



# ATRIUM – COMPANY PRESENTATION

THE LEADING OWNER & MANAGER OF  
CENTRAL EASTERN EUROPEAN  
SHOPPING CENTRES

November 2017





# 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: 30.7% net LTV/ €89m cash & marketable securities
- Investment grade rating with a “Stable” outlook by Fitch and S&P
- Balance between solid income producing platform & opportunities for future growth

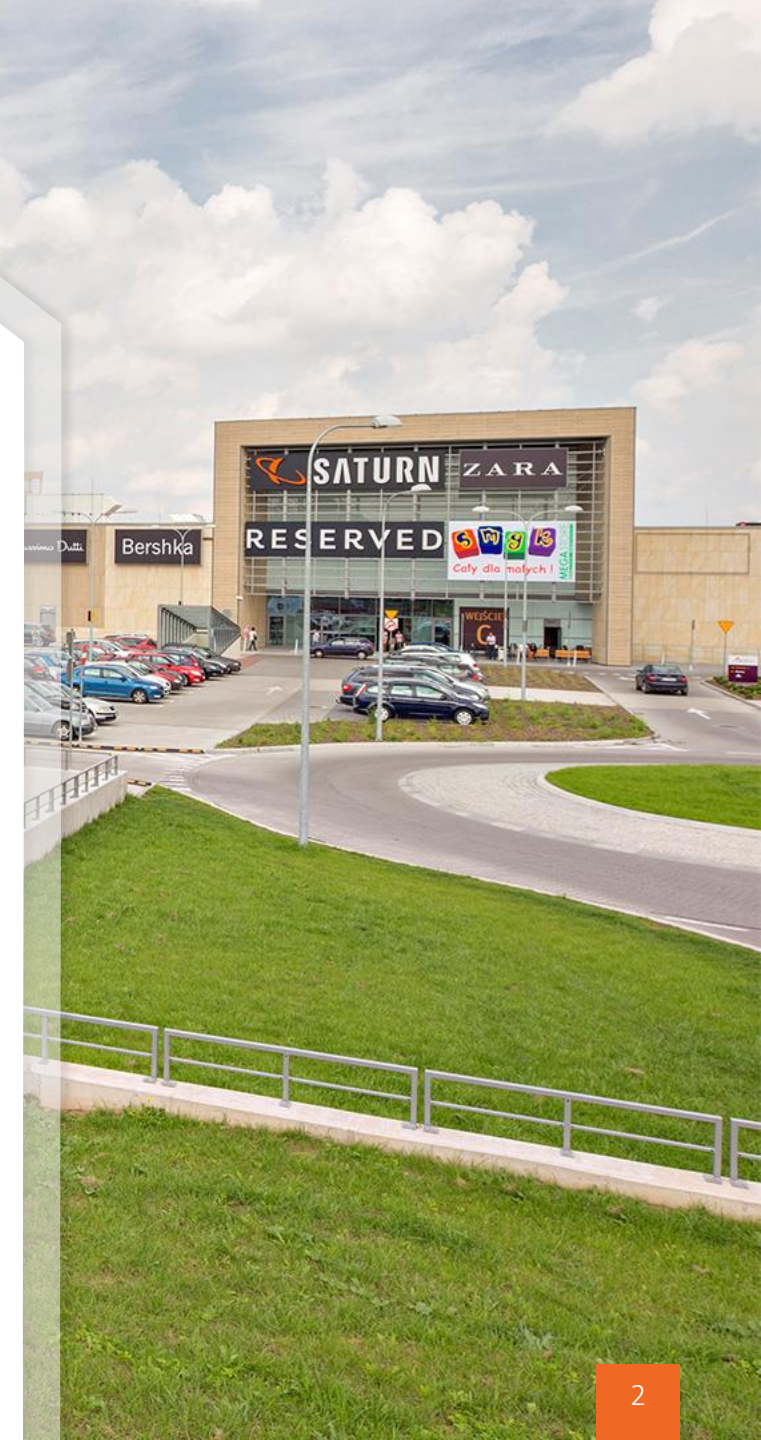


## KEY FIGURES

- 59 properties with a **MV of c.€2.6bn and 1.1 million m<sup>2</sup> GLA**
- Focus on food, fashion and entertainment anchored shopping centres
- Q3'17 GRI: €148.8m, NRI: €143.8m
- Adjusted EPRA EPS: 24.5 €cents, EPRA NAV per share: €5.3
- Special dividends of 14 €cents each paid in September 2016 and June 2017
- Board-approved dividend of 27 €cents per share for 2018\*
- Research coverage by **Bank of America Merrill Lynch, Baader Bank, HSBC, Kempen, Raiffeisen and Wood & co**

\* Subject to any legal and regulatory requirements and restrictions of commercial viability. The dividend will continue to be reviewed quarterly.

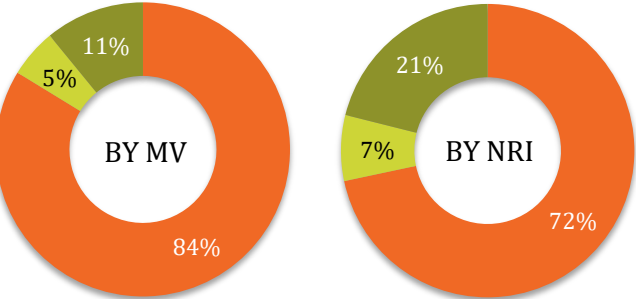
All numbers in this presentation as reported in the 9M results to 30 September 2017 unless explicitly stated otherwise, incl. a 75% stake in Arkady Pankrac



# FOCUS ON THE MOST MATURE AND STABLE MARKETS IN CEE

- 100% focus on Central and Eastern Europe (CEE)
- Poland, Czech Republic, Slovakia: 84% of MV/ 72% of NRI
- Exposure to investment-grade countries: 89%\*
- 89% of 9M17 GRI is denominated in Euros, 6% in Polish Zlotys, 1% in Czech Korunas, 2% in USD and 2% in other currencies

## GEOGRAPHIC MIX OF THE PORTFOLIO




- Central European countries (PL, CZ, SK)
- Southern-Eastern European countries (HU, RO)
- Eastern European countries (RU)



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

# RESTRUCTURING: MANAGEMENT MAKES A DIFFERENCE

2009	2010	2011	2012	2013	2014	2015	2016	Q3 2017
WHERE WE STARTED					WHERE WE ARE TODAY			
€1.6bn (Dec'08)	STANDING INVESTMENT PORTFOLIO				€2.6bn			
93.6% (Dec'08)	OCCUPANCY (GLA)				95.2%			
71% (FY08)	OPERATING MARGIN				96.6%			
€727m (Dec'08)	DEVELOPMENT AND LAND				€325.1m			
61%, 8.3% (Dec'08)	GROSS LTV, COST OF DEBT				32.6%, 3.4% <sup>1</sup>			
BB- (2009)	CREDIT RATING				BBB-			
€24 cent p.s. (FY09)	ADJ. EPRA EARNINGS				€24.5 cent p.s. (Q3'17)			
€3 cent p.s. (FY09)	DIVIDEND				€27 cent p.s. (approved for 2017) <sup>2</sup> + €28 cent p.s. special dividend Jun'16 -'17			
CORPORATE GOVERNANCE & TRANSPARENCY								
AWARDS + FIRST SUSTAINABILITY REPORT								

<sup>1</sup> As at 14 Nov 2017, incl. refinancing of a €108m secured loan with a €136m 10 years secured loan @1.9%

<sup>2</sup> Subject to any legal and regulatory requirements and restrictions of commercial viability

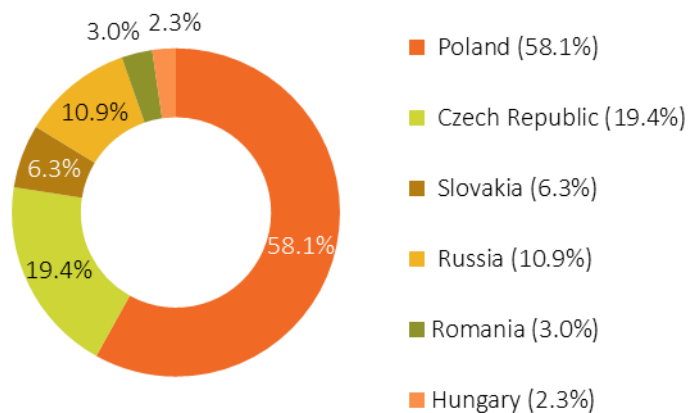




# STANDING INVESTMENTS PORTFOLIO DETAILED OVERVIEW\*

Country	No of properties	Gross lettable area	Market value 30/09/2017	Market value per m <sup>2</sup> of GLA	Net equivalent yield (weighted average)**	EPRA net initial yield***	Revaluation during 9M 2017	EPRA Occupancy
		m <sup>2</sup>	€m	€	%	%	€m	%
Poland	21	522,900	1,537.5	2,940	6.3%	6.1%	(0.7)	94.2%
Czech Republic	5	110,800	513.6	4,635	5.6%	5.5%	(0.5)	98.0%
Slovakia	3	61,200	166.3	2,717	7.2%	6.2%	0.6	95.6%
Russia	7	241,400	289.0	1,197	12.5%	11.5%	3.7	95.2%
Hungary	22	97,700	61.4	628	9.4%	12.1%	(0.2)	98.2%
Romania	1	56,200	80.2	1,426	8.1%	8.0%	(0.0)	99.7%
<b>Total Group</b>	<b>59</b>	<b>1,090,100</b>	<b>2,647.9</b>	<b>2,429</b>	<b>7.0%</b>	<b>6.8%</b>	<b>2.9</b>	<b>95.4%</b>

## MARKET VALUE PER COUNTRY



- Portfolio quality boost & repositioning (6Y): €1bn prime bought in 7 acquisitions, €220m non-core sold in 94 disposals
- Atrium owns 59 shopping centres and smaller retail properties, which are all internally managed with two exceptions
- 78% of the total standing investments portfolio is located in Poland and the Czech Republic, with Poland exceeding 58%
- The top 10 assets:
  - Represent 63% of Atrium's standing investments' portfolio value
  - 7 are located in Poland, 2 in the Czech Republic and 1 in Slovakia



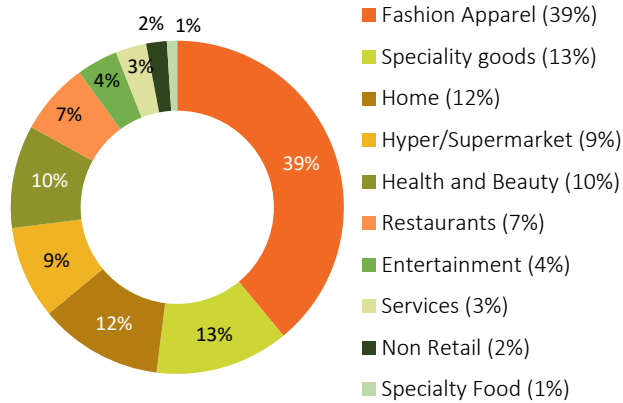
\* All numbers incl. the 75% stake in Arkady Pankrac

\*\* 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

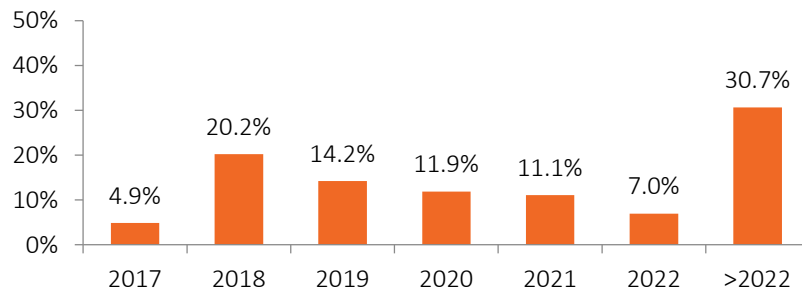
# RESILIENT INCOME: STRONG TENANTS, LONG LEASE DURATION

## 🛒 TENANT MIX BY ANNUALISED RENTAL INCOME



- Fashion Apparel tenants generate 39% of income (32% of GLA), and Hyper/ Supermarket retailers generate 9% (17% 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 4.7 years



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

Group name	Main brands	% of Annualised Rental Income**	International presence	Sales 2016 € Bn, worldwide	S&P credit rating (if rated)
AFM	  	4%	1,923 stores/ 14 countries	52.8	BBB+/ Stable
LPP	   	4%	1,703 stores/ 17 countries	1.4	-
Metro Group	 	3%	2,064 stores/ 29 countries	58.4	-
Hennes & Mauritz		2%	4,351 stores/ 64 countries	23.3	-
Kingfisher		2%	1,100 stores/ 10 countries	12.1	BBB/ Stable
Inditex	  	2%	7,292 stores/ 93 countries	23.3	-
Carrefour		1%	11,935 stores/ 30 countries	103.7	BBB+/ Stable
ASPIAG		1%	12,500 stores/ 44 countries	33.1	-
New Yorker		1%	1,000 stores/ 40 countries	-	-
Cineworld		1%	266 sites/ 8 countries	0.9	-
<b>Top 10 tenants</b>		<b>21%</b>			



\* As of Q3-2017

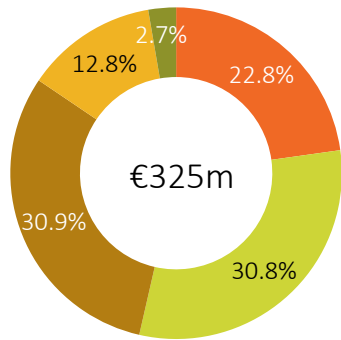
\*\* Including 100% of Arkady Pankrac





# FOCUS ON STRONGER PORTFOLIO VIA UPGRADES, REDEVELOPMENTS & EXTENSIONS

## DEVELOPMENT AND LAND PER COUNTRY



- Poland - Redevelopment (€74m)
  - Poland - Land (€100m)
  - Turkey (€100m)
  - Russia (€42m)
  - Other (€9m)
- €251M of Land, representing 8.4% of our total real estate portfolio

### 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

- Substantial redevelopment & extension programme to deliver almost 70,000 m<sup>2</sup> new GLA, including:
  - Atrium Promenda (Warsaw) – Stage 1 completed: 7,600 m<sup>2</sup> GLA added/ Stage 2 ongoing: will add 13,400 m<sup>2</sup> GLA  
2,600 sqm to TK Maxx opened Q1 2017, 3,100 sqm to Carrefour, opening Q4 2017
  - Atrium Targowek (Warsaw) – 8,600 m<sup>2</sup> GLA extension; expected completion – end of 2018
  - Atrium Reduta (Warsaw) – 5,800 m<sup>2</sup> GLA extension; expected completion – end of 2019

### ATRIUM PROMENADA



Visualisation

### ATRIUM TARGOWEK



Visualisation

### ATRIUM REDUTA



Visualisation

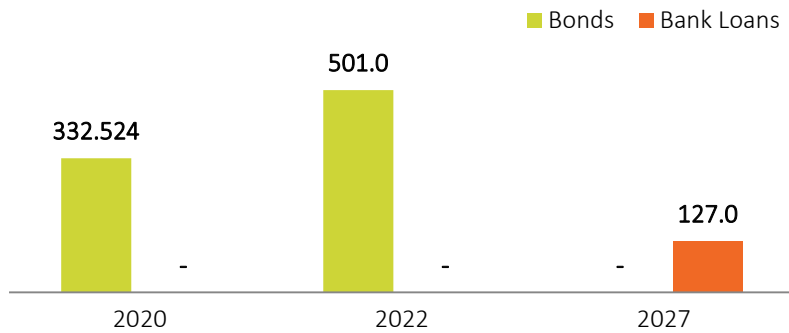




# PROACTIVE OPTIMISATION OF BALANCE SHEET\*

BBB-/ STABLE RATING FROM S&P AND FITCH

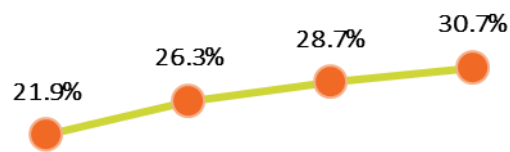
## DEBT MATURITY (€M)<sup>1</sup>



<sup>1</sup> Incl. only repayments above €5m

## LTV (NET)

Long term target - 40%

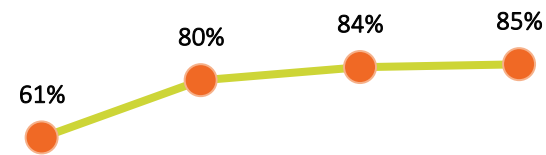


31/12/2014 31/12/2015 31/12/2016 14/11/2017

## KEY METRICS

- Atrium has a strong Balance Sheet with €89m of cash & marketable securities (at 30th Sep.), gross LTV of 32.6% and net LTV of 30.7%
- The weighted average debt maturity is 4.9 years
- Average cost of debt at 3.4%
- Revolving credit facility of €225m

## UNENCUMBERED STANDING INVESTMENTS



31/12/2014 31/12/2015 31/12/2016 14/11/2017

\* All numbers as at 14 Nov 2017, incl. refinancing of a €108m secured loan with a €136m 10 years secured loan @1.9%



# STRATEGIC FOCUS & FUTURE GROWTH

**CORPORATE VISION:** The Group's vision is to remain one of the leading owners and managers of food , fashion and leisure 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



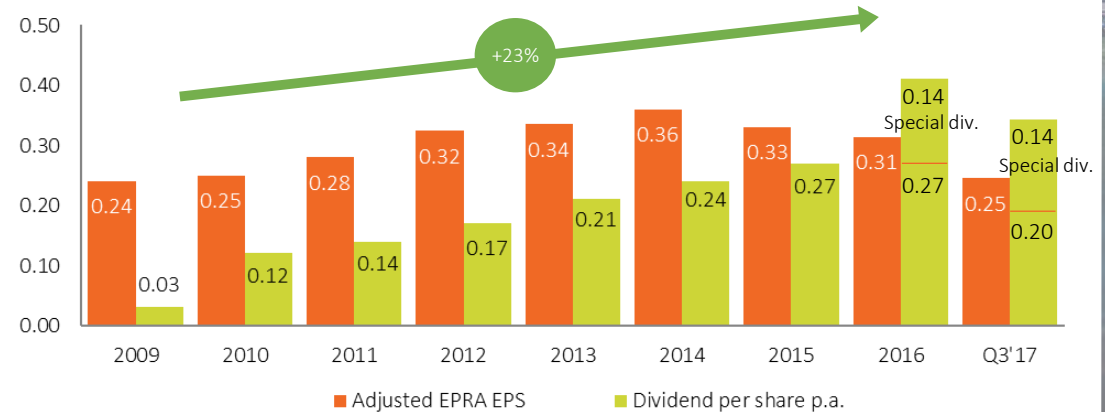
**EXTENSIONS** - Redevelopment and extension potential

- Long-term leverage target of net debt to real estate value of 40%

MILESTONE 1: Solid investment grade rating ✓

MILESTONE 2: Sustainable dividend ✓

## DIVIDEND CAGR (2010-16)







# APPENDIX 1 – SUSTAINABILITY AND MACRO OVERVIEW

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# SUSTAINABILITY – IT MATTERS: OUR CUSTOMERS, OUR PLACES, OUR PEOPLE

- Atrium is committed to sustainable growth, reflecting our long-term business approach and our dedication to corporate citizenship
- We strive for economic efficiency, social fairness and environmental sustainability in all our endeavours
- Atrium’s sustainability vision is to lead the CEE market, and to continue to create value for all our stakeholders
- Our strategy is centred around three focus areas – our customers, our assets, and our employees
- Atrium’s sustainability achievements include:
  - Our 1<sup>st</sup> ever participation in GRESB resulting in a “Green Star” ranking (2016)
  - The EPRA Gold award for our financial reporting standards and transparency (2016)
  - Our first Sustainability Report , “It Matters”, in line with the EPRA best practice recommendations (2017)
- We will continue to increase our efforts, to participate in GRESB, and to promote transparency and environmental regulation in the real estate sector





# MACRO OVERVIEW OF OUR MARKETS

Macro Indicator	Poland	Czech Republic	Russia	Slovakia	Hungary	Romania	Total / Average*	France	Germany
2016 population (M people)	38.0	10.6	19.8	5.4	9.8	19.8	103.3	64.6	82.5
2016 GDP in PPP (\$ Bn)	1,051.3	353.9	3,862.3	170.0	270.1	441.6	6,149.2	2,735.1	3,996.6
2016 GDP per capita PPP (\$)	27,690	33,529	26,926	31,331	27,475	22,349	28,217	42,336	48,449
2017f GDP per capita PPP (\$)	29,251	35,223	27,900	32,895	28,910	23,991	29,695	43,551	50,206
2020f GDP per capita PPP (\$)	34,076	40,025	31,147	38,891	33,732	28,548	34,403	48,265	55,802
2016 real GDP growth (%)	2.6%	2.6%	-0.2%	3.3%	2.0%	4.8%	2.5%	1.2%	1.9%
2017f real GDP growth (%)	3.8%	3.5%	1.8%	3.3%	3.2%	5.5%	3.5%	1.6%	2.1%
2018f real GDP growth (%)	3.3%	2.6%	1.6%	3.7%	3.4%	4.4%	3.2%	1.8%	1.8%
2021f real GDP growth (%)	2.7%	2.3%	1.5%	3.4%	2.4%	3.3%	2.6%	1.9%	1.3%
2016 unemployment (%)	6.2%	4.0%	5.5%	9.6%	5.1%	5.9%	6.0%	10.0%	4.2%
2017f unemployment (%)	4.8%	2.8%	5.5%	8.1%	4.4%	5.3%	5.1%	9.5%	3.8%
2020f unemployment (%)	3.8%	3.4%	5.5%	6.5%	4.2%	6.0%	4.9%	8.3%	3.6%
2016 inflation (%)	0.8%	2.0%	5.4%	0.2%	1.8%	-0.5%	1.6%	0.6%	1.7%
2017f inflation (%)	1.9%	2.1%	4.0%	1.3%	2.7%	2.0%	2.3%	1.1%	1.1%
2020f inflation (%)	2.5%	2.0%	4.0%	2.0%	3.0%	2.8%	2.7%	1.7%	2.2%
Country rating/outlook - Moody's	A2/ stable	A1/ stable	Ba1/ stable	A2/ positive	Baa3/ stable	Baa3/ stable	n.a.	Aa2/ stable	Aaa/ stable
Country rating/outlook - S & P	BBB+/ stable	AA-/ stable	BB+/ positive	A+/ stable	BBB-/ positive	BBB-/ stable	n.a.	AA/ stable	AAA/ stable
Country rating/outlook - Fitch	A-/ stable	A+/ positive	BBB-/ stable	A+/ stable	BBB-/ positive	BBB-/ stable	n.a.	AA/ stable	AAA/ stable
Atrium country exposure by NRI (9M2017)	51%	15%	21%	5%	4%	4%	100%		
Atrium country exposure by MV at 30/09/17	58.1%	19.4%	10.9%	6.3%	2.3%	3.0%	100%		

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



# MACRO OVERVIEW OF OUR MARKETS (CONTINUED)

Macro Indicator	Poland	Czech Republic	Russia	Slovakia	Hungary	Romania	Average	France	Germany
2016 Avg. gross monthly wage (€)	980	1,021	496	912	889	643	824	n.a.	n.a.
2017f Avg. gross monthly wage (€)	1,056	1,093	638	950	979	718	906	n.a.	n.a.
2016 Monthly retail sales per capita (€)	246	296	148	279	177	152	216	n.a.	n.a.
2017f Monthly retail sales per capita (€)	263	313	185	291	183	164	233	n.a.	n.a.
2020f Monthly retail sales per capita (€)	308	352	199	311	199	201	262	n.a.	n.a.
2016 Retail sales growth (%)	5.4%	5.1%	-5.2%	2.1%	4.8%	14.0%	4.4%	2.9%	1.7%
2017f Retail sales growth (%)	3.9%	3.8%	5.7%	4.1%	3.6%	7.7%	4.8%	3.2%	2.2%
2020f Retail sales growth (%)	3.9%	3.4%	6.3%	3.1%	4.1%	7.2%	4.7%	2.7%	1.4%
2016 Consumer spending growth (%)	3.5%	2.9%	-5.0%	3.2%	4.3%	7.6%	2.8%	1.8%	1.8%
2017f Consumer spending growth (%)	3.8%	3.5%	0.8%	4.0%	5.8%	8.5%	4.4%	1.1%	0.9%
2018f Consumer spending growth (%)	3.0%	2.8%	1.5%	2.8%	3.5%	4.0%	2.9%	1.7%	1.1%
Apr.'17 Retail trade volume change y-o-y * (%)	4.9%	4.8%	0.1%	7.1%	1.7%	5.5%	4.0%	3.3%	2.6%
May'17 Retail trade volume change y-o-y * (%)	3.8%	7.0%	0.7%	7.3%	5.5%	13.8%	6.4%	3.2%	2.5%
Jun.'17 Retail trade volume change y-o-y * (%)	4.6%	6.6%	1.2%	8.1%	6.0%	7.6%	5.7%	3.1%	3.6%
Consumer confidence indicator**, May '17	-4.7	6.5	n.a.	-3.4	-14.7	-14.5	-6.2	3.1	-7.0
Consumer confidence indicator**, Jun. '17	-4.8	4.1	n.a.	-5.6	-14.0	-14.2	-6.9	5.0	0.5
Consumer confidence indicator**, Jul.'17	-5.6	3.5	n.a.	-4.5	-14.8	-17.0	-7.7	5.2	-3.8
Retail confidence indicator**, May '17	4.3	17.5	n.a.	14.5	4.7	11.7	10.5	-5.4	-1.7
Retail confidence indicator**, Jun.'17	5.7	19.5	n.a.	18.6	7.8	5.6	11.4	-3.4	3.8
Retail confidence indicator**, Jul.'17	5.0	20.0	n.a.	18.2	6.6	5.2	11.0	-0.3	-0.1

\* Adjusted for inflation & seasonal effects  
 \*\* Households' & retailers' near-future expectations

Sources: Eurostat, Capital Economics, PMR





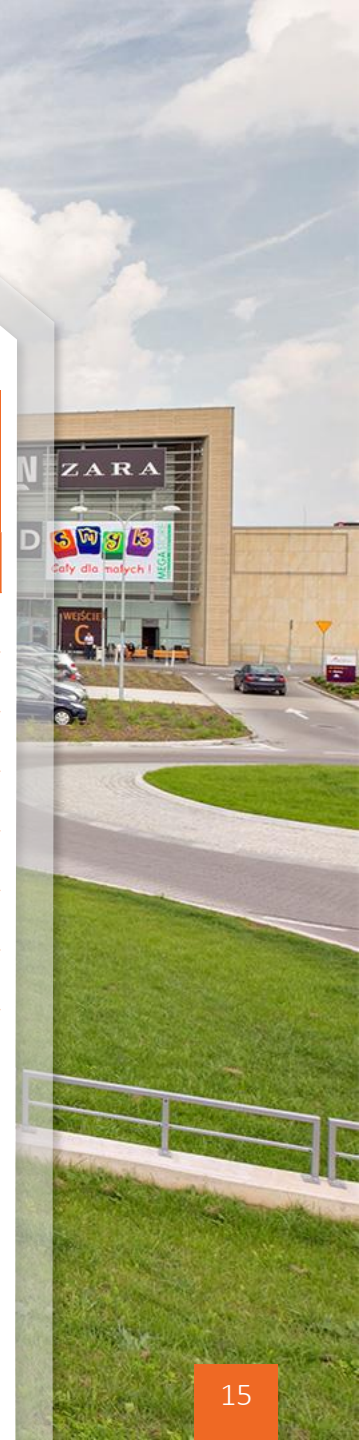
# COUNTRY & REAL ESTATE RISK/ YIELD

## YIELDS ON 10Y BONDS IN LOCAL CURRENCIES, NOVEMBER, 2013 - 2017



Country	Sovereign ratings	10Y gov. bond yield, local currency	Prime shopping centre gross yield* C&W (3Q17)	Spread from SC yield to 10Y gov. bond yields
Russia	BBB-	7.58%	11.00%	3.42%
Romania	BBB-	4.45%	6.75%	2.30%
Poland	A-	3.32%	4.75%	1.43%
Hungary	BBB-	2.06%	6.00%	3.94%
Slovakia*	A+	1.02%	5.25%	4.23%
Czech Rep.	A+	1.86%	4.25%	2.39%
Germany	AAA	0.36%	3.70%	3.34%

\*Slovakia 10y Bond price not available on Bloomberg (no 10Y maturities). Used Aug '17 rate.



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