087</b>	
Non-controlling interest	(3,234)		8,281	
<b>NAV per the financial statements</b>	<b>2,183,741</b>		<b>2,278,368</b>	
Effect of exercise of options	14,894		13,997	
<b>Diluted NAV, after the exercise of options</b>	<b>2,198,635</b>		<b>2,292,365</b>	
Goodwill as a result of deferred tax	(11,475)		(11,475)	
Deferred tax	86,685		108,844	
<b>EPRA Net asset value</b>	<b>2,273,845</b>	<b>6.02</b>	<b>2,389,734</b>	<b>6.33</b>
Number of outstanding shares and options	377,718,495		377,590,162	

According to EPRA best practices, the objective of the triple NAV measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV. As a result, the EPRA NAV is adjusted for the fair value of debt.

Triple NAV (NNNAV)	31/12/2010		30/09/2011	
	TEUR	EUR per ordinary share	TEUR	EUR per ordinary share
<b>EPRA NAV</b>	<b>2,273,845</b>		<b>2,389,734</b>	
Impact of debt fair value	(1,979)		(2,385)	
Deferred tax	(86,685)		(108,844)	
<b>EPRA Triple NAV</b>	<b>2,185,181</b>	<b>5.79</b>	<b>2,278,505</b>	<b>6.03</b>
Number of outstanding shares and options	377,718,495		377,590,162	



### Statement Regarding Forward Looking Information

This interim 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 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 report is up to date only as of the date of this interim 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 report, and particularly the forward looking statements, are qualified by these cautionary statements.

You should read this interim 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.





# Interim Financial Statements

## Interim Financial Statements

### Condensed Consolidated Interim Financial Statements

#### Condensed Consolidated Statement of Financial Position as at 30 September 2011

	Note	31/12/2010 TEUR (Audited)	TEUR (Audited)	30/9/2011 TEUR (Unaudited)	TEUR (Unaudited)
<b>Assets</b>					
<b>Non current assets</b>					
Standing investments	3	1,503,301		1,999,847	
Developments and land	4	634,616		592,270	
Other non current assets		112,861		107,547	
			<b>2,250,778</b>		<b>2,699,664</b>
<b>Current assets</b>					
Cash and cash equivalents	5	373,524		289,562	
Assets held for sale	6	134,727		-	
Other current assets		46,402		39,229	
			<b>554,653</b>		<b>328,791</b>
<b>Total assets</b>			<b>2,805,431</b>		<b>3,028,455</b>
<b>Equity</b>	7		<b>2,186,975</b>		<b>2,270,087</b>
<b>Liabilities</b>					
<b>Non current liabilities</b>					
Long term borrowings	8	364,129		515,495	
Other non current liabilities		91,405		138,448	
			<b>455,534</b>		<b>653,943</b>
<b>Current liabilities</b>					
Short term borrowings	8	61,106		46,088	
Liabilities held for sale	6	30,416		-	
Other current liabilities		71,400		58,337	
			<b>162,922</b>		<b>104,425</b>
<b>Total equity and liabilities</b>			<b>2,805,431</b>		<b>3,028,455</b>

For the reporting period ended 30 September 2011, see the independent review report.

The interim Group management report and the interim financial statements were approved and authorised for issue by the Board of Directors during the course of their meeting on 14 November 2011 and were duly signed on the Board's behalf by Rachel Lavine, Chief Executive Officer and Chaim Katzman, the chairman of Atrium's board of directors.



**Condensed Consolidated Income Statement** for the period ended 30 September 2011

(Unaudited)

	Note	1/7/2010 – 30/9/2010		1/1/2010 – 30/9/2010		1/7/2011 – 30/9/2011		1/1/2011 – 30/9/2011	
		TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Gross rental income		37,482		111,832		41,158		126,255	
Service charge income		15,789		48,492		16,260		51,290	
Net property expenses		(18,372)		(60,087)		(20,396)		(62,482)	
<b>Net rental income</b>			<b>34,899</b>		<b>100,237</b>		<b>37,022</b>		<b>115,063</b>
Net result on acquisitions and disposals		(21)		(270)		27,279		32,515	
Costs connected with developments		-		-		(726)		(2,545)	
Revaluation of investment properties	3,4	(8,549)		28,981		22,982		81,807	
Other depreciation and amortisation		(1,229)		(1,853)		(270)		(1,044)	
Net administrative expenses		(8,711)		(24,018)		(5,465)		(31,082)	
<b>Net operating profit</b>			<b>16,389</b>		<b>103,077</b>		<b>80,822</b>		<b>194,714</b>
Net financial income/(expenses)	9	(437)		17,225		(27,361)		(27,531)	
<b>Profit before taxation</b>			<b>15,952</b>		<b>120,302</b>		<b>53,461</b>		<b>167,183</b>
Taxation credit/(charge) for the period		1,517		(12,952)		(11,232)		(24,264)	
<b>Profit after taxation for the period</b>			<b>17,469</b>		<b>107,350</b>		<b>42,229</b>		<b>142,919</b>
<b>Attributable to:</b>									
Equity holders of the parent		11,772		99,385		48,449		138,755	
Non controlling interest		5,697		7,965		(6,220)		4,164	
Basic & diluted earnings per share in EUR attributable to shareholders*		0.03		0.27		0.13		0.37	

\* Options under the Employee Share Option Plan have an anti-dilutive effect.

For the reporting period ended 30 September 2011, see the independent review report.

## Interim Financial Statements

### Condensed Consolidated Statement of Comprehensive Income

for the period ended 30 September 2011

(Unaudited)

	1/7/2010 – 30/9/2010		1/1/2010 – 30/9/2010		1/7/2011 – 30/9/2011		1/1/2011 – 30/9/2011	
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Profit for the period	17,469		107,350		42,229		142,919	
Exchange differences arising on translation of overseas operations	(13,253)		(1,015)		9,474		(2,519)	
Movements in hedging reserves	-		-		(3,576)		(5,076)	
Deferred tax on items taken directly to equity	(1,578)		(2,767)		(72)		1,312	
<b>Net comprehensive income</b>		<b>2,638</b>		<b>103,568</b>		<b>48,055</b>		<b>136,636</b>
<b>Attributable to:</b>								
Equity holders of the parent	(7,723)		99,848		55,502		132,238	
Non controlling interest	10,361		3,720		(7,447)		4,398	

### Condensed Consolidated Cash Flow Statement for the period ended 30 September 2011

(Unaudited)

	1/1/2010 – 30/9/2010	1/1/2011 – 30/9/2011
	TEUR	TEUR
Cash flows from operating activities	70,315	71,896
Cash flows used in investing activities	(33,330)	(248,554)
Cash flows from/(used in) financing activities	(266,994)	98,980
<b>Decrease in cash and cash equivalents</b>	<b>(230,009)</b>	<b>(77,678)</b>
Cash and cash equivalents at the beginning of the period	610,673	373,524
Foreign exchange differences on cash and cash equivalents	2,475	(6,284)
<b>Cash and cash equivalents at the end of the period</b>	<b>383,139</b>	<b>289,562</b>

For the reporting period ended 30 September 2011, see the independent review report.



**Consolidated Statement of Changes in Equity** for the period ended 30 September 2011

(Unaudited)

	Stated capital	Other reserves	Hedging reserves	Income account	Currency translation	Share- holder interest	Non controlling interest	Total equity
Note	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Balance as at 1 January 2010</b>	<b>2,994,799</b>	<b>360</b>	-	<b>(788,824)</b>	<b>(96,056)</b>	<b>2,110,279</b>	<b>11,488</b>	<b>2,121,767</b>
Total comprehensive income	-	-	-	99,385	463	99,848	3,720	103,568
Share based payment	-	849	-	-	-	849	-	849
Cost of issuing shares	696	-	-	-	-	696	-	696
Dividends	7 (33,517)	-	-	-	-	(33,517)	-	(33,517)
<b>Balance as at 30 September 2010</b>	<b>2,961,978</b>	<b>1,209</b>	-	<b>(689,439)</b>	<b>(95,593)</b>	<b>2,178,155</b>	<b>15,208</b>	<b>2,193,363</b>
<b>Balance as at 1 January 2011</b>	<b>2,950,951</b>	<b>1,828</b>	-	<b>(676,401)</b>	<b>(92,637)</b>	<b>2,183,741</b>	<b>3,234</b>	<b>2,186,975</b>
Total comprehensive income	-	-	(5,076)	138,755	(1,441)	132,238	4,398	136,636
Share based payment	-	1,327	-	-	-	1,327	-	1,327
Issue of no par value shares	264	(55)	-	-	-	209	-	209
Dividends	7 (39,147)	-	-	-	-	(39,147)	-	(39,147)
Acquisition of non controlling interest	-	-	-	-	-	-	(15,913)	(15,913)
<b>Balance as at 30 September 2011</b>	<b>2,912,068</b>	<b>3,100</b>	<b>(5,076)</b>	<b>(537,646)</b>	<b>(94,078)</b>	<b>2,278,368</b>	<b>(8,281)</b>	<b>2,270,087</b>

For the reporting period ended 30 September 2011, see the independent review report.

# Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements for the period ending 30 September 2011 (Unaudited)

### 1. Reporting entity

Atrium European Real Estate Limited ("Atrium") is a company incorporated and domiciled in Jersey on 8 December 1997. Its current registered office and principal place of business is 11-15 Seaton Place, St. Helier, Jersey, Channel Islands.

The principal activities of Atrium and its subsidiaries (the "Group") are the ownership, management and development of shopping centres with a supermarket or a hypermarket as the anchor.

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

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the directors on 14 November 2011.

### 2. Principal accounting policies

#### Basis of preparation

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 2010.

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

New standards, amendments to and interpretations of existing standards effective as of 1 January 2011 have no 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 already been adopted by the Group are not expected to have a material impact on the Group's financial statements.

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 2010, with the exception of the hedge accounting applied starting from the second quarter of 2011, as explained below.

#### Derivatives, including hedge accounting

During the course of its general business activities, Atrium is exposed to interest rate risks on loans. The Group policy is to aim to minimise the interest rate risk on loans in order to ensure that the stable

operating cash flows from a shopping centre are matched with fixed interest rate costs.

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

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

#### Cash flow hedges

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

#### Functional currency

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



### 3. Standing investments

The current portfolio of standing investments of the Group consists of 154 (2010: 153).

	31/12/2010	30/9/2011
	TEUR	TEUR
Balance as at 1 January	1,474,884	1,503,301
Land plots under finance leases	8,236	15,228
Additions – new properties, technical improvements, extensions	8,484	366,339
Transfer from developments and land	28,629	-
Disposals	(270)	-
Currency translation difference	11,727	2,616
Revaluation of standing investments	68,511	112,363
Transferred to assets classified as held for sale	(96,900)	-
<b>Balance as at the end of the period</b>	<b>1,503,301</b>	<b>1,999,847</b>

During the first nine months of 2011 Atrium completed two acquisitions: the Promenada shopping centre (“Promenada”) in Warsaw, Poland, for EUR 171m; and the Palác Flóra shopping centre (“Flora”) in Prague, the Czech Republic, with the agreed value of EUR 191m, which was adjusted to EUR 186m due to balance sheet adjustments.

### 4. Developments and land

The current portfolio of developments and land of the Group consists of 34 projects (2010: 38).

	31/12/2010	30/9/2011
	TEUR	TEUR
Balance as at 1 January	666,118	634,616
Land plots under finance leases	6,981	7,706
Currency translation difference	10,033	93
Additions - cost of land and construction	23,843	6,936
Disposals	(8,884)	(28,578)
Transfer to standing investments	(28,629)	-
Interest capitalised	9,112	2,053
Revaluation of developments and land	(37,622)	(30,556)
Transferred to assets classified as held for sale	(6,336)	-
<b>Balance as at the end of the period</b>	<b>634,616</b>	<b>592,270</b>

During the first nine months ended 30 September 2011, the Group sold its three wholly owned subsidiaries MEL 2 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., for EUR 18.2m, MEL 3 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., for EUR 16.5m and MEL 4 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S. for EUR 14.5m. All three sold subsidiaries generated profit of EUR 17m. All three projects were sold, as they no longer fitted in with Atrium's development strategy in Turkey.

### 5. Cash and cash equivalents

As at 30 September 2011, the Group held cash amounting to a total of TEUR 289,562 (2010: TEUR 373,524). The Group holds cash of TEUR 23,507 (2010: TEUR 34,568) as backing for guarantees and/or other restricted cash issued by various banks on the Group's behalf.

### 6. Held for sale

In December 2010, Atrium reached an agreement with Multi Investment B.V. (“Multi”) to terminate their cooperation. As a part of the agreement, Atrium sold 100% of its shares in the entity owning the Forum Trabzon shopping centre (in Turkey) to Multi on 14 July 2011. The shopping centre Forum Trabzon was classified as assets held for sale as at 31 December 2010. As a result of the agreement Atrium received net cash of approximately EUR 65m and generated profit from the transaction of EUR 16m.

### 7. Equity

During the nine month period ended 30 September 2011, Atrium paid a dividend of EUR 0.105 (9M 2010: EUR 0.09) per ordinary share, which amounted to a total of TEUR 39,147 (9M 2010: TEUR 33,517). Following the approval of the shareholders on 18 May 2010 to authorise the directors to issue ordinary shares in lieu of directors' remuneration by agreement with the relevant directors, the Board adopted a Restricted Share Plan on 16 May 2011 (the “Plan”), which confers on directors of Atrium the right to elect (on an annual basis) to receive ordinary shares in the Company in lieu of their annual directors' fees. The Plan further gives directors the ability to elect (on an annual basis) to subscribe for ordinary shares, up to the value of their annual directors' fees. Directors will be given the opportunity to make the above elections in semi-annual election periods, being the four week free-dealing periods following the announcement of each of the Company's half year and full year results (subject to overriding dealing restrictions). The strike price for the ordinary shares to be issued pursuant to any election notice (being the average market price over the 30 dealing days preceding) will be notified to directors at the start of each election period. Directors participating in the Plan agree to certain restrictions and obligations, including (by way of example) (a) compliance obligations in terms of the Company's Code of Conduct, and (b) the authorisation of the Company to complete relevant dealing disclosures and notifications on their behalf (and the provision of information and assistance in connection therewith). Atrium retains the discretion (subject to the approval of the Board) to refuse to satisfy an election notice in certain circumstances.

## Interim Financial Statements

### 8. Borrowings

	<b>31/12/2010</b>	<b>30/9/2011</b>
	<b>Net book</b>	<b>Net book</b>
	<b>value</b>	<b>value</b>
	<b>TEUR</b>	<b>TEUR</b>
Bonds	327,444	265,046
Loans	86,409	287,405
Other	11,382	9,132
<b>Total</b>	<b>425,235</b>	<b>561,583</b>

The borrowings are repayable as follows:

	<b>31/12/2010</b>	<b>30/9/2011</b>
	<b>Net book</b>	<b>Net book</b>
	<b>value</b>	<b>value</b>
	<b>TEUR</b>	<b>TEUR</b>
Due within one year	61,106	46,088
In the second year	14,756	95,346
In the third to fifth years inclusive	221,781	192,794
After five years	127,592	227,355
<b>Total</b>	<b>425,235</b>	<b>561,583</b>
Amount due within 12 months	61,106	46,088
Amount due after more than 12 months	364,129	515,495

During the nine month period ended 30 September 2011, Atrium made bond buy backs at their nominal value; being EUR 20.0m for the 2008 bonds, EUR 24.6m for the 2005, EUR 10.1m for the 2003 bonds, and EUR 10.9m for the 2001 bonds.

The main changes in loans were caused by Atrium's subsidiaries entering into two loan agreements of EUR 105m and EUR 115m to finance the acquisition of a shopping centre in Poland and in the Czech Republic, respectively and the repayment of a matured loan of EUR 12m from Bank für Arbeit und Wirtschaft AG.

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

### 9. Net financial income/(expenses)

	<b>1/1/2010 –</b>	<b>1/1/2011 –</b>
	<b>30/9/2010</b>	<b>30/9/2011</b>
	<b>TEUR</b>	<b>TEUR</b>
Interest income	2,856	4,758
Interest expense	(14,189)	(15,349)
Foreign currency differences	28,316	(6,823)
Net profit from bond buy back	760	923
Impairment of financial instrument	-	(8,511)
Other financial expenses	(518)	(2,529)
<b>Total financial result</b>	<b>17,225</b>	<b>(27,531)</b>



## 10. Operating segments

For the period ended 30 September 2011	Standing investment segment TEUR	Development segment TEUR	Reconciling item TEUR	Total TEUR
Gross rental income	126,255	-	-	126,255
Service charge income	51,290	-	-	51,290
Net property expenses	(62,482)	-	-	(62,482)
<b>Net rental income</b>	<b>115,063</b>	-	-	<b>115,063</b>
Net result on acquisitions and disposals	24,544	7,971	-	32,515
Costs connected with developments and land	-	(2,545)	-	(2,545)
Revaluation of investment properties	112,363	(30,556)	-	81,807
Other depreciation and amortisation	(363)	-	(681)	(1,044)
Net administrative expenses	(10,905)	(707)	(19,470)	(31,082)
<b>Net operating profit/(loss)</b>	<b>240,702</b>	<b>(25,837)</b>	<b>(20,151)</b>	<b>194,714</b>
Net financial income/(expense)	(16,118)	2,239	(13,652)	(27,531)
<b>Profit/(loss) before taxation</b>	<b>224,584</b>	<b>(23,598)</b>	<b>(33,803)</b>	<b>167,183</b>
Taxation credit/(charge) for the period	(25,923)	2,133	(474)	(24,264)
<b>Profit/(loss) after taxation for the period</b>	<b>198,661</b>	<b>(21,465)</b>	<b>(34,277)</b>	<b>142,919</b>
Investment properties	1,999,847	592,270	-	2,592,117
Segment assets	2,092,077	646,114	290,264	3,028,455
Segment liabilities	622,979	110,068	25,321	758,368

For the period ended 30 September 2010	Standing investment segment TEUR	Development segment TEUR	Reconciling item TEUR	Total TEUR
Gross rental income	111,832	-	-	111,832
Service charge income	48,492	-	-	48,492
Net property expenses	(60,087)	-	-	(60,087)
<b>Net rental income</b>	<b>100,237</b>	-	-	<b>100,237</b>
Net result on acquisitions and disposals	(161)	(109)	-	(270)
Revaluation of investment properties	45,667	(16,686)	-	28,981
Other depreciation and amortisation	(537)	(911)	(405)	(1,853)
Net administrative expenses	(2,274)	(297)	(21,447)	(24,018)
<b>Net operating profit/(loss)</b>	<b>142,932</b>	<b>(18,003)</b>	<b>(21,852)</b>	<b>103,077</b>
Net financial income/(expenses)	(3,111)	(1,719)	22,055	17,225
<b>Profit/(loss) before taxation</b>	<b>139,821</b>	<b>(19,722)</b>	<b>203</b>	<b>120,302</b>
Taxation credit/(charge) for the period	(13,315)	527	(164)	(12,952)
<b>Profit/(loss) after taxation for the period</b>	<b>126,506</b>	<b>(19,195)</b>	<b>39</b>	<b>107,350</b>
Investment properties	1,547,357	688,095	-	2,235,452
Segment assets	1,655,375	744,440	403,236	2,803,051
Segment liabilities	384,242	135,194	90,252	609,688

## Interim Financial Statements

### 11. Investment in group undertakings

During the first nine months of 2011, Atrium purchased:

- 49.9% of the shares in the company Multi Veste 2 Sp. z o.o. and now owns 100% of this entity; Multi Veste 2 Sp. z o.o. was subsequently renamed Atrium Koszalin Sp. z o.o.;
- 20% of SOFIA PARK AD and now owns 100% of this entity;
- 20% of BALCOVA GAYRIMENKUL YATIRIM INSAAT VE TICARET A.S. and now owns 100% of this entity.

Furthermore, Atrium established two companies in Poland, two in the Czech Republic and purchased one company in Luxemburg.

### 12. Subsidiaries liquidated or dissolved

In the first three quarters of 2011, the Group sold four wholly owned subsidiaries MEL 2 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., MEL 3 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S., MEL 4 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S. and TRABZON TICARET MERKEZI A.S.; it also liquidated three wholly owned subsidiaries DALMAZZIO INVESTMENTS LIMITED, INOPOS-LE GRAND HOLDINGS LIMITED and TRESSERUS INVESTMENTS LIMITED.

### 13. Transactions with related parties

As at 30 September 2011, Mr Katzman, the chairman of Atrium's board of directors, held through Gazit Inc and Gazit Globe Limited 34,239,047 shares in Atrium representing approximately 9.2% of Atrium's stated capital.

Mr Aharon Soffer, Director, held an indirect investment of 18,416 ordinary shares in Atrium as at 30 September 2011.

Through his family trust, Mr Dipak Rastogi, Director, held an indirect investment of 435,755 ordinary shares in Atrium as at 30 September 2011.

Mr Joseph Azrack, Director, held an indirect beneficial ownership interest of 10,661 ordinary shares in Atrium as at 30 September 2011.

Mr Thomas Wernink, Director, held an indirect investment of 5,000 ordinary shares in Atrium as at 30 September 2011.

The holdings in Atrium for the other Directors have remained unchanged since 31 December 2010.

Atrium was notified by Gazit Globe Ltd and CPI CEE Management LLC jointly that, following the indirect acquisition of shares with voting rights, their indirect interest in shares with voting rights of Atrium reached and exceeded the threshold of 50% as of 25 August 2011.

Out of the 5,022,169 outstanding options as at 31 December 2010, 171,667 options were exercised and 448,333 options were returned to the pool during the nine month period ended 30 September 2011. In 2011, Atrium granted 320,000 options to employees. The total number of the outstanding options was 4,722,169 as at 30 September 2011.

### 14. Contingencies

On 28 July 2011, a settlement agreement (the "Settlement Agreement") between Atrium, Meinl Bank AG ("Meinl Bank"), Julius Meinl and the other parties to a number of pending legal proceedings (the "Meinl Proceedings") became unconditional and fully effective. Pursuant to the Settlement Agreement, which fully and finally resolves all disputes between Atrium and Meinl Bank pursuant to the Meinl Proceedings, including the derivative action in the Royal Court of Jersey, (i) neither Meinl Bank nor Atrium have any obligation to indemnify the other under any pre-existing agreement or otherwise going forward (save for directors' indemnities to the extent permitted by law), (ii) the remaining business relations between Meinl Bank and Atrium are to be fully unwound, including the replacement of Meinl Bank as trustee of Atrium's 2003 and 2005 bond programmes, (iii) Meinl Bank is required to release all the assets of Atrium previously withheld by Meinl Bank with no provision for any payment from any party to another party as damages for claims that have been asserted or under any other legal title, and (iv) Atrium is provided with a broad release of any and all claims by Meinl Bank and Julius Meinl and their affiliates. An independent committee of the Atrium Board comprising directors with no personal involvement in the derivative action has separately investigated the matters alleged in the derivative action. This committee, which established its own procedures and took independent legal advice, has determined that there was no basis for the claims made against directors of Atrium in the derivative action and no benefit to Atrium in pursuing the action.

On 27 July 2011, bondholder meetings were held in respect of the 2003 and 2005 bonds at which PwC Österreich GmbH Wirtschaftsprüfungsgesellschaft was appointed to replace Meinl Bank as trustee under the 2003 and 2005 bonds (in accordance with the terms of the Settlement Agreement).

Atrium is involved in certain claims submitted by Austrian Depository Receipt ("ADC") holders alleging losses derived from 2007 price fluctuations and associated potential claims. As at 30 September 2011, the value of the claims and proceedings to which Atrium is a party was less than EUR 7.7m for which amount no provision has been made. Up to the publishing date of the interim report, the value of such claims is not expected to increase to an extent that would be material to the financial statements.

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



finding of liability on its part would be inappropriate in the circumstances. On this basis, Atrium intends to actively defend the proceedings.

Due to the nature of the business, the Group is involved in litigation, arbitration and regulatory proceedings arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of contingencies, including those where potential losses are probable and estimable. Contingencies dealing with legal matters are subject to many uncertainties and the outcome of individual matters cannot be predicted with any assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be materially different. The Group's total liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case by case basis and represents an estimate of probable losses after considering the progress of each case, the Group's experience and the experience of others in similar cases, the opinions and views of legal counsel, as well as other factors.

### **15. Subsequent events**

On 4 October 2011, Atrium announced the appointment of David Doyle as Chief Financial Officer, with effect from 1 January 2012. Mr Doyle replaces Robert Bolier who is leaving the Company to pursue other business interests.

On 14 October Standard & Poor's improved the long term rating for Atrium from BB to BB+ with a stable outlook. On 17 October Fitch confirmed the rating of BB+, but changed the outlook to positive from stable.

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

# Interim Financial Statements

## 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 nine months ended 30 September 2011 which comprises the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement, the consolidated statement of changes in equity, 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 2011 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 Auditors  
5 St Andrew's Place  
Charing Cross  
St Helier  
Jersey  
JE4 8WQ

14 November 2011

#### 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 14 November 2011. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 14 November 2011 which in any way extends this date.



- Land Plots
- Standing Investments



# Contact

## **Atrium European Real Estate Limited**

11-15 Seaton Place  
St. Helier  
Jersey JE4 0QH  
Channel Islands

[www.aere.com](http://www.aere.com)

[ir@aere.com](mailto:ir@aere.com)

