Credit Rating

CREDIT RATING UPGRADE TO INVESTMENT GRADE

Jersey, 6 September 2012. Atrium European Real Estate Limited ("Atrium" or the "Company") (VSE/ Euronext: ATRS), a leading owner, operator and developer of retail real estate and shopping centres in Central and Eastern Europe, is pleased to announce that, 'based on reduced exposure to development activities', 'steady growth rates in its investment property portfolio' and 'the higher proportion of income-producing retail property in Atrium's asset base' Standard and Poor's has upgraded the Company's long- and short term corporate credit rating to the investment grade level of 'BBB-/A-3' from 'BB+/B', with a 'stable' outlook.

Rachel Lavine, CEO of Atrium, commenting on the upgrade, said:
"Since the very outset of our involvement with the Company, and subsequently, we have clearly stated that achieving an investment grade rating for Atrium was a high priority. I am therefore very pleased that all of our hard work in restructuring the Company, improving its operating performance and creating a platform that delivers visible recurring income with the potential for future growth has resulted in today's decision by S&P."

The press release issued by Standard and Poor's is included below:

Jersey's Atrium European Real Estate Upgraded To 'BBB-/A-3' On Stronger Portfolio; Outlook Stable

Overview

-- We consider that Atrium European Real Estate Ltd. (Atrium) has reduced its exposure to development activities and experienced steady growth rates in its investment property portfolio.

-- We are raising our long- and short-term ratings on Atrium to 'BBB-/A-3' from 'BB+/B'.

-- The stable outlook reflects our view that Atrium will likely maintain its moderate financial policy centered on a loan-to-value ratio below 40%.

Rating Action

On Sept. 6, 2012, Standard & Poor's Ratings Services raised its long- and short-term corporate credit ratings on Jersey-based real estate company Atrium European Real Estate Ltd. (Atrium) to 'BBB-/A-3' from 'BB+/B'. The outlook is stable.

Rationale

The upgrade reflects the higher proportion of income-producing retail property assets in Atrium's asset base, which led us to revise our assessment of its business risk profile to 'satisfactory' from 'fair.'

We anticipate that the share of development activities should remain slightly lower than 20% of Atrium's asset base going forward, with a strong focus on the extension and refurbishment of existing sites. We estimate that the delivery of the extension projects in Plock and Gdynia, Poland, should result in Atrium's standing investments representing more than 80% of its EUR2.7 billon total portfolio value and generating funds from operations (FFO) in excess of EUR100 million by the end of 2014, under our base-case scenario. We view revenue from development activities as more volatile than passive rent collection, as it is exposed to construction and letting risks. An increasing part of Atrium's recurring income comes from mature real estate assets, which should continue supporting cash flow stability. Atrium's portfolio of 37 development projects, valued at EUR567.5 million as of June 30, 2012, mainly consists of landbank and extensions of existing assets, which we view as less risky than greenfield or brownfield projects. We also take a positive view of the company's stated target to reduce development to a maximum of 10% of its total portfolio's market value over the long term.

The upgrade also incorporates the fact that Atrium's profitability has stabilized thanks to local efficiency improvements and better rent collection overall. This has resulted in a Standard & Poor's-adjusted EBITDA margin reaching the 60%-70% range, which we believe falls within our guidance for a retail real estate investment trust (REIT) with a 'satisfactory' business risk profile. Under our base-case scenario, we anticipate that Atrium's EBITDA interest coverage ratio will remain higher than 3x over the next two years. We believe that Atrium's strong presence in growing markets like Poland (38% of gross rental income as of June, 30, 2012) and Russia (27%), where retailers currently outperform the subdued European market, is a key competitive advantage over the medium term. We think that low vacancy and healthy growth rates reported by international retailers in those countries should support the resilience of Atrium's recurring income over the short term, although they could become more vulnerable to the economic crisis in the longer term.

Offsetting these strengths, we note Atrium's slightly higher percentage of development activities relative to other investment grade-rated European REITs and we continue to regard its geographic diversity as relatively modest.

Additionally, we think Atrium's ownership and management structures have stabilized after a period of corporate change. We also view the company's financial policy as moderate, reflecting its publicly stated target of a reported loan-to-value (LTV) ratio remaining below 30%, which we view as commensurate with an 'intermediate' financial risk profile.

Liquidity

The short-term rating is 'A-3'. We assess Atrium's liquidity as 'adequate' according to our criteria, because we anticipate that its liquidity sources will be more than sufficient to meet its funding needs in the next 12 months.

On June 30, 2012, Atrium's short-term debt maturities amounted to EUR7 million of contractual amortization and EUR51 million of committed 2003 bond repurchases over the next 12 months. Over the same period, we also forecast about EUR90 million in investment costs and EUR62 million of annual dividend distribution.

To cover these short-term cash calls, Atrium had EUR207 million of unrestricted cash as of June 30, 2012. We also anticipate that the portfolio of income-producing assets should drive FFO to about EUR95 million over the next 12 months.

Atrium does not, to our knowledge, have any committed bank lines at present, although it is in a position to raise incremental debt, based on its moderate debt leverage and significant unencumbered assets. As of June 30, 2012, Atrium's debt amounted to EUR555 million, or about 20% of its combined balance sheet debt and equity capital. We estimate Atrium's unencumbered income-producing assets at almost EUR800 million.

Outlook

The stable outlook reflects our view of positive trends in Atrium's operating metrics and low debt relative to its peers, which support the ratings.

We believe Atrium should be able to pursue its growth strategy in key markets, while maintaining EBITDA interest coverage and adjusted LTV ratios above 3x and below 40%, respectively. We also expect Atrium's ratio of debt to debt and equity to remain modest, standing well below 50%.

We could raise the ratings if Atrium significantly diversified its market exposures, generated a track record of raising unsecured debt, and maintained a sufficient liquidity cushion to meet any unexpected shortfalls in income or cost overruns in its development projects.

We could lower the ratings if we saw unexpected changes in discretionary spending or shareholding structure that could limit the funding options open to the company. We would consider a rebound in the share of development activities to more than 20% of Atrium's total portfolio value or a sharp deterioration of the environment in its key markets to be a significant increase in the group's business risk. This might prompt us to consider a rating review. Consumer confidence in Central and Eastern Europe, and specifically retail sector performance in Atrium's main markets, remain the principal operating risks that could affect Atrium's interest cover and other debt metrics.

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