Credit Rating

Credit Rating Upgrade

Jersey, 29 October 2010. Atrium European Real Estate Limited ("Atrium" or the "Company") (VSE/ Euronext: ATRS), one of the leading real estate companies focused on shopping centre investment, management and development in Central and Eastern Europe, is pleased to announce that Fitch Ratings has today upgraded the Company's senior unsecured rating and Long-term Issuer Default Rating ("IDR") by two levels to 'BB+' from 'BB-', with a 'Stable' outlook. Atrium's Short-term IDR was affirmed as 'B'.

The press release issued by Fitch is included below.

FITCH UPGRADES ATRIUM TO 'BB+'; OUTLOOK STABLE

Fitch Ratings-London-29 October 2010: Fitch Ratings has today upgraded Atrium European Real Estate Ltd's (Atrium) senior unsecured rating and Long-term Issuer Default Rating (IDR) to 'BB+' from 'BB-'. The agency has simultaneously affirmed Atrium's Short-term IDR at 'B'. The Outlook on the Long-term IDR is Stable.

"The upgrade reflects the stabilisation of rental income, reduced property costs and lower interest payments resulting from high-coupon bond buy-backs of EUR232m in H110," says Jean-Pierre Husband, Director in Fitch's European Corporate Finance Department. "With development expenditure now complete and the financial structure re-profiled, Atrium's business model is now similar to its Western European peers."

With tenant defaults lower than expected in FY09, Fitch believes Atrium's EBIT Net Interest Cover (NIC) should stabilise between 3.0x and 4.5x between FY10 and FY13. Net leverage should also stay low in the next three years (loan to value (LTV) of between 5% and 25% to FY13), although Fitch believes that leverage will increase closer to industry average levels (LTV around 40%) over the medium term. This should allow Atrium some financial flexibility and acquisitions of existing rental-generating shopping centres may be possible.

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While the CEE region has been one of the most exposed to the global economic downturn, it is beginning to show some signs of recovery (see Fitch Emerging Markets Ratings Newsletter -July 2010) with companies reporting improved cash flows and dividends. Fitch is expecting the Russian economy for example to grow 4.3% in 2010, and 4% in 2011 and 2012.

The ratings are, however, constrained by the outstanding litigation in respect of the share buy-backs in 2007, and Fitch has little visibility over its timetable or outcome. Although Fitch believes that the ultimate liability to the owners and management may be limited, there is some uncertainty and Atrium's ability to issue new bonds may be constrained. Fitch also expects Atrium to maintain an EBIT NIC of above 2.0x for an investment grade rating.

Atrium has drastically cut back on its committed development programme, with only one retail project currently under construction in Poland - with a committed spend of EUR8m. This has assisted the company's liquidity profile. At 30 June 2010 Atrium had EUR386m of cash deposits available, sufficient to pay the development costs outstanding (EUR8m) and total debt maturities of EUR58m in FY10 and FY11. With only EUR35m of development spend in 2011, Atrium's liquidity position is now strong (with a liquidity score of around 4x at end-June 2010).

Although gross rental income stagnated in H110 (EUR74.4m vs EUR74.6m in H109) due to temporary discounts on rents (not more than three months) in Russia and Latvia, the increase in net service charge income (due to re-negotiated utility costs and other efficiency improvements) and reduced property expenses has resulted in net rental income increasing 11%. This positive trend is also underlined by the increased occupancy across the group's CEE shopping centre portfolio now at 94.6% (94% at end-December 2009), close to the optimum for a retail landlord.

Fitch's 12 March 2010 special report, entitled "Rating EMEA REITs and Property Investment Companies", explains the credit factors the agency uses to analyse the European Real Estate Investment (REIT) and Property Investment Company (PIC) corporate sub-sectors. The report follows the earlier publication of another background report on 10 February 2010, entitled "Interpreting the New Sector Credit Factor Reports for Corporates". Both reports are available at www.fitchratings.com.

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