



CREATING  
GREAT  
PLACES

# 2019 FINANCIAL RESULTS AND CORPORATE STRATEGY REVIEW PRESENTATION

26 February 2020

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# 2019 HIGHLIGHTS



# A CE PORTFOLIO FOCUSED ON QUALITY URBAN ASSETS IN WARSAW AND PRAGUE

POLAND AND CZECH 85% OF THE PORTFOLIO

WARSAW AND PRAGUE 54% THE GROWTH DRIVER



€2.6bn

standing investment portfolio

€1.7bn  
Poland

€1bn  
5 assets Warsaw

€0.5bn  
Czech

€0.4bn  
2 assets Prague

809,000

sqm GLA

97%

Occupancy

6.4%

Net equivalent yield

€0.4bn

redevelopment pipeline

# CONSERVATIVE BALANCE SHEET WITH STRONG LIQUIDITY AND INVESTMENT GRADE RATING



€4.96

EPRA NAV

BBB<sup>(stable)</sup>  
Fitch

Baa3<sup>(positive)</sup>  
Moody's

72%

Unencumbered assets

35.1%

Net LTV

€127m

cash 31/12/19

€300m

unutilized RCF

c. 3%

Cost of debt

# 2019 RESULTS OVERVIEW



# POLAND AND CZECH DRIVE GROWTH: LFL NRI +2.4%<sup>1</sup> IN 2019

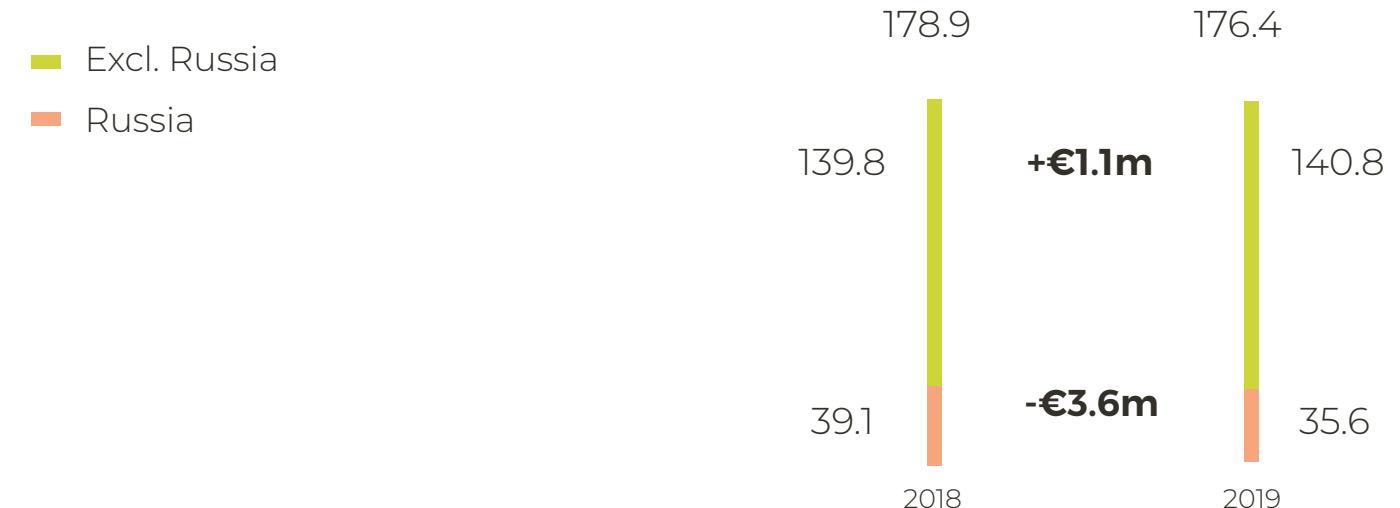


+2.0%<sup>1</sup>    +3.0%    -0.7%  
 Poland    Czech    Russia

- | **+2.4% LFL NRI** excluding Russia and assets held for sale, +1.1% Group LFL NRI
- | Asset rotation continues in Poland and completed in the Czech Republic
- | Russia anchor retenanting, 35,000 sqm GLA completed

<sup>1</sup>Excl. assets held for sale

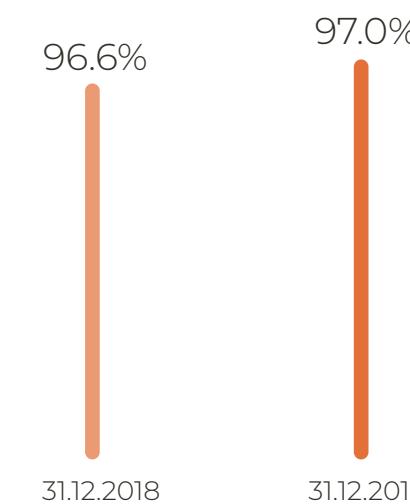
Net rental income broadly flat -phasing of asset rotation  
 (in million €)



97% Occupancy

31/12/2019

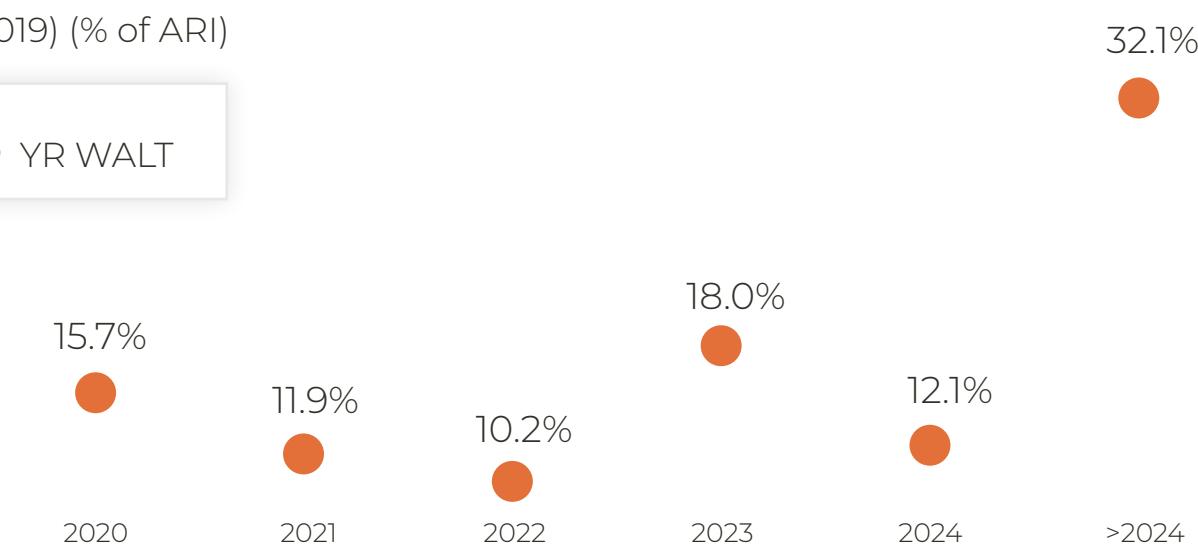
Strong demand drives high occupancy



Lease expiry: > 60% Renewals 2023 & beyond

(31/12/2019) (% of ARI)

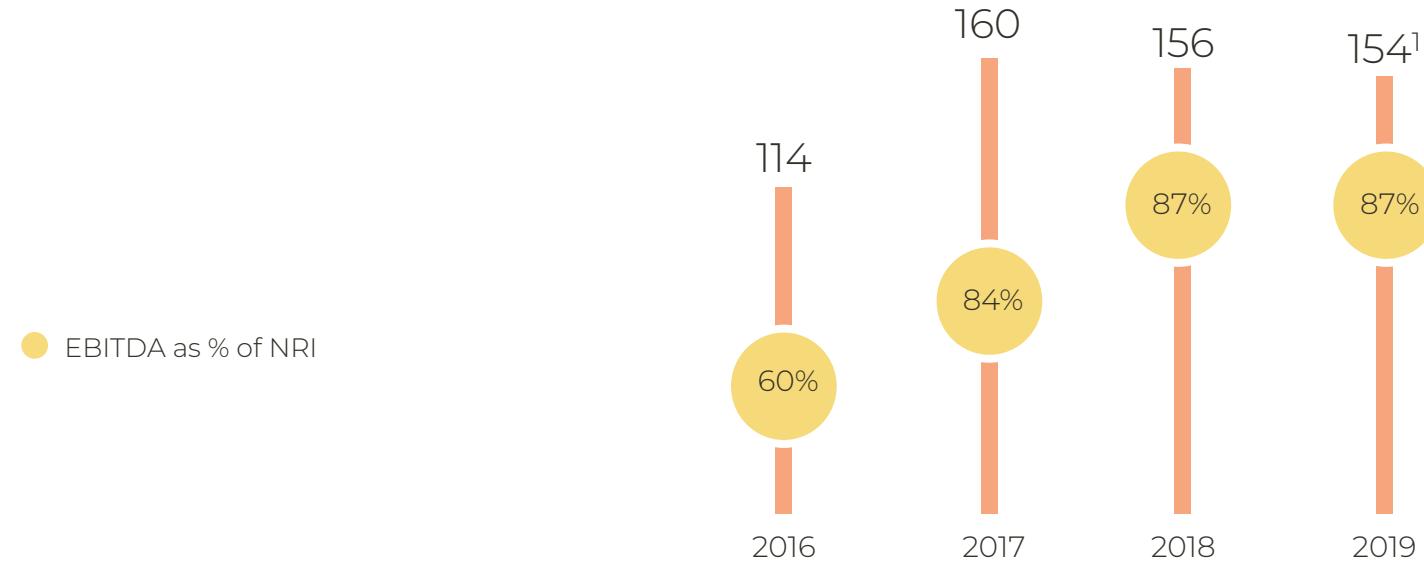
5.3 YR WALT



>1,000 leases signed in 2019 at passing rent and 2.8% above ERV

# EARNINGS: PHASING OF ASSET ROTATION

## EBITDA margin 87% (in million €)

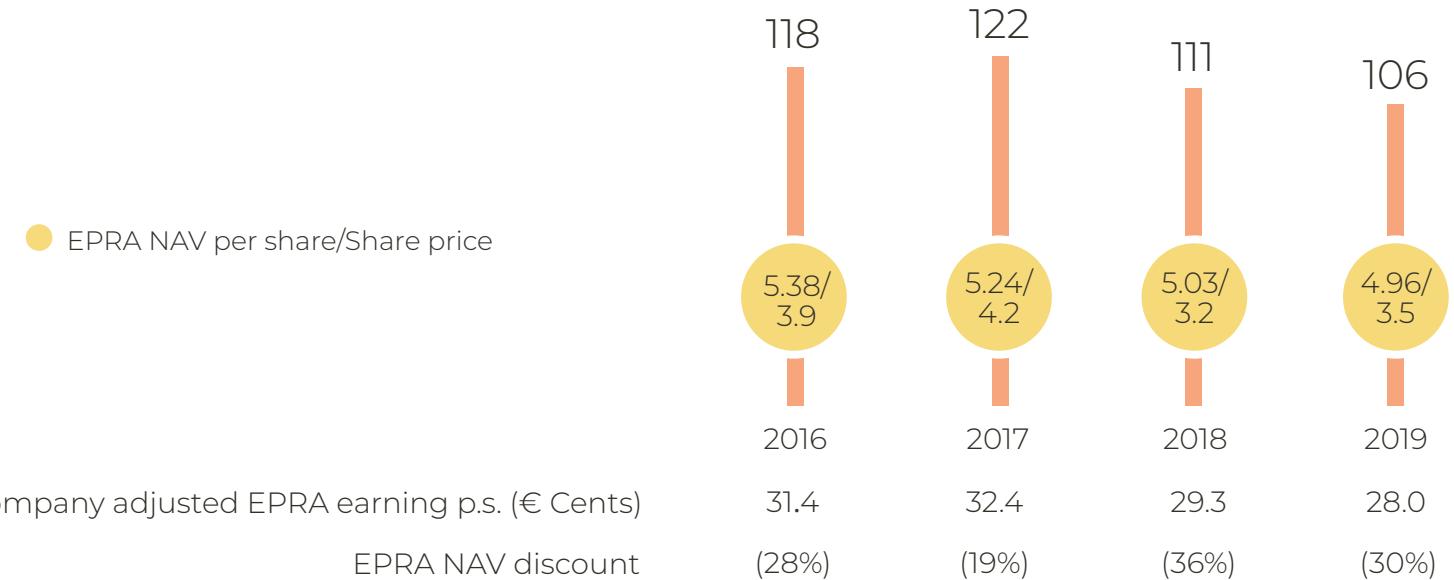


<sup>1</sup>Adjusted for €6.2m in 2019 and €2m in 2018 for transaction costs in relation with the recommended cash acquisition by Gazit Globe and in 2018: €4.5m fee in relation with the takeover of Atrium Dominikanska management contract

## 2020 dividend

The Board of Directors has approved an annual dividend of €cents 27 per share for 2020 (to be paid quarterly as capital repayments)

## Company Adjusted EPRA Earnings (in million €)



# PORTFOLIO OVERVIEW, WARSAW AND PRAGUE CENTRIC ASSET BASE



PROPERTY VALUATION STABLE IN 2019

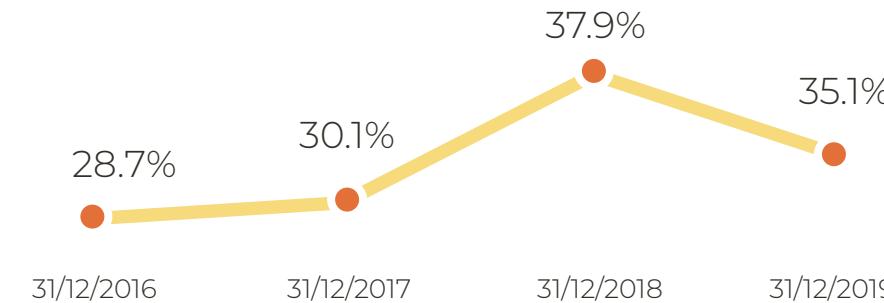
	Dec. 2019	Market value €m	Net equivalent yield %
Warsaw		1,006	5.2%
Other Poland		689	6.5%
<b>POLAND</b>	<b>1,695</b>	<b>5.7%</b>	
Prague		418	5.1%
Other Czech		104	5.8%
<b>CZECH REPUBLIC</b>	<b>522</b>	<b>5.3%</b>	
Slovakia		121	6.7%
Russia		287	12.8%
<b>TOTAL</b>	<b>2,625</b>	<b>6.4%</b>	



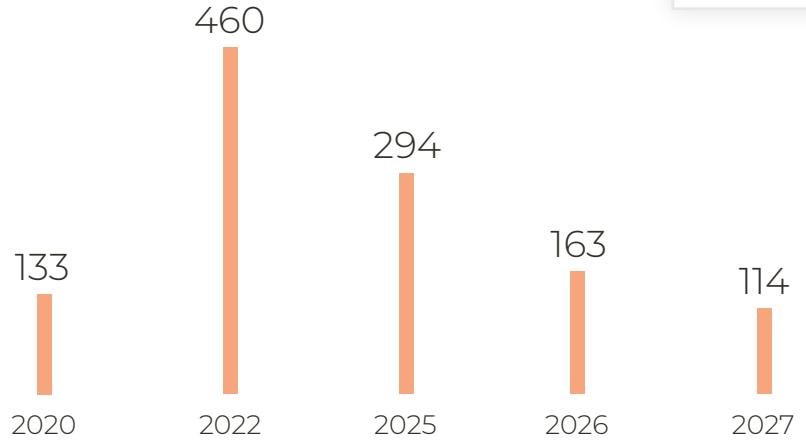
# SIGNIFICANT LIQUIDITY TO SUPPORT GROWTH, €127M CASH 31/12/19, €190M CASH AS OF TODAY, €300M RCF UNUTILIZED



LTV  
(net)



Debt maturities  
(in million €)



4.4 years  
average maturity

## Financial Performance Indicators

EPRA NAV per share

€4.96

31/12/2018 €5.03

Cost of Debt

c. 3%

## Borrowings (as at 31/12/2019)

■ Bonds €887m  
■ Loans €300m



72%  
unencumbered  
standing investments

# ESG AND GREEN FINANCING FRAMEWORK



# atrium's sustainability milestones



## OUR FOCUS

### OUR CUSTOMERS

UNDERSTAND CUSTOMER BEHAVIOUR AND  
MEET EXPECTATIONS TODAY AND IN THE FUTURE

### OUR PLACES

PROVIDE SAFE AND HEALTHY SPACES THAT OPERATE  
EFFICIENTLY BY STIMULATING INNOVATION AND  
OPTIMAL DESIGN

### OUR PEOPLE

DEVELOP AND ENGAGE EMPLOYEES WHO ARE PROUD  
TO WORK FOR US AND EMBRACE OUR ATRIUM VALUES

## Green financing framework

- | Atrium has focused on sustainability since 2014
- | Including the integration of ESG into our financing activities from 2020 onwards
- | In February 2020, a green financing framework has been endorsed by Sustainalytics and approved by the Board
- | Green financing instruments to become a regular part of the financing activities
- | Financing proceeds will be allocated to assets certified as BREEAM in use "Very Good or Higher"

# ATRIUM BY 2024

CORPORATE STRATEGY REVIEW



# The Backdrop

- | Atrium is a CE real estate player offering exposure to the largest, fastest growing, most stable CE Countries of Poland and Czech
- | Outstanding macro indicators:
  - Poland >25 years of consecutive growth
  - 4.0% and 2.5% GDP growth in Poland and Czech
  - Poland credit rating A-/stable, Czech AA-/stable
  - 1.3% unemployment rate and 6.3% wage growth in Warsaw in 2019
- | Lack of good quality in residential for rent units in Warsaw to satisfy the rising levels of demand
- | Attractive going in yields in the residential sector in Warsaw compared with other European major cities
- | Robust value and rental growth create an opportunity
- | Leveraging urbanisation , demographic trends
- | Benefit from having a skilled team on the ground

# Vision

- | A leader in retail and residential for rent in Warsaw
- | Provide sustainable income growth to our shareholders
- | De-risk cash flow volatility by diversification
- | Creates an opportunity for NAV growth.
- | Passionate about Our people, Our communities, Our customers



# Mission

- 1 Continue the rotation of the retail portfolio into prime dominant assets in major cities
- 2 Reinforcement of dominant retail assets via redevelopments and densification
- 3 Diversification into modern, purpose built residential for rent assets in our core geographies

# Capital structure

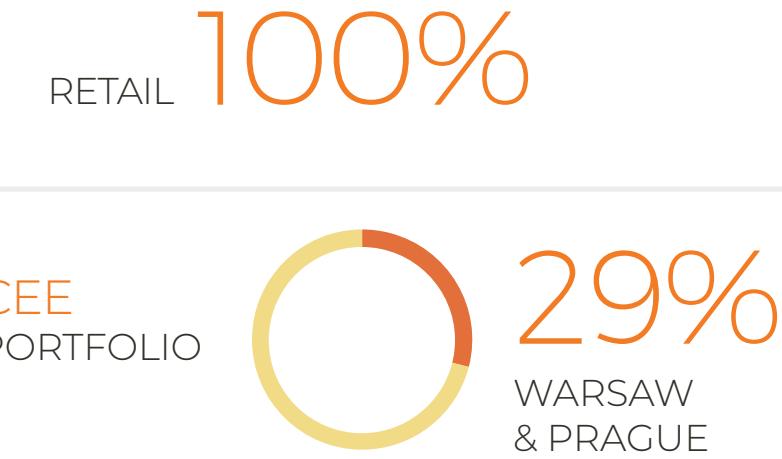
- | Capital recycling of non core retail assets
- | Optimal balance sheet - extending debt maturity / lower costs of financing
- | Long term net LTV c. 40%

## 2024 Portfolio

- | A unique Warsaw/Prague portfolio of 60% retail / 40% residential for rent
- | Cash generating and resilient retail portfolio with a sustainable LFL growth
- | First class retail/residential destinations for our retailers, customer and residents
- | Being at the heart of our communities



## atrium 2014



7 COUNTRIES PORTFOLIO

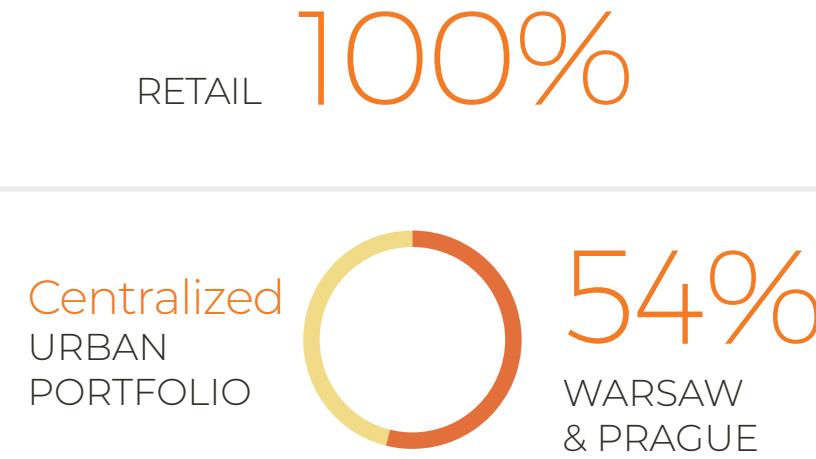
€2.6 bn 8.0% yield

NO. OF ASSETS 153

AVG. ASSET VALUE €17M



## atrium 2019<sup>1</sup>



DOMINANT ASSETS WITH DENSIFICATION POTENTIAL



## atrium 2024



RETAIL STRATEGY  
CREATING VALUE THROUGH A REDEVELOPMENT AND DENSIFICATION PIPELINE

RESIDENTIAL STRATEGY  
TARGET 5,000 UNITS

MAJOR CITIES, WARSAW CENTRIC

<sup>1</sup> Excluding assets classified as held for sale

# RETAIL PORTFOLIO

- A. Continued asset rotation
- B. Redevelopment and densification opportunities



# A. CONTINUED ASSET ROTATION INTO PRIME DOMINANT ASSETS IN MAJOR CITIES

- | **2014 to date:** €0.5bn prime assets purchased, €0.8bn secondary assets sold
- | **2019:** €0.4bn secondary assets sold at or above book value, King Cross, our 5th asset in Warsaw purchased for €43m
- | 29% in Warsaw and Prague in 2014 → 31/12/19: 54%

## WARSAW THE HEART OF POLAND <sup>1</sup>

	WARSAW	POLAND
Nr of inhabitants	1.8m	38m
Average monthly salary	€1,585	€1,209
Unemployment	1.3%	3.8%

31/12/19:  
38% in Warsaw

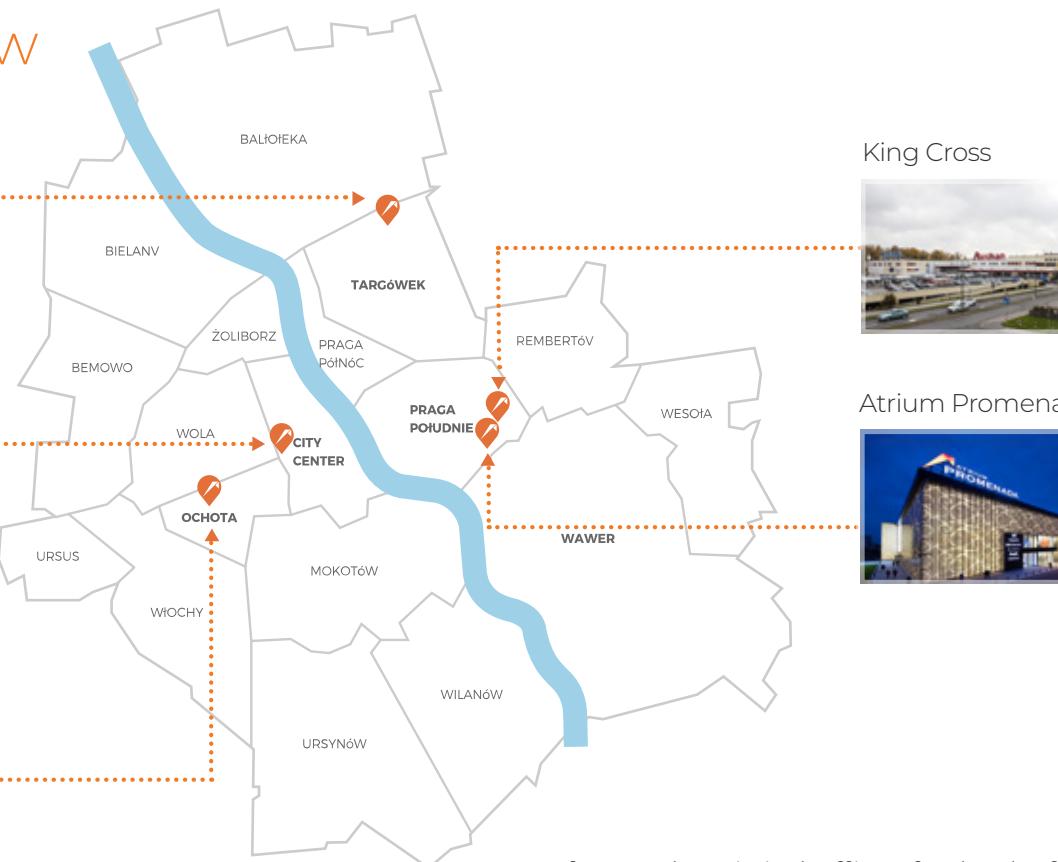
Atrium Targowek



Wars Sawa Junior



Atrium Reduta

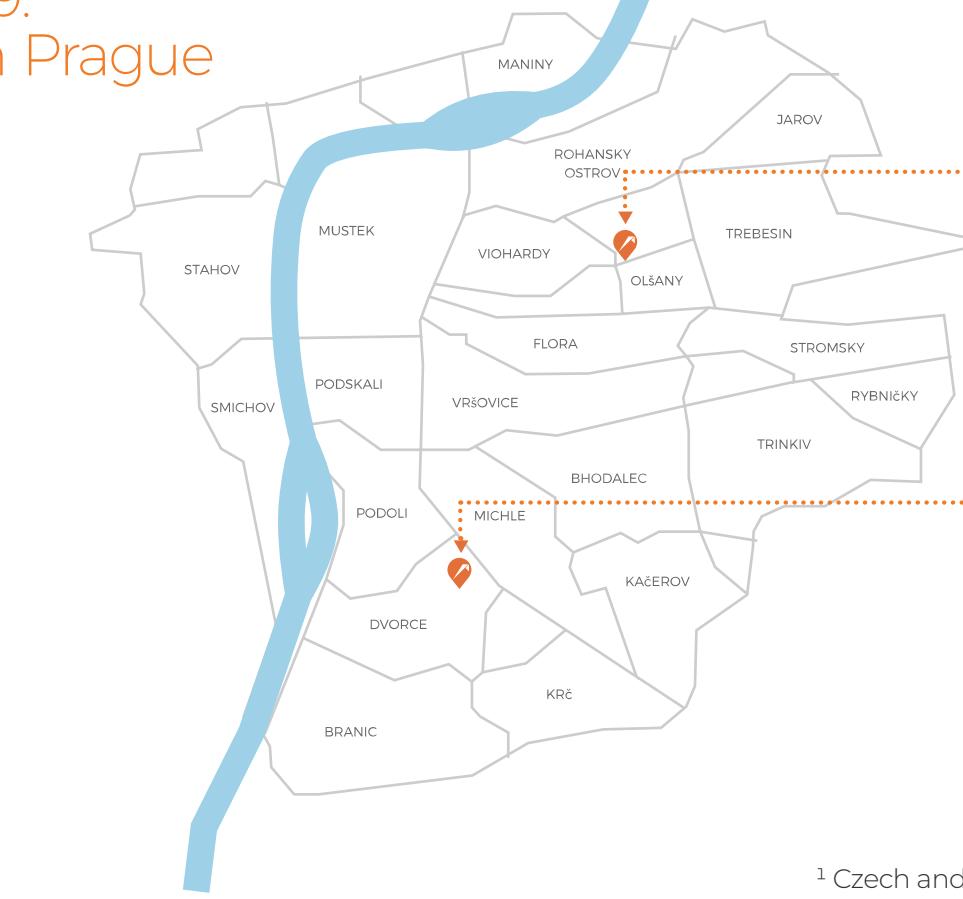


<sup>1</sup> Central Statistical Office of Poland, GfK

## PRAGUE THE HEART OF THE CZECH REPUBLIC <sup>1</sup>

	PRAGUE	CZECH
Nr of inhabitants	1.3m	10.6m
Average monthly salary	€1,553	€1,342
Unemployment	1.2%	2.2%

31/12/19:  
16% in Prague



Atrium Flora



Arkady Pankrac



<sup>1</sup> Czech and Prague Statistics Offices

# Targets

- | Create and utilise building rights on and around our core assets - **drive footfall and income**
- | **Increase variety of complementary uses** within zoning plans by adding mixed use non retail elements
- | **Transform** shopping centres into mixed-use offering work, live, play balance
- | **Future proof** the existing centres to adapt to changing consumers behaviors and retail environment

# The opportunity

- | Our footprint offers densification and redevelopment potential
- | **> 55,000 sqm** of additional residential / office extensions identified in Warsaw & Prague
- | **Attractive redevelopment yields**
- | Diversification of **rental income streams** from offices and residential for rent
- | **Densification creates additional daily footfall and sales**, leading to long term sustainable income and capital value growth
- | **Redeveloping prime assets** in line with consumer trends (F&B, leisure)



# RETAIL REDEVELOPMENT PIPELINE OVERVIEW



## COMPLETING EXISTING PIPELINE

+20,000  
sqm

prime new GLA completed in 2018

+50,000  
sqm

GLA to be completed by end of 2023,  
primarily in Warsaw

€0.4bn

pipeline, €161m spent  
up to 31/12/19

Expansion

through to 2023

## IN PROGRESS PROMENADA, COMPLETION BY 2023 OF AN ICONIC ASSET

Adding up to 35,000 sqm in phases, including refurbishment and upgrade of the centre



## IMPROVE THE OFFER & EXPERIENCE IN ARKADY PANKRAC, PRAGUE

- Upgrading and extending the food court in response to competition and changes in catchment area
- Repositioning over 20 fashion concepts to bring latest offerings



# RESIDENTIAL FOR RENT



## INVESTMENT THESIS

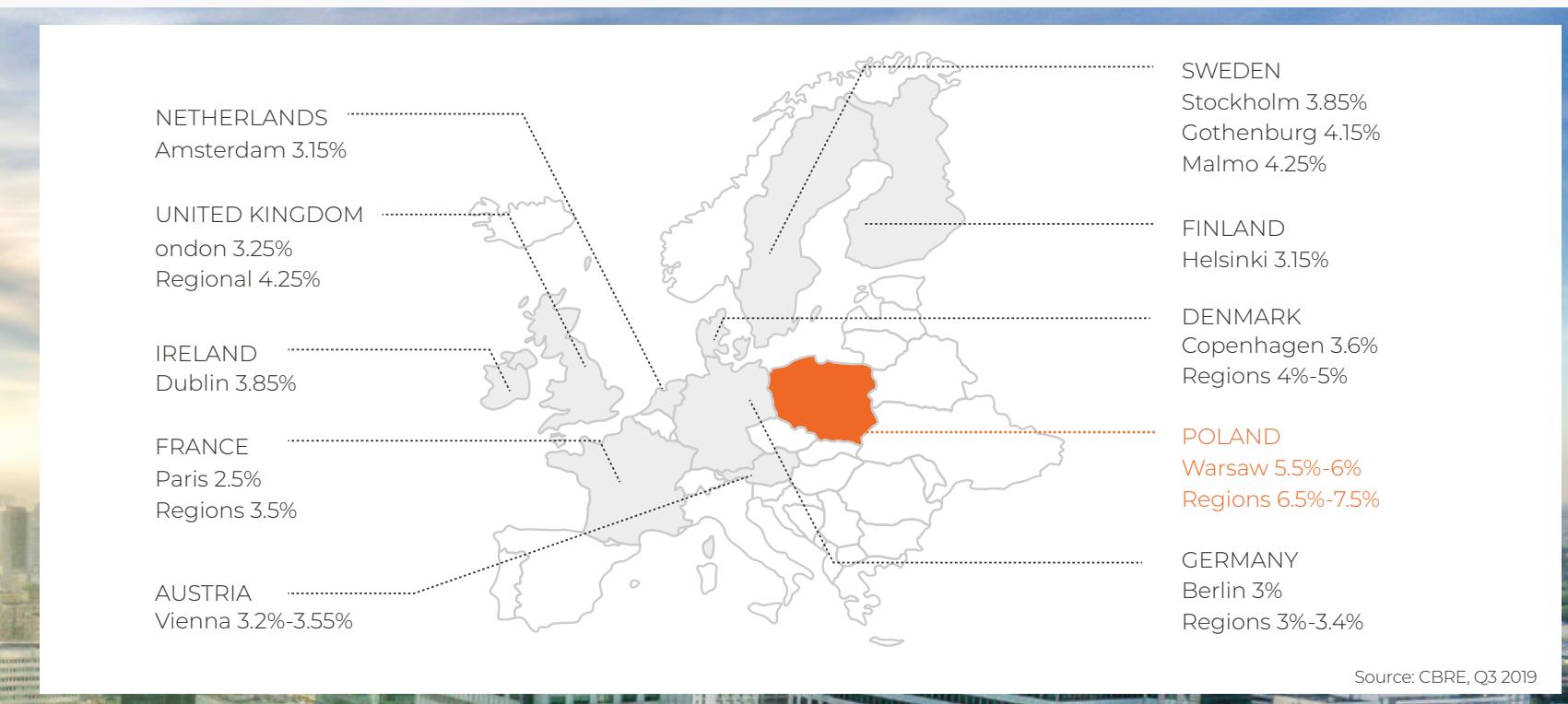
- | Capitalizing on growing residential for rent market
  - Strong demographic fundamentals
  - Largest business service center in CE
- | Diversifying our sources of income
- | Focus on high quality build to rent products
  - size and management efficient
  - client experience
  - on-site amenities.
- | First mover advantage
- | Leveraging our local management team skills

## ATTRACTIVE RETURNS

- | Attractive going in yields of 5.5%-6% compared with <4% in comparable European cities
- | Robust rental growth creates an opportunity for value uplift
- | Superior return on investment

## ATTRACTIVE GOING IN YIELDS COMPARED WITH OTHER EUROPEAN CITIES

Prime yields in the BtR sector



# WHY WARSAW?

## UNDERDEVELOPED RENTAL MARKET

- | 10-12% residential for rent stock
- | Fragmented ownership, primarily by private investors
- | Supply shortfall



Growth Engine #1  
DEMOGRAPHIC  
AND LABOR MARKET

1.8m  
Inhabitants

1.3%  
historically low  
unemployment  
rate

4%  
expected population  
growth in the coming  
years

Increase in The  
Average Salary y/y  
6.3%



Growth Engine #2  
SERVICE CENTERS

Business Service  
Centers in Warsaw

236

Employees in the  
Service Sector

56,000  
(62,000+Q1/20)

Job Creation CAGR  
2016-2019

14%



Growth Engine #3  
EDUCATION

Students

216,000

Universities  
and Colleges

68

Source: Central Statistical Office of Poland, GfK,  
2019 ABSL report, 2020 JLL report on Warsaw

ADDRESSING WARSAW'S GROWING DEMAND FOR HIGH QUALITY  
RENTAL ACCOMMODATION UNITS

OFFER AN ATTRACTIVE PRODUCT TO WARSAW RESIDENTS



## PIPELINE: TARGET OF 5,000 UNITS BY 2024

| **On board:** Option to acquire **900 high quality units** in central Warsaw

| **Densification:** use of existing building rights in Warsaw for **c. 700 new units**  
in planning phase

## BUILD FOR RENT - PLATFORM CRITERIA

| **Designed to rent:** high quality / efficient units

| **Customer Driven:**

- professionally managed
- amenities and services
- providing lease contract certainty

| **Location, Location, Location:**

- Connectivity with metro, tram and bus terminals
- Walking distance from shopping and business centers, universities and colleges

# SUMMARY



# CORPORATE STRATEGY REVIEW

## MISSION

Continue asset rotation, redevelop and densify prime urban assets in capital cities, diversify into residential for rent

## CAPITAL STRUCTURE

Capital recycling + optimal balance sheet with long term net LTV c. 40%

## 2024 PORTFOLIO

Warsaw/Prague portfolio 60% Retail / 40% Residential for rent

First class retail/residential destinations for our retailers, customer and residents

## EXECUTION

Sustainable growth from **high quality assets**

**Strong balance sheet**  
and investment grade rating

**Strong operational KPI's**

Operating in Warsaw & Prague **strong fundamentals**

## FOCUS ON

**Redevelopment & densification**  
Creating best in class assets

**Diversification**  
into residential for rent



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