



## ATRIUM EUROPEAN REAL ESTATE

- Company overview
- Q1 trading update

June 2018





## COMPANY OVERVIEW

# ATRIUM – A UNIQUE INVESTMENT OPPORTUNITY

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- Continued focus on owning high quality assets in well-connected strong urban locations within Central Europe
- Heartlands of Poland and the Czech Republic, the region's largest and strongest economies
- Strong management team with a proven track record
- Balance sheet 31/03/2018 well placed to support growth initiatives:
  - 32.9% net LTV, financial policy 40% leverage
  - €49m cash & marketable securities
- Investment grade rating by Fitch and S&P, positive outlook Fitch
- Balance between solid income producing platform & opportunities for future growth from redevelopment pipeline and portfolio rotation





# PORTFOLIO REPOSITIONING => URBAN QUALITY

31.12.2014

31.03.2018\*

€2.6bn	PORTFOLIO MARKET VALUE	€2.5bn
153	NUMBER OF ASSETS	38
8.9	AVERAGE ASSET SIZE IN GLA (m2)	25
17	AVERAGE ASSET VALUE (€m)	68
97.1%	OCCUPANCY (GLA)	96.2%
95.1%	OPERATING MARGIN	98.0%
€365m	DEVELOPMENT AND LAND	€357m
21.7%, 3.9%	NET LTV, COST OF DEBT	32.9%, 3.4%
€24.0 cent p.s.	DIVIDEND	€27 cent p.s. (approved for 2018) + €14 cent p.s. special dividend Mar.18
	CORPORATE GOVERNANCE & TRANSPARENCY	
	AWARDS + FIRST SUSTAINABILITY REPORT	



\*Excl. a €95m asset in Romania (sale agreement signed in Apr. 2018) and a €10m asset in Slovakia (sold in May 2018)

# POLAND AND CZECH REPUBLIC – HEART OF THE PORTFOLIO

## STANDING INVESTMENT PORTFOLIO SPREAD\*

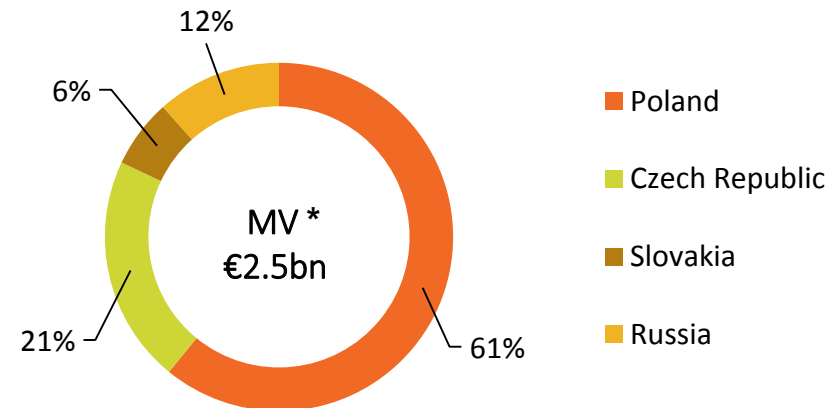


Hungary - 4 residual assets

- Atrium owns 38\* properties, 0.9m sqm GLA and €2.5bn\* market value
- 82%\* of the portfolio is located in Poland and the Czech Republic, 37% in Warsaw and Prague
- Focus on high quality assets in strong urban locations at the heart of their communities
- Further growth from redevelopment and extension programme in an excess of €300m, Adding over 60,000 sqm of high quality GLA in Warsaw
- Low leverage of 33% net LTV supports growth

## GEOGRAPHIC MIX OF THE PORTFOLIO\*

60 (1/1/17) → 38\* assets as of today



\*Excl. a €95m asset in Romania (sale agreement signed in Apr. 2018) and a €10m asset in Slovakia (sold in May 2018)



# OUR STRATEGY AT THE HEART OF THE LOCAL COMMUNITY

## HIGH QUALITY ASSETS

Improving the portfolio through a selective rotation of assets towards high quality assets in strong, urban locations at the heart of our communities

## STRENGTHENING THE PORTFOLIO

Further grow to come from the ongoing redevelopment and extension programme

## FOCUS ON PLACEMAKING

Providing a variety of leisure, dining and other entertainment experience elements as well as a tenant mix tailored to the centres' local environments

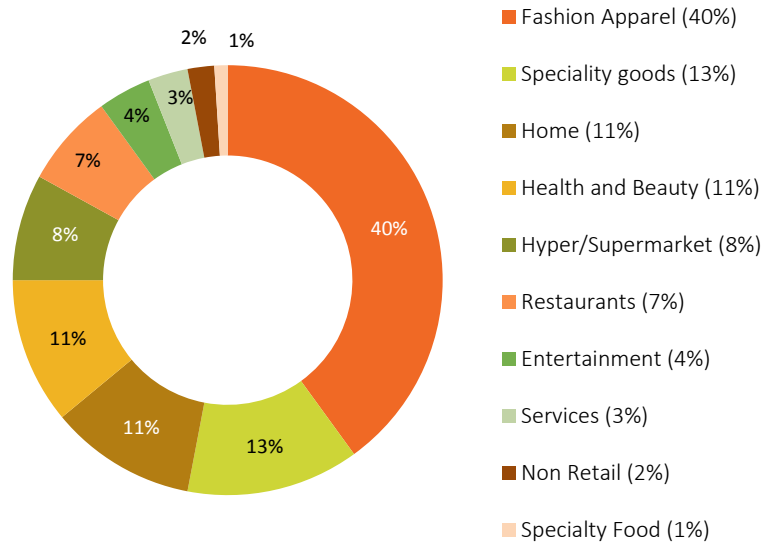
## INNOVATION

To meet the challenges of ever-growing ecommerce and changes in consumer spending habits

# RESILIENT INCOME: STRONG TENANTS, LONG LEASE DURATION AT AN AVERAGE OF 4.8 YEARS\*



## TENANT MIX BY ANNUALISED RENTAL INCOME



## E-COMMERCE PENETRATION (2017):

Poland 6%

The Czech Republic 13%

Group name	Main brands	% of Annualised Rental Income**	International presence	Sales 2017 € Bn, worldwide
AFM	DECATHLON	4%	1,923 stores/ 17 countries	52.8
LPP	RESERVED  MOHITO POLARO  CROPP	4%	1,743 stores/ 17 countries	1.6
Hennes & Mauritz		2%	4,700 stores/ 69 countries	23.0
Metro Group		2%	2,064 stores/ 29 countries	58.4
Inditex	ZARA  Bershka  PULL&BEAR	2%	7,405 stores/ 94 countries	25.3
Carrefour		2%	12,300 stores/ 30 countries	88.2
Kingfisher		1%	1,194 stores/ 10 countries	11.2
A.S. Watson		1%	12,000 stores / 20 countries	55.4
ASPIAG		1%	12,500 stores/ 44 countries	33.1
CCC		1%	900 stores	3.5
<b>Top 10 tenants</b>		<b>21%</b>		

\*As of 31.12.2017



Atrium Promenada (Warsaw)

Visualisation



Atrium Reduta (Warsaw)

Visualisation



Atrium Targowek (Warsaw)

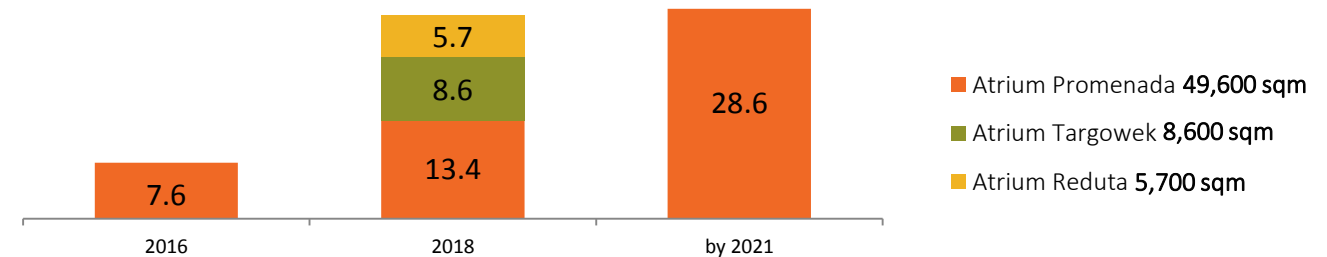
Visualisation

## QUALITY UPGRADE VIA REDEVELOPMENTS

- Quality growth from over €300m redevelopment and extension programme
- Focused on 3 centres in Warsaw, adding over 60,000 sqm GLA in Warsaw
- Creating dominant centres with focus on place making
- Wider offer of leisure, dining and other entertainment tailored to the centres' local communities and catchment areas
- Extensions provide new flagship stores for, among others, Inditex, H&M and LPP (Reserved) brands
- High levels of tenant demand for extensions, key tenant leases secured prior to and during construction

### INCREMENTAL GLA

K sqm



- Atrium Promenada's** new 'Fountain Mall' extension totalling 13,400 sqm, due to open Q4 2018
- Atrium Targowek** full interior refurbishment, new stores for H&M and Zara. Scheduled to complete in Q4 2018
- Atrium Reduta's** new cinema and gym, scheduled for opening by year end



# STRATEGIC FOCUS & FUTURE GROWTH

## THREE KEY DRIVERS OF FUTURE GROWTH:



### PORTFOLIO REPOSITIONING

- High quality assets in strong urban locations at the heart of their communities
- Focus on Poland and the Czech Republic



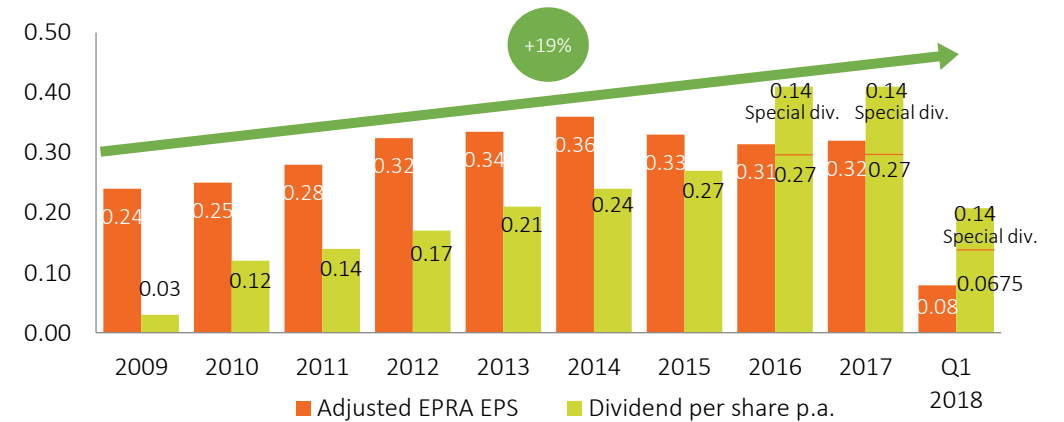
### REDEVELOPMENTS AND EXTENSIONS

- Fueling Further quality growth
- Focus on placemaking



LIQUIDITY - Significant liquidity available for investments

## DIVIDEND CAGR (2010-17)



- €cents 14 per share special dividend paid in March 2018
- €cents 27 dividend approved for 2018



## Q1 TRADING UPDATE



## KPIs PERFORMANCE

	3M 2018 €M	3M 2017 €M	CHANGE %
NRI excl. disposed of assets/redevelopments	32.5	31.0	4.8%
NRI from disposed of assets/redevelopments	<u>14.3</u>	<u>16.6</u>	
Net rental income	46.8	47.6	(1.8%)
EPRA Like-for-Like net rental income	32.5	31.3	4.1%
Operating margin (in %)	98.0	96.5	1.5%
EBITDA	41.4	39.8	4.0%
Company adj. EPRA earnings per share (in €cents)	7.9	8.1	(2.5%)
EPRA NAV per share	5.11	5.38	(5.1%)
Special dividends paid per share	<u>0.28</u>	—	
EPRA NAV per share excl. special dividend	5.39	5.38	0.02%



# HIGHLIGHTS

## OPERATIONAL PERFORMANCE

- 4.1% LFL NRI growth, 2.5% LFL NRI growth excl. Russia
- ↑4% EBITDA to €41.4m

## DIVESTMENTS

- Portfolio repositioning continued: 60 assets (1/1/17) → 38 assets
- 18 assets in Hungary and 2 in the Czech Republic sold during 2017 and Q1 2018
- Apr. 2018: Agreements to sell 2 assets for €105m
  - €95m Militari in Romania and €10m Saratov in Slovakia @ 9% above fair value
- Effective exit of Hungary and Romania

## REDEVELOPMENTS

- Over €300m redevelopment and extension programme which is focused on 3 centres in Warsaw

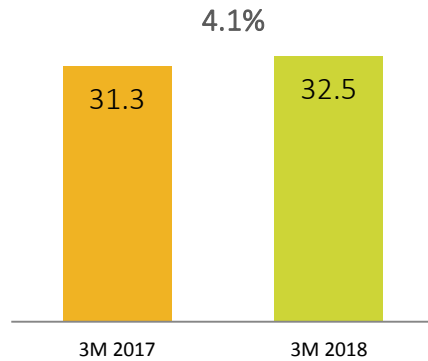
## OTHERS

- €75m increase in the revolving credit facility to €300m with extended maturity by 3 years to 2023
- €10m annual cost saving programme on track, to be completed by the end of the year
  - Admin cost of €5m, 32% lower than in Q1 2017
- Legacy legal arrangement: €40m paid to eligible claimants
- Poland's Sunday trading ban has taken effect from 2018, gradual implementation over 3 years
  - To date footfall largely compensated by increased frequency of visits during the rest of the week

# LFL GROWTH FROM HIGH QUALITY PORTFOLIO

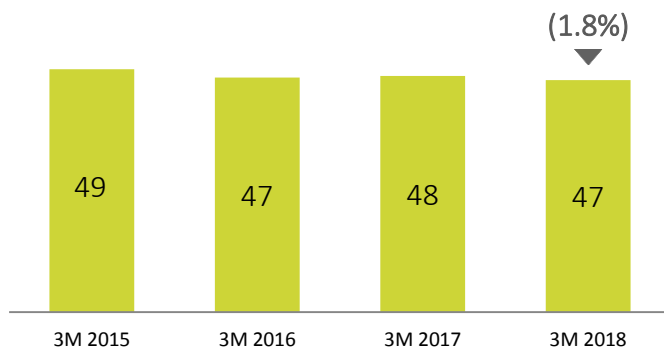
EPRA like-for-like NRI  
(in million €)

2.5% LFL growth excl. Russia

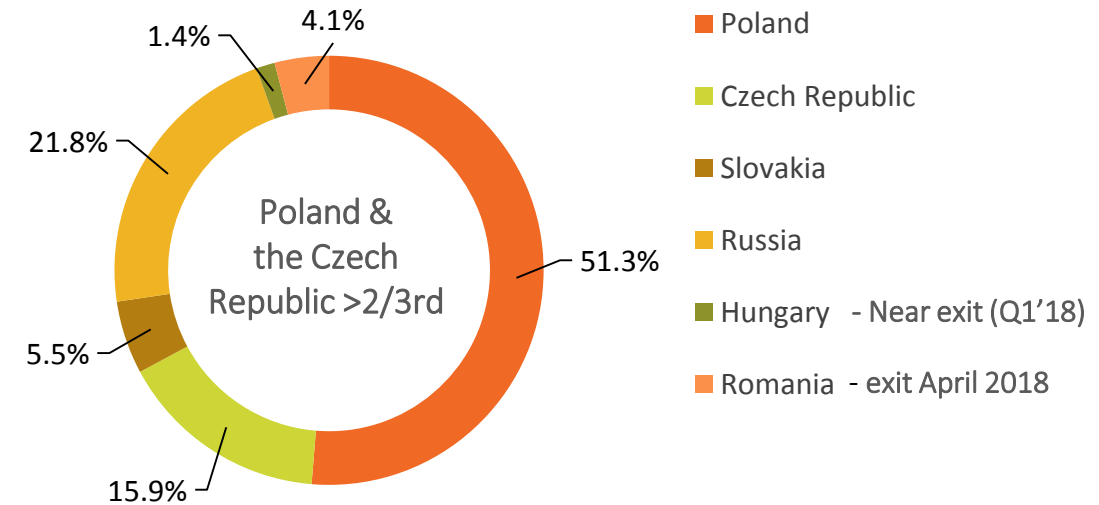


Net rental income  
(in million €)

€2.3m disposals and redevelopments impact

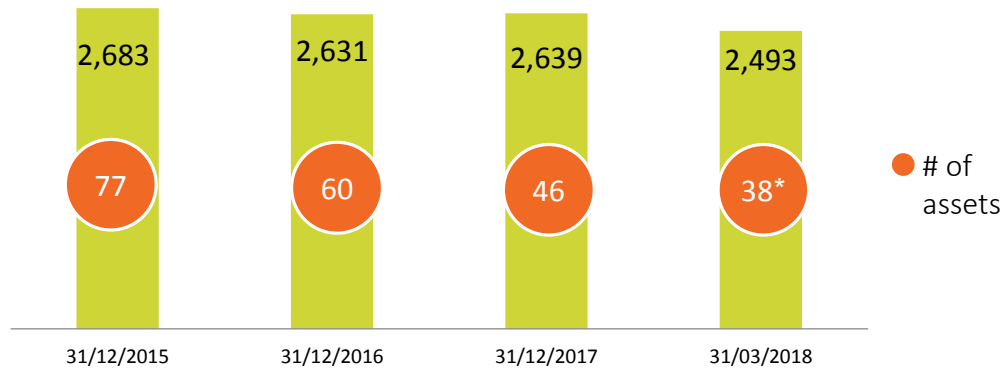


NRI Q1 2018 per country



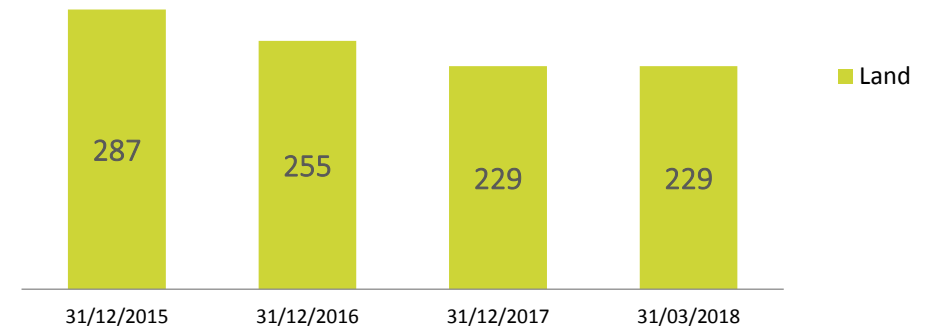
# ASSETS OVERVIEW-HIGHER QUALITY PORTFOLIO, 21 ASSETS SOLD SINCE 12/2017

Market value of standing investments\*  
(in million €)



82% IN POLAND AND THE CZECH REPUBLIC, 37% IN WARSAW AND PRAGUE

Land Portfolio  
(in million €)

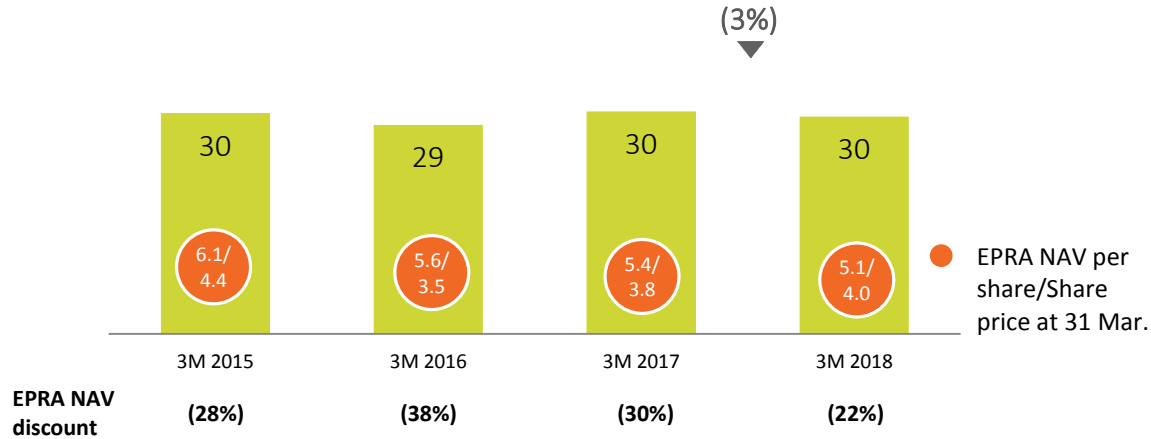


MONETISING LAND PORTFOLIO, NOW AT 8% OF INVESTMENT PROPERTIES

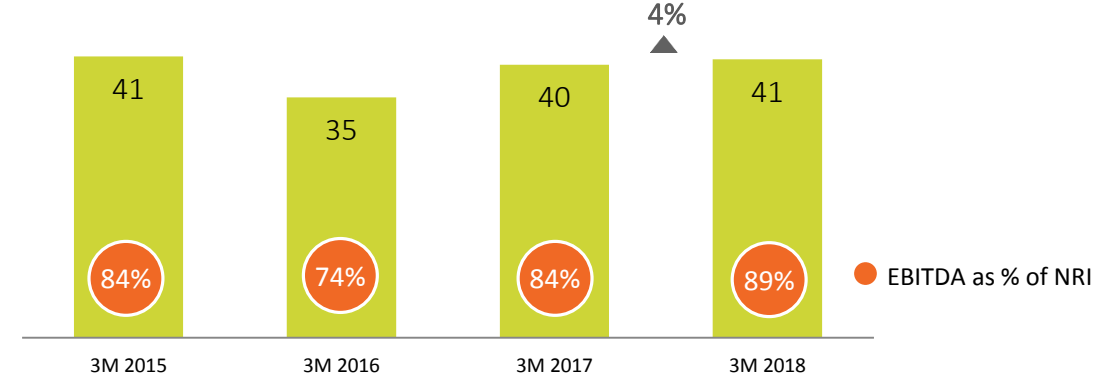
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# STRONG OPERATIONAL PERFORMANCE

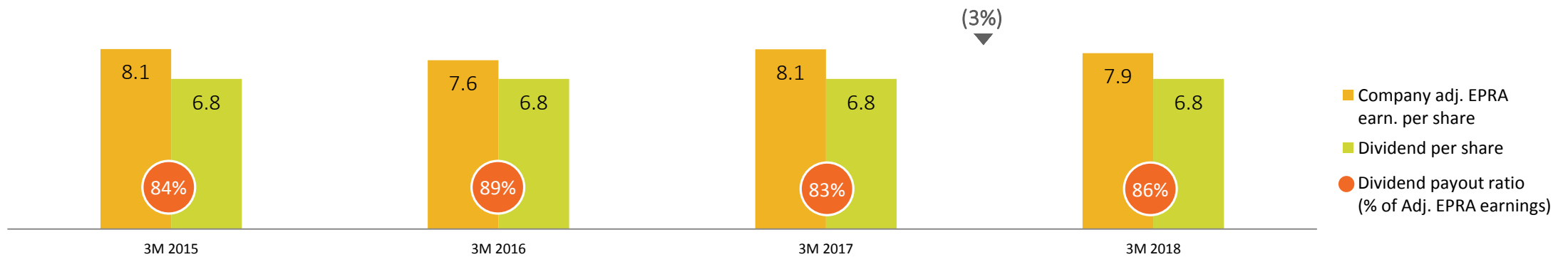
Company Adjusted EPRA Earnings  
(in million €)  
€2.3m disposals and redevelopments impact



EBITDA margin @ 89%  
(in million €)  
Improved operating margin following the cost saving programme

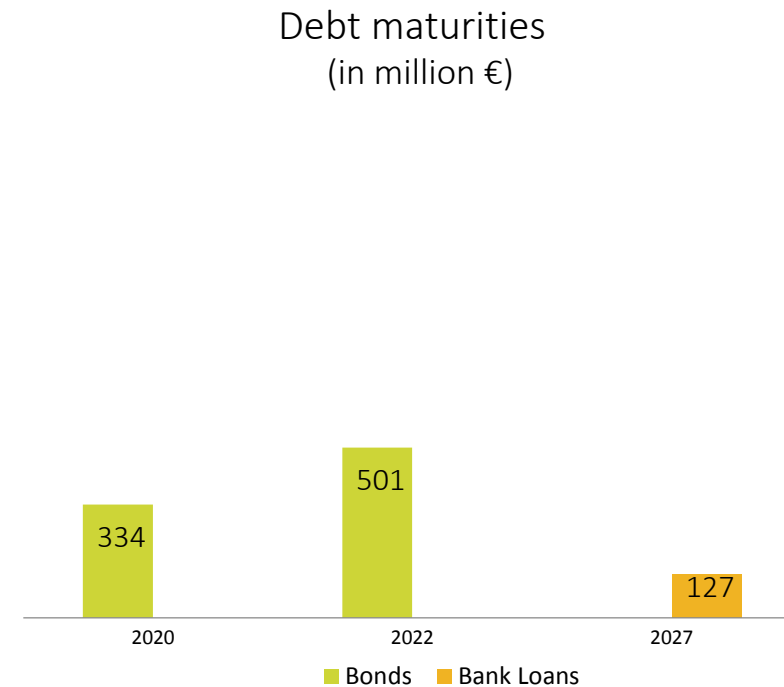
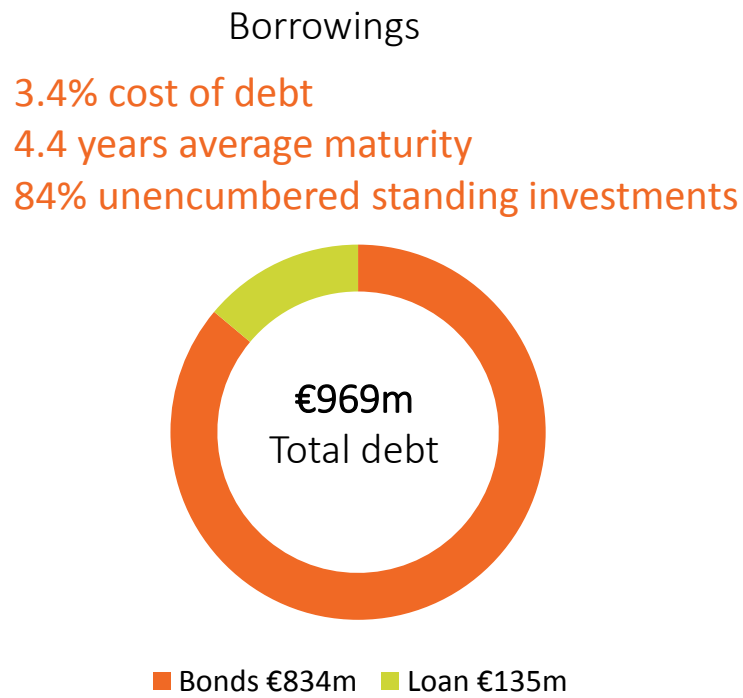
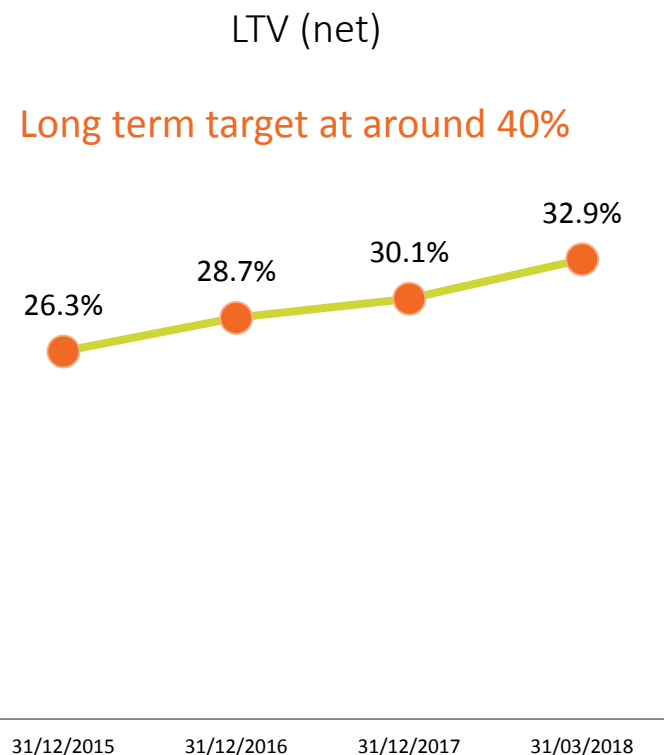


Company Adjusted EPRA Earnings per share and Dividend per share  
(in € cents)



# CAPITAL STRUCTURE SUPPORTS GROWTH

- Cash and marketable securities of €49m (31/12/17: €92m)
- €75m increase in revolving credit facility to €300m with an expiry in 2023
- ↓€2m in financial expenses compared to Q1 2017- bank refinancing in 2017 and impact of foreign currency differences







# STRONG OPERATIONAL PERFORMANCE IN Q1 2018

## PERFORMANCE

- ↑4.1% LFL NRI growth, ↑2.5% excl. Russia
- Strong EBITDA of €41m, 89% EBITDA margin
- ↓€2m admin. in Q1 2018 following €10m the cost saving programme initiated in March 2017

## PORTFOLIO

- Portfolio repositioning led to 38\* assets as of today @ €2.5bn value
- Effective exit of Hungary and Romania
- Redevelopments – 3 openings in Warsaw by the end of 2018
- Pursuing acquisition targets

## CAPITAL MANAGEMENT

- €75m increase in revolving credit facility to €300m, unutilised to support growth
- €cents 14 per share special dividend paid in March 2018

## OTHERS

- Legacy legal arrangement: payments to eligible claimants are in progress with €40m paid to date and €4m estimated to pay

\*Excl. a €95m asset in Romania (sale agreement signed in Apr. 2018) and a €10m asset in Slovakia (sold in May 2018)



## APPENDIX 1 – KPIs PERFORMANCE FY 2017



## KPIs PERFORMANCE FY 2017

	12M 2017 €M	12M 2016 €M	CHANGE %
Net rental income	189.9	188.8	0.6%
EPRA Like-for-Like net rental income	145.8	137.0	6.4%
Operating margin (in %)	95.6	96.4	(0.8%)
EBITDA	159.9	113.5	40.8%
Company adj. EPRA earnings per share (in €cents)	32.4	31.4	3.2%
EPRA NAV per share	5.24	5.39	(2.8%)
Special dividends paid per share	<u>0.14</u>	=	
EPRA NAV per share excl. special dividend	5.38	5.39	(-)



## APPENDIX 2 – SUSTAINABILITY

# 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 (2017)
  - 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



For more information on our sustainability strategy , as well as our sustainability reports, please see our website [www.aere.com/sustainability](http://www.aere.com/sustainability)



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