



# ATRIUM – COMPANY PRESENTATION

THE LEADING OWNER & MANAGER OF  
CENTRAL EASTERN EUROPEAN  
SHOPPING CENTRES

9M2016



# ATRIUM – LEADING OWNER & MANAGER OF CEE SHOPPING CENTRES



## A UNIQUE INVESTMENT OPPORTUNITY

- Strong management team with a proven track record
- Central European focus with dominant presence in the most mature & stable countries
- Robust balance sheet: 27.5% net LTV/ €141m cash
- Investment grade rating with a “Stable” outlook by Fitch and S&P
- Balance between solid income producing platform & opportunities for future growth



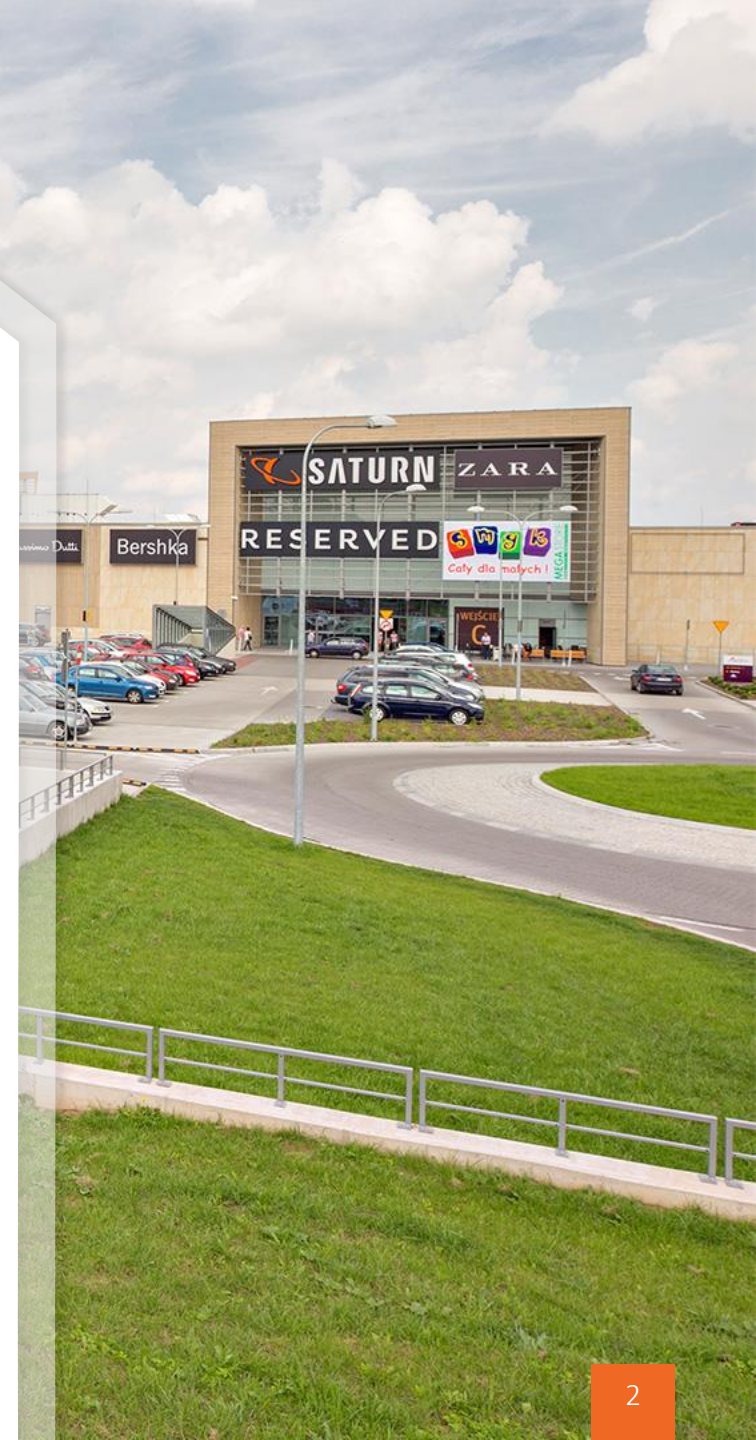
## KEY FIGURES

- 60 properties with a **MV of c.€2.6bn and over 1.1 million m<sup>2</sup> GLA\***
- Focus on **shopping centres**, primarily food-anchored
- 9M16 GRI: €146.5m, NRI: €142.1m (FY15 GRI: €207.4m, NRI: €197.9m)
- Adjusted EPRA EPS: 23.2 €cents, EPRA NAV per share: €5.48
- Special dividend of 14 €cents paid in September
- Board-approved dividend of 27 €cents per share for 2017, dividend yield >7%\*\*
- Research coverage by **Bank of America Merrill Lynch, Baader Bank, HSBC, Kempen, Raiffeisen and Wood & co**

\* Excluding Atrium Azur in Riga which was sold in October, marking our market exit from Latvia, and a small Czech property held for sale (sale agreement signed in Nov.)

\*\* Based on market closing as of 15th Nov. 2016. Subject to any legal and regulatory requirements and restrictions of commercial viability

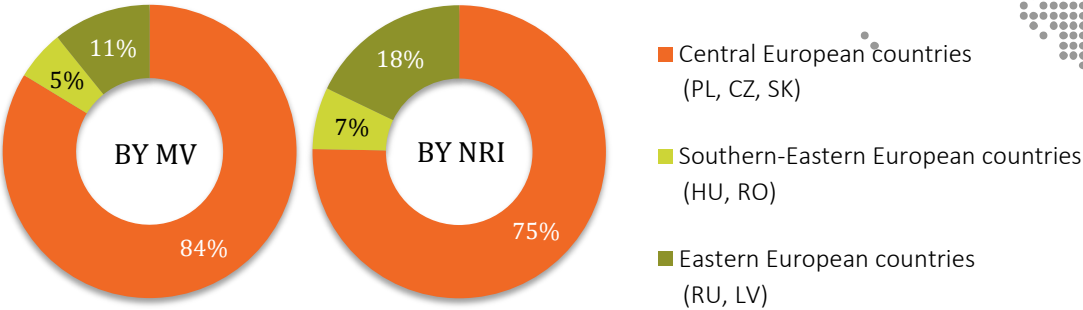
All numbers in this presentation as reported in the 9M results to 30 September 2016 unless explicitly stated otherwise, incl. A 75% stake in Arkady Pankrac (Prague, the Czech Republic) and Standing Investments classified as assets held for sale



# FOCUS ON THE MOST MATURE AND STABLE MARKETS IN CEE

- 100% focus on Central and Eastern Europe (CEE)
- Core Markets (Poland, Czech Rep, Slovakia): 84% of MV/ 75% of NRI
- Exposure to investment-grade countries: 90%\*
- 89% of 9M16 GRI is denominated in Euros, 6% in Polish Zlotys, 2% in Czech Korunas, 1% in USD and 2% in other currencies


## GEOGRAPHIC MIX OF THE PORTFOLIO



\* By MV based on S&P ratings/ 100% based on Fitch ratings



# RESTRUCTURING: MANAGEMENT MAKES A DIFFERENCE

2009	2010	2011	2012	2013	2014	2015	9M16
WHERE WE STARTED				WHERE WE ARE TODAY			
€1.6bn (Dec'08)	STANDING INVESTMENT PORTFOLIO				€2.6bn		
93.6% (Dec'08)	OCCUPANCY				95.7%		
71% (FY08)	OPERATING MARGIN				97.0%		
€727m (Dec'08)	DEVELOPMENT AND LAND				€308m		
61%, 8.3% (Dec'08)	GROSS LTV, COST OF DEBT				32.3%, 3.7%		
BB- (2009)	CREDIT RATING				BBB-		
€24 cent p.s. (FY09)	ADJ. EPRA EARNINGS				€33.3 cent p.s. (FY15)		
€3 cent p.s. (FY09)	DIVIDEND				€27 cent p.s. (approved for 2017)* + €14 cent p.s. special dividend Sep16		
CORPORATE GOVERNANCE & TRANSPARENCY							
AWARDS							

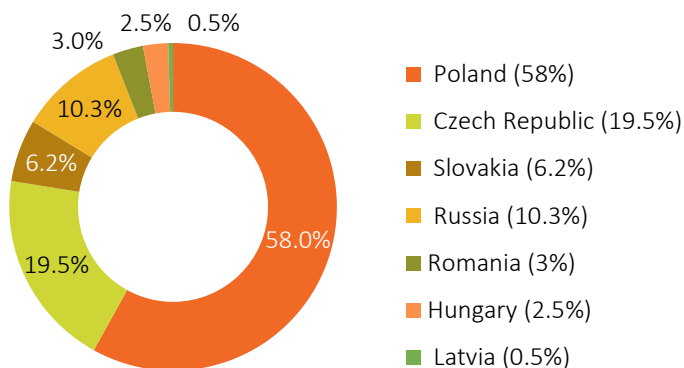
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# STANDING INVESTMENTS PORTFOLIO DETAILED OVERVIEW\*

Country	No of properties	Gross lettable area	Market value 30/09/2016	Market value per m <sup>2</sup> of GLA	Net equivalent yield (weighted average)**	EPRA net initial yield***	Revaluation during 9M 2016	EPRA Occupancy
		m <sup>2</sup>	€m	€	%	%	€m	%
Poland	21	526,200	1,522.8	2,894	6.4%	6.5%	15.4	96.2%
Czech Republic	7	117,525	511.4	4,351	5.8%	5.5%	12.6	97.2%
Slovakia	3	78,800	162.0	2,056	7.3%	7.2%	5.6	98.5%
<b>Core Markets</b>	<b>31</b>	<b>722,525</b>	<b>2,196.2</b>	<b>3,040</b>	<b>6.3%</b>	<b>6.3%</b>	<b>33.6</b>	<b>96.7%</b>
Russia	7	241,100	271.1	1,125	12.7%	11.7%	-5.6	90.7%
Hungary	22	97,700	64.7	662	9.7%	10.5%	0.0	98.2%
Romania	1	56,600	79.5	1,404	8.2%	7.8%	5.4	99.6%
Latvia (sold in Oct.)	1	20,400	12.5	613	10.1%	9.2%	0.5	96.2%
<b>Total Group</b>	<b>62</b>	<b>1,138,325</b>	<b>2,624.0</b>	<b>2,305</b>	<b>7.1%</b>	<b>7.0%</b>	<b>33.9</b>	<b>95.7%</b>

## MARKET VALUE PER COUNTRY



- Portfolio quality boost (5Y): €1bn prime bought, €150m completed, €200m non-core sold
- Atrium owns 60 shopping centres and smaller retail properties, excluding Atrium Azur in Latvia, which was sold in October, and a small Czech property held for sale (sale agreement signed in Nov.)
- 84% of the total standing investments portfolio is located in our **Core Markets**, with Poland exceeding 58%
- The top 10 assets:**
  - Represent 62% of Atrium's standing investments' portfolio value
  - 7 are located in Poland, 2 in the Czech Republic and 1 in Slovakia

\* All numbers incl. the 75% stake in Arkady Pankrac (Prague, the Czech Republic), the Latvian SI sold in October, and the Czech asset held for sale

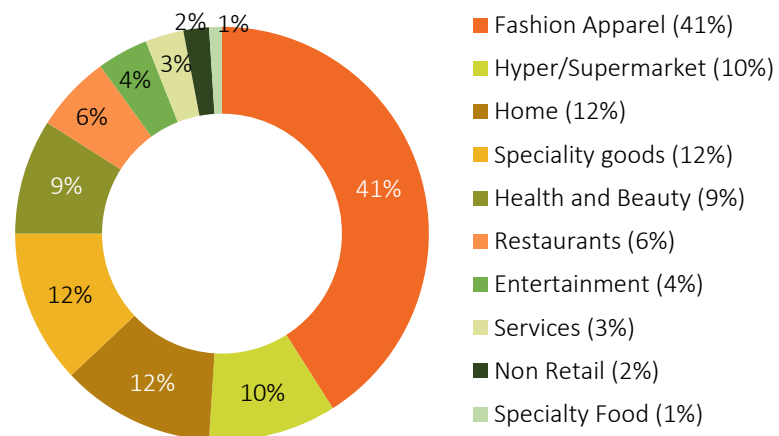
\*\* The external appraisers' equivalent yield is a weighted average yield that takes into consideration estimated rental values, occupancy rates and lease expiries

\*\*\* The EPRA Net initial yield is calculated as the annualised net rental income divided by the market value



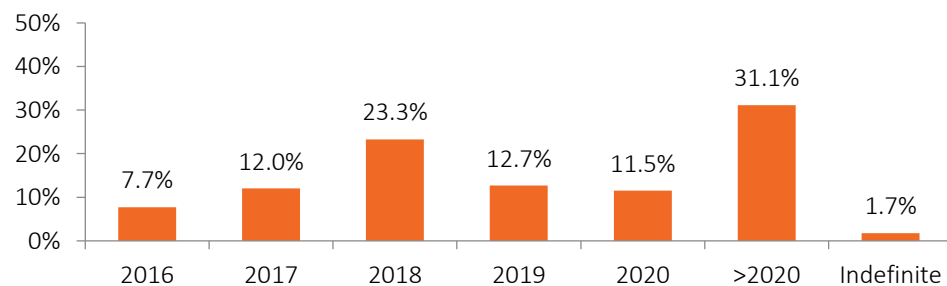
# RESILIENT INCOME: STRONG TENANTS, LONG LEASE DURATION\*

## 🛒 TENANT MIX BY ANNUALISED RENTAL INCOME



- Fashion Apparel tenants generate 41% of income (c.31% of GLA), and Hyper/ Supermarket retailers generate 10% (19% of GLA)
- The tenant mix with large exposure to food retailing and everyday necessities has proven its economic resilience

## 🕒 LEASE EXPIRY BY ANNUALISED RENTAL INCOME






















- The long duration of lease contracts and the wide range of expiries provide resilient income streams
- Average lease duration is 4.8 years

\* Data for 1H16: 6 months as of 30<sup>th</sup> June 2016



# TOP 10 TENANTS - WELL-KNOWN GLOBAL RETAILERS\*

Group name	Main brands	% of ARI** (Annualised Rental Income)	International presence	Sales 2015 € Bn, worldwide	S&P credit rating (if rated)
Ahold		4.6%	3,253 stores/ 4 countries	32.8	BBB/ Stable
AFM	  	3.5%	1,826 stores/ 16 countries	54.2	BBB+/ Stable
Metro Group	 	3.4%	2,068 stores/ 31 countries	59.2	BBB-/ Stable
LPP	  	3.3%	1,627 stores/ 15 countries	1.2	-
Hennes & Mauritz		2.2%	3,924 stores/ 61 countries	22.9	-
Inditex	  	2.1%	7,013 stores/ 88 countries	20.9	-
Kingfisher		1.5%	1,100 stores/ 10 countries	13.4	BBB/ Stable
EMF	 	1.2%	657 stores/ 7 countries	0.6	-
ASPIAG		1.2%	12,100 stores/ 42 countries	33.0	-
Tengelmann Group	 	1.2%	4,437 stores/ 19 countries	8.24	-
Top 10 tenants		24.2%			

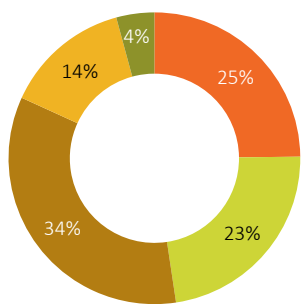
\* Data for FY15: 12 months as of 31<sup>st</sup> Dec. 2015

\*\* Including 100% of Arkady Pankrac

ARKADY  
PANKRAC

# FOCUS ON STRONGER PORTFOLIO VIA UPGRADES, REDEVELOPMENTS & EXTENSIONS

## DEVELOPMENT AND LAND PER COUNTRY



- Poland - Development (€76m)
- Poland - Land (€70m)
- Turkey (€115m)
- Russia (€47m)
- Other (€14m)
- €308M fair value, representing 10% of our total real estate portfolio
- 47% located in Poland
- 25% (€76m) are redevelopments & extensions

### COMPLETED PROJECTS

- March 2014: Atrium's largest project – Atrium Felicity (74,100 m<sup>2</sup> GLA) in Lublin, Poland
- March 2015: extension of Atrium Copernicus in Torun, Poland (+17,300 m<sup>2</sup> of GLA)

### ONGOING PROJECTS

- Current upgrade & extension pipeline incl. 4 projects in Poland (3 in Warsaw) for total approved invest. of €120 m:
  - Atrium Promenda (Warsaw) – Stage 1 completed, 7,600 m<sup>2</sup> GLA added/ Stage 2 ongoing for €50m investment
  - Atrium Targowek (Warsaw) – Preliminary Stage of extension ongoing for €11m investment
  - Atrium Reduta (Warsaw) – plan to upgrade & extend by 6,000 m<sup>2</sup> approved in Oct. for €28m investment
  - Atrium Biala (Bialystok) – plan to upgrade & extend by 7,500 m<sup>2</sup> approved in Oct. for €31m investment

### ATRIUM FELICITY



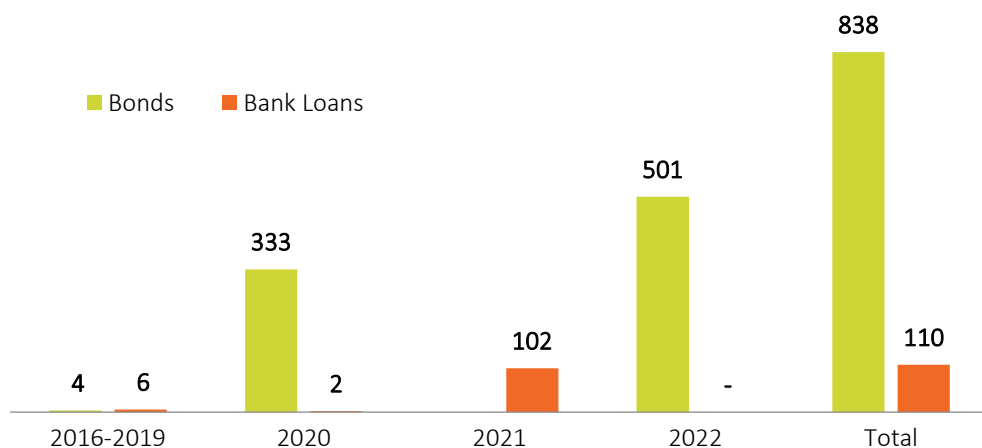
### ATRIUM PROMENADA EXTENSION



# SOLID DEBT PROFILE

BBB-/ STABLE RATING FROM S&P AND FITCH

## DEBT MATURITY (€M)



## KEY METRICS

- Atrium has a strong Balance Sheet with €141m of cash, gross LTV of 32.3% and net LTV of 27.5%
- The weighted average debt maturity is 5.1 years
- Average cost of debt at 3.7%
- The unencumbered standing investments portfolio proportion is 84%, up from 80% as at YE-2015



## LATEST TRANSACTIONS

- Early repayment of €49.5m bank loan to Berlin-Hyp in Poland (March)
- 2013 & 2014 Bonds buybacks for the total amount of €16.5m (April - July)



# STRATEGIC FOCUS & FUTURE GROWTH

**CORPORATE VISION:** The Group's vision is to remain one of the leading owners and managers of food anchored shopping centres in Central Europe and for the Atrium brand to become a hallmark of high quality retail for consumers and retailers

## THREE KEY DRIVERS OF FUTURE GROWTH:



**LIQUIDITY** - Significant liquid funds directly available for investments



**DEVELOPMENT & LAND** - Monetise the land bank through selective development or divestment



**EXTENSIONS** - Redevelopment and extension potential

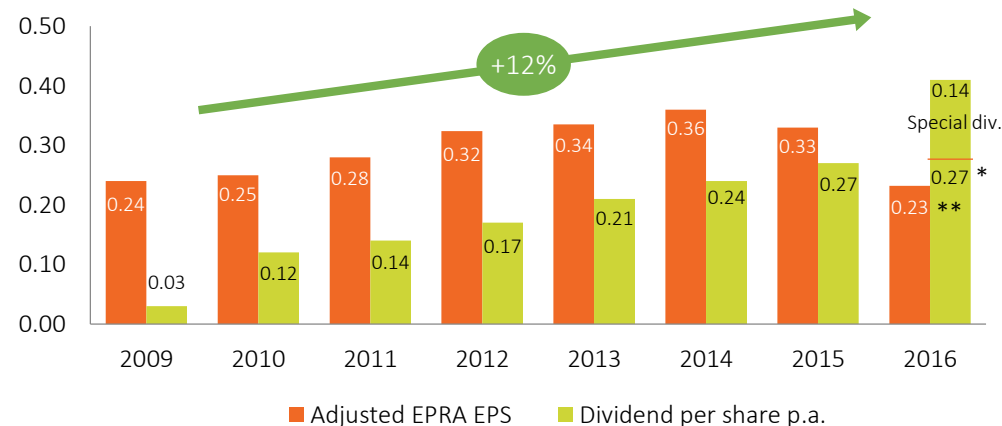
## FINANCIAL TARGETS:

- Long-term leverage target of net debt to real estate value of **35%**
- Long-term target for development & land bank **<15%** of total real estate asset

**MILESTONE 1:** Solid investment grade rating ✓

**MILESTONE 2:** Sustainable dividend ✓

## DIVIDEND CAGR (2010-16)



\* Subject to any legal and regulatory requirements and restrictions of commercial viability

\*\* Adjusted EPRA earnings per share for 9 months to 30.09.16





## APPENDIX 1 – MACRO OVERVIEW

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# MACRO OVERVIEW OF OUR MARKETS

Macro Indicator	Poland	Czech Republic	Russia	Slovakia	Hungary	Romania	Total / Average*	France	Germany
2015 Population (M people)	38.0	10.5	143.5	5.4	9.9	19.9	227.2	64.3	82.2
2015 GDP in PPP (\$ Bn)	1,007.1	338.0	3,724.9	161.3	259.0	414.7	5,905.0	2,665.9	3,860.1
2015 GDP per capita PPP (\$)	26,499	32,076	25,965	29,758	26,275	20,782	26,893	41,476	46,974
2016f GDP per capita PPP (\$)	27,715	33,223	26,109	31,182	27,211	22,319	27,960	42,384	48,190
2019f GDP per capita PPP (\$)	32,647	37,931	29,051	37,059	31,395	26,587	32,445	46,798	53,258
2015e real GDP growth (%)	3.7%	4.5%	-3.7%	3.6%	2.9%	3.8%	2.5%	1.3%	1.5%
2016f real GDP growth (%)	3.1%	2.5%	-0.8%	3.4%	2.0%	5.0%	2.5%	1.3%	1.8%
2017f real GDP growth (%)	3.4%	2.7%	1.1%	3.3%	2.5%	3.8%	2.8%	1.3%	1.4%
2019f real GDP growth (%)	3.1%	2.2%	1.5%	3.8%	2.2%	3.3%	2.7%	1.7%	1.3%
2015 retail sales growth (%)	2.8%	4.1%	-9.7%	3.9%	4.3%	6.4%	2.0%	3.8%	3.0%
2016f retail sales growth (%)	3.5%	3.5%	-3.0%	3.9%	3.6%	5.6%	2.9%	0.8%	0.8%
2019f retail sales growth (%)	4.1%	2.9%	1.0%	3.3%	4.2%	6.8%	3.7%	1.5%	0.7%
2015e Unemployment (%)	7.5%	5.1%	5.6%	11.5%	6.9%	6.8%	7.2%	10.4%	4.6%
2016f Unemployment (%)	6.3%	4.1%	5.8%	9.9%	6.0%	6.4%	6.4%	9.8%	4.3%
2019f Unemployment (%)	6.3%	4.2%	5.5%	8.0%	5.4%	6.5%	6.0%	9.0%	4.6%
2015e Inflation (%)	-0.5%	0.1%	12.9%	-0.5%	0.5%	-1.0%	1.9%	0.3%	0.3%
2016f Inflation (%)	0.2%	1.1%	6.0%	0.3%	0.8%	-0.3%	1.4%	0.0%	1.2%
2019f Inflation (%)	2.5%	2.0%	4.0%	1.4%	3.0%	2.7%	2.6%	0.7%	1.8%

\* Simple arithmetic average for comparison purposes  
Sources: IMF, Oxford Economics, PMR



# MACRO OVERVIEW OF OUR MARKETS (CONTINUED)

Macro Indicator	Poland	Czech Republic	Russia	Slovakia	Hungary	Romania	Average	France	Germany
2015 Consumer spending growth (%)	3.1%	2.8%	-9.5%	2.4%	3.0%	6.0%	1.3%	1.5%	2.0%
2016f Consumer spending growth (%)	3.4%	3.0%	-4.6%	2.8%	3.9%	9.0%	2.9%	2.0%	1.5%
10-year Interest rate, 2015 (%)	3.0%	0.6%	9.6%	0.8%	3.3%	1.0%	3.1%	1.0%	0.5%
10-year Interest rate, 2016f (%)	3.2%	0.9%	8.8%	1.4%	3.3%	1.1%	3.1%	0.5%	0.5%
2015 Avg. gross monthly wage (€)	985	970	504	883	800	576	786	n.a.	n.a.
2016f Avg. gross monthly wage (€)	1,025	1,008	536	912	843	631	826	n.a.	n.a.
2015 Monthly Retail sales per capita (€)	248	289	149	269	171	144	212	n.a.	n.a.
2016f Monthly Retail sales per capita (€)	256	299	163	279	177	151	221	n.a.	n.a.
Jul.'16 Retail trade volume change y-o-y * (%)	7.1%	5.0%	-5.2%	-0.6%	4.0%	13.6%	4.0%	1.9%	1.5%
Aug '16 Retail trade volume change y-o-y * (%)	10.8%	5.6%	-5.1%	1.9%	4.4%	11.8%	4.9%	1.2%	1.0%
Sep.'16 Retail trade volume change y-o-y * (%)	8.6%	4.7%	-3.6%	1.5%	5.1%	9.7%	4.3%	1.8%	-0.4%
Consumer Confidence Indicator**, Sep. '16	-6.7	3.6	n.a.	-6.1	-17.3	-20.0	-9.3	-13.2	-2.9
Consumer Confidence Indicator**, Oct.'16	-7.4	5.2	n.a.	-5.5	-18.8	-17.7	-8.8	-14.6	-2.5
Retail Confidence Indicator**, Sep.'16	1.6	16.6	n.a.	20.4	2.0	-2.8	7.6	-7.8	0.0
Retail Confidence Indicator**, Oct.'16	1.9	19.0	n.a.	21.9	6.8	2.8	10.5	-9.3	1.0
Country rating/ outlook - Moody's	A2/ negative	A1/ stable	Ba1/ negative	A2/ stable	Ba1/ positive	Baa3/ positive	n.a.	Aa2/ stable	Aaa/ stable
Country rating/ outlook - S & P	BBB+/ negative	AA-/ stable	BB+/ stable	A+/ stable	BBB- / stable	BBB-/ stable	n.a.	AA/ negative	AAA/ stable
Country rating/ outlook - Fitch	A-/ stable	A+/ stable	BBB-/ stable	A+/ stable	BBB-/ stable	BBB-/ stable	n.a.	AA/ stable	AAA/ stable
Atrium country exposure by NRI (9M2016)***	54%	15%	17%	6%	4%	3%	100%		
Atrium country exposure by MV at 30/09/16***	58%	19%	10%	6%	3%	3%	100%		

\* Adjusted for inflation & seasonal effects

\*\* Households' & retailers' near-future expectations

\*\*\* Excluding the contribution of the Latvian asset sold in October, namely 1% of NRI and 1% of MV

Sources: Eurostat, C&W, PMR



# COUNTRY & REAL ESTATE RISK/ YIELD

## YIELDS ON 10Y BONDS IN LOCAL CURRENCIES, NOV 2011- NOV 2016



Country	Sovereign ratings	10Y gov. bond yield, local currency	Prime shopping centre gross yield*	Spread from SC yield to 10Y gov. bond yields
	Fitch	Nov. 2016	C&W (3Q16)	
Russia	BBB-	8.88%	11.00%	2.12%
Hungary	BBB-	3.39%	6.25%	2.86%
Romania	BBB-	3.33%	7.00%	3.67%
Poland	A-	3.32%	4.75%	1.43%
Slovakia	A+	0.78%	5.25%	4.47%
Czech Rep.	A+	0.52%	4.25%	3.73%
Germany	AAA	0.31%	3.90%	3.59%



Sources: Bloomberg, C&W

\* Except Germany – net

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