



Interim Report | 30 September 2008



Key Figures

	FY 2006	9M 2007	FY 2007	9M 2008
Consolidated income statement in TEUR				
Gross rental income	96,451	89,833	120,030	97,412
Net rental income	71,530	71,464	84,461	70,550
Net operating profit/(loss)	261,158	137,962	140,043	(541,319)
Profit/(loss) before taxation	279,032	190,536	193,009	(530,326)
Profit/(loss) after taxation	220,736	159,014	154,577	(484,961)
	31/12/2006	30/9/2007	31/12/2007	30/9/2008
Consolidated balance sheet in TEUR				
Investment properties	1,688,863	1,817,937	1,894,412	1,753,682
Investment properties under development	105,232	614,595	781,864	1,029,630
Cash and cash equivalents	4,867,800	1,555,824	1,339,035	1,390,610
Borrowings	1,009,413	1,034,153	1,003,460	1,555,409
Equity	3,382,298	3,090,667	3,071,255	2,624,505
	31/12/2006	30/9/2007	31/12/2007	30/9/2008
Earnings per share/certificate in EUR				
	1.066	0.595	0.636	(2.293)

Notes:

Figures for FY 2006 and 9M 2007 have been restated according to changes in accounting policies and changes in presentation principles described in Annual Report 2007

Borrowings presented are net of commercial paper

Statements Regarding forward-looking Information

Statements regarding forward-looking information

This Interim Report includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Interim Report and include statements regarding the intentions, beliefs or current expectations of the Company and its subsidiaries (together with the Company, the "Group"). By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

You should assume that the information appearing in this Interim Report is up to date only as of the date of this Interim Report. The business, financial condition, results of operations and prospects of the Company or the Group may change. Except as required by law, the Company and the Group do not undertake any obligation to update any forward-looking statements, even though the situation of the Company or the Group may change in the future.

All of the information presented in this Interim Report, and particularly the forward-looking statements, are qualified by these cautionary statements.

You should read this Interim Report and the documents available for inspection completely and with the understanding that actual future results of the Company or the Group may be materially different from what the Company or the Group expects.

The current market conditions resulting from lack of confidence and stability in global markets are uneasy but challenging for anyone doing business today. The past few weeks showed us deterioration on global financial markets which influenced Atrium's property values and financial statements.

As with all real estate companies the development pipeline is a very demanding aspect of our business, even more today, when it is significantly influenced by the current downturn in the markets. The management is dedicating extensive efforts and resources in order to review and analyse each and every development project in its pipeline in order to assess the new risk/return equilibrium. In spite of the turbulent market conditions, the Group is proud to announce opening of three projects in November 2008, two of them in Poland, Forum Koszalin and Galeria Kasztanowa in Pila, and one in Slovakia, phase II of Optima in Kosice.

The Group is also in the process of rationalising its standing investments and assessing their long term viability and growth potential. Although the current market conditions are not very favourable to the real estate business, the Group's standing investments have not yet experienced slowing of its retail markets mainly due to tenant selection, good locations and appropriate asset management skills.

Activities during the nine months to 30 September 2008

In the nine months to 30 September 2008 the Group's investment portfolio included operating properties in eight countries in its target regions: Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Latvia and Turkey. In addition, the Group also has interests in development projects in Bulgaria and Ukraine and has made (through acquiring a land plot) its first investment in Georgia. In total, the Group is therefore active in 11 countries throughout the region of Central and Eastern Europe, South Eastern Europe and Commonwealth of Independent States ("CIS").

In some of these markets the Group's activities comprise of development projects in various stages, which have yet to generate earnings.

The Group management is conducting a detailed project-by-project assessment of all its existing standing investments and its entire development pipeline. The purpose of this re-evaluation is to ascertain the ability of each project to achieve, satisfy and maintain the investment criteria determined by the framework established by the Board. Standing investments with deficiencies in performance, which cannot be rectified by overhauling operational controls or by the development of viable extensions or refurbishments, will be disposed of.

Developments which are found to be incompatible with the Group's development objectives will be carefully reviewed by the Group's development and design teams in order to find the best configurations for continued development in the existing market conditions. This may include re-design of the property to allow for a better utilisation of building rights, space and gross lettable area, thorough analysis and improvement of development budgets, re-scheduling of construction and re-negotiation of enabling agreements where appropriate.

The market values indicated below are based on appraisals provided by Cushman & Wakefield:

Investment properties

Country	31 Dec. 2007 Market value TEUR	30 Sept. 2008 Market value TEUR
Poland	670,894	620,320
Russia	485,161	377,350
Czech Republic	321,586	300,494
Turkey	79,114	144,678
Hungary	123,085	113,325
Slovakia	106,996	101,705
Latvia	61,580	52,280
Romania	45,996	43,530
Total	1,894,412	1,753,682

After taking into consideration additions, disposals, transfers and other movements (see Note 4), the Group's recognised revaluation loss for the reporting period ended 30 September 2008, is as stated below:

Country	30 Sept. 2008 Revaluation TEUR
Poland	(54,230)
Russia	(67,340)
Czech Republic	(39,988)
Turkey	(56,283)
Hungary	(10,972)
Slovakia	(5,320)
Latvia	(9,369)
Romania	(2,625)
Total	(246,127)

The following table provides a break-down of the gross rental income per country:

Gross rental income

Country	9M 2007 TEUR	9M 2008 TEUR	Change in %
Czech Republic	16,752	18,922	13.0%
Hungary	6,460	6,760	4.6%
Latvia	3,068	2,887	(5.9%)
Poland	22,510	29,014	28.9%
Romania	970	1,238	27.6%
Russia*	34,959	30,466	(12.9%)
Slovakia	5,114	6,163	20.5%
Turkey	–	1,962	
Total	89,833	97,412	8.4%

*At the beginning of 2008, certain lease agreements in Russia were renegotiated with tenants with the aim to allocate a higher proportion of the overall rent as a service charge (rather than being a fixed rent payment). This reclassification resulted in a decrease of rental income and a corresponding increase of service charge income in the Group's accounts. For the nine months to 30 September 2008 the amount which was reallocated from the rental income to the service charge income due to the renegotiation was approximately EUR 7.2m.

The occupancy level as at 30 September 2008 was 92.36%.

In the nine months to 30 September 2008 the Group achieved a like-for-like growth of gross rental income of approximately 5%.

Like-for-like gross rental income

Country	9M 2007 TEUR	9M 2008 TEUR	Change TEUR	Change in %
Czech Republic	16,735	18,922	2,187	13.1%
Hungary	6,378	6,618	240	3.8%
Latvia	3,068	2,887	(181)	(5.9%)
Poland	22,510	23,980	1,470	6.5%
Romania	970	1,007	37	3.8%
Russia	27,808	28,024	216	0.8%
Slovakia	5,114	5,182	68	1.3%
Like-for-like total	82,583	86,620	4,037	4.9%
Remaining rental income	7,250	10,792	3,542	
Total gross rental income	89,833	97,412	7,579	8.4%

Overview of activities by region

Russia

As of 30 September 2008, the Group's portfolio in Russia consisted of 7 operating shopping centres with an estimated market value of approximately EUR 377m.

In February 2008, the Group completed the first stage of a development project in St. Petersburg where it owns a large land plot of approximately 50 hectares. In this first development stage a shopping mall with a lettable space of approximately 27,000 sqm was built. In the next stage, the Group plans to construct single-box units for large retailers (such as consumer electronics, DIY, etc.) on the site.

In addition to St. Petersburg, the Group's other shopping centres are located in Kazan, Volgograd, Yekaterinburg, Togliatti and two in Moscow.

Russia should continue to be a principal investment market for the Group in the future. The Group currently has 12 development projects in Russia located in major regional cities such as Volgograd, Astrakhan, Togliatti, St. Petersburg and others. The Group is presently re-evaluating these projects in light of the current global market turbulence in order to determine their compatibility with the Group's development criteria.

Furthermore, the Group has secured land plots in 4 Russian cities with a combined area of approximately 1.2 million sqm which could be used for future developments.



Shopping Centre in St. Petersburg

Lettable area: 27,000 sqm

Opening: February 2008

Poland

As at 30 September 2008, the Group's portfolio in Poland consisted of 19 investment properties with a total market value of approximately EUR 620m. Investment properties comprise 15 shopping centres in operation, 4 land plots under development, 2 of which are scheduled for opening at the end of November 2008.

The Group's largest shopping centres in Poland are located in Warsaw, Torun, Bytom, Radom and Bialystok. Furthermore, the Group owns smaller shopping centres in various regional cities throughout Poland.

Currently, the Group's development pipeline in Poland encompasses ten development projects, all outside the capital city of Warsaw. Subject to the outcome of management's project re-evaluation the Group will focus on locations where some barriers to entry exist but where the demand for commercial real estate is nevertheless significant.

The most advanced projects are shopping centres in north-west cities of Koszalin and Pila where opening is scheduled for the end of November 2008.

Shopping centre "Forum Koszalin"

Koszalin, Poland

Koszalin, the second largest city of the West Pomerian Province, is the last Polish city with more than 100,000 inhabitants without a hypermarket. The construction of this shopping centre is presently nearly complete and will be opened in November 2008 after an anticipated total investment of approximately EUR 100m.

The Forum Koszalin shopping centre has a planned lettable space of approximately 54,000 sqm and is almost fully pre-let.

The tenant mix includes the hypermarkets Tesco, Media Markt, as well as many other international brands, such as Reserved, C&A, H&M, New Yorker, Marks & Spencer, McDonald's, Adidas, Nike and do-it-yourself centre Castorama. Expected number of leasing units is approximately 130.



Shopping Centre in Koszalin

Planned lettable area: 54,000 sqm

Expected opening: November 2008

**Shopping centre “Galeria Kasztanowa”
Pila, Poland**

A smaller project near its completion is Galeria Kasztanowa in the city of Pila. Pila, with approximately 75,000 inhabitants, is the fourth largest city of the Greater Poland (Wielkopolsie) province located in north-western Poland.

As at 30 September 2008, the almost completed shopping centre Galeria Kasztanowa had a lettable area of approximately 12,000 sqm and the total investment cost for this project amounted to approximately EUR 32m.

As at the date of publishing this report the gallery is almost fully pre-let and new leasing contracts with new tenants are close to finalization. Total expected number of tenants that include brands such as Tamaris, Reserved, KFC and Camaieu is approximately 70.



Shopping Centre in Pila

Planned lettable area: 12,000 sqm

Expected opening: November 2008

Turkey

As of 30 September 2008, the Group’s portfolio in Turkey consisted of two investment properties in Trabzon and Istanbul with an estimated market value of approximately EUR 145m. The investment property located in Trabzon on the Black Sea Coast, opened in June 2008, with a lettable area of approximately 49,000 sqm is the largest retail development within a 300 km radius.

In addition, the Group’s development portfolio in Turkey includes two development projects.

One of the projects is a shopping centre with a planned lettable space of approximately 89,000 sqm with additional planned office space in the European part of Istanbul. The project is located in the centre of the Gaziosmanpasha quarter of Istanbul, and is directly accessible from the TEM ring-road making it one of the best accessible locations in the European part of Istanbul.

In addition, the Group also secured further land plots with a total area of approximately 558,000 sqm in the cities of Istanbul, Balcova, Sanliurfa, Adana, Kahramanmaras and Tokat.

The Group is presently re-evaluating these projects in light of the current global market turbulence in order to determine their compatibility with the Group’s development criteria.



Shopping Centre in Trabzon

Lettable area: 49,000 sqm

Opening: June 2008

Romania, Bulgaria and Ukraine

In Romania the Group currently has one investment property located in Bucharest with an estimated market value of EUR 44m. Following the first extension in 2007, the site now has a lettable area of approximately 11,000 sqm. This property comprises a retail park with a do-it-yourself store and an electronics retailer as anchors.

The Group's development pipeline in Romania includes a further extension of the site in Bucharest including a hypermarket Auchan, a shopping mall and additional retail outlets. The opening of the project Militaria extension in Bucharest is scheduled for the second quarter of 2009. The extended part is planned on a size of approximately 40,000 sqm and approximately 80% of extended lettable area is already pre-let.

Further the development pipeline in Romania comprises of two developments in different stage of progress.

Currently, the Group's development pipeline in Bulgaria and Ukraine consists of two projects, one in each country.

Czech Republic, Hungary, Latvia and Slovakia

At the end of September 2008 the Group owned a portfolio of 99 investment properties with a total lettable area of approximately 339,000 sqm in the Czech Republic. The total market value of the Czech properties amounted to approximately EUR 300m. The largest property in the Czech portfolio is a shopping centre in Brno with a lettable space of approximately 17,000 sqm and a market value of approximately EUR 40m. Apart from this shopping centre the portfolio mainly comprises smaller supermarkets, discount markets and neighbourhood centres.

In Hungary the Group owned as of 30 September 2008 a total of 25 investment properties with a total lettable area of 107,000 sqm and a market value of approximately EUR 113m. The portfolio included shopping centres located in Budapest and Szombathely as well as 21 smaller supermarkets and discount markets.

As Hungary and the Czech Republic are considered more established and developed markets, there are very few new opportunities for projects which would meet the Group's desired profitability criteria. As part of the Group's ongoing portfolio review the Hungarian and Czech properties will be analysed.

In Latvia, the Group owned as of 30 September 2008 a shopping centre in the capital city of Riga. The market value of the shopping centre, with a lettable area of approximately 20,000 sqm, amounted to approximately EUR 52m.

Slovakia belongs to the more dynamic established markets in Central and Eastern Europe and the Group will continue to examine attractive new investments as they arise in order to strengthen its market position. As of 30 September 2008 the Group owned 3 investment properties in Slovakia: two medium sized shopping centres in the regional cities of Zilina and Kosice and a small neighbourhood centre in Bratislava. The total market value of the Slovak portfolio was approximately EUR 102m.

Shopping centre “Optima Kosice extension”

Kosice, Slovakia

The extension of the shopping centre Optima in Kosice, the second largest city in Slovakia, which will add an additional 16,000 sqm to the existing centre, is scheduled to be opened on 29 November 2008. The investment costs for the project amount to approximately EUR 36m. Most of the additional space is already pre-let.

Including the extension, Optima will have a total lettable area of approximately 48,000 sqm and will be the largest shopping centre outside the capital city Bratislava.

The shape and size of the shopping centre dominates a large commercial and retail zone in the south-western part of the city. The social and entertainment role of Optima will be supported by a 7 screen-multiplex cinema, one of the largest of its kind in Slovakia. The tenant mix includes hypermarket Ahold, with its largest representation in Slovakia, as well as many other international brands such as New Yorker, Orsay, Kenvelo, Reserved, C&A, H&M, Marks & Spencer, Mango, Promod, CineMAX and Datart. Expected number of leasing units including the extension is approximately 145.



Shopping Centre in Kosice

Planned lettable area: 48,000 sqm

Expected opening: November 2008

Independent review report to Atrium European Real Estate Limited (formerly known as Meinl European Land Limited)

Introduction

We have been engaged by Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) ("the Company") to review the condensed consolidated set of financial statements in the interim financial report for the nine months ended 30 September 2008 which comprises the condensed consolidated balance sheet, the condensed consolidated income statement, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity, and the related explanatory notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards as endorsed by the EU. The condensed consolidated set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim financial report for the nine months ended 30 September 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the EU.

Emphasis of matter – potential litigation and ongoing investigation

On forming our conclusion on the condensed consolidated set of financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 12 to the condensed consolidated set of financial statements concerning the acquisition on behalf of the Company of listed certificates representing the Company's shares, the allegations against the Company by certain certificate holders and certain bondholders and the ongoing regulatory investigation into the activities of the Company.

The ultimate outcome of the matters referred to in note 12 of the condensed consolidated set of financial statements and note 44 of the 31 December 2007 consolidated annual financial statements cannot presently be determined and therefore no provisions for any liabilities that may arise as a result have been provided for in the condensed consolidated set of financial statements. If such liabilities were to arise they could be material to the condensed consolidated set of financial statements.

KPMG Channel Islands Limited

Chartered Accountants
5 St Andrew's Place
Charing Cross
St Helier
Jersey
JE4 8WQ

26 November 2008

Notes:

- The maintenance and integrity of the Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) website is the responsibility of the directors, the work carried out by KPMG Channel Islands Limited does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accept no responsibility for any changes that may have occurred to the condensed consolidated set of financial statements or review report since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of condensed consolidated financial statements may differ from legislation in other jurisdictions.





Interim Financial Statements

Consolidated Balance Sheet

Condensed consolidated balance sheet as at 30 September 2008

	Note	31/12/2007 TEUR (Audited)	31/12/2007 TEUR (Audited)	30/9/2008 TEUR (Unaudited)	30/9/2008 TEUR (Unaudited)
Assets					
Investment properties	4	1,894,412		1,753,682	
Investment properties under development	5	781,864		1,029,630	
Other non-current assets		129,351		127,345	
Cash and cash equivalents	6	1,339,035		1,390,610	
Other current assets		206,117		173,146	
Total assets			4,350,779		4,474,413
Equity					
			3,071,255		2,624,505
Liabilities					
Long term borrowings	8	994,143		1,547,717	
Other non-current liabilities		165,404		141,870	
Short term borrowings	8	9,317		7,692	
Other current liabilities		110,660		152,629	
Total liabilities			1,279,524		1,849,908
Total equity and liabilities			4,350,779		4,474,413

For the reporting period ended 30/9/2008 see the independent review report on page 11.

The interim management report and the interim financial statements approved and authorised for issue by the Board of Directors on 26 November 2008 were duly signed on the Board's behalf by Rachel Lavine, Chief Executive Officer and Chaim Katzman, Chairman.

Consolidated Income Statement

Condensed consolidated income statement for the period ended 30 September 2008
(Unaudited)

	Note	1/7/2007 – 30/9/2007*		1/1/2007 – 30/9/2007*		1/7/2008 – 30/9/2008		1/1/2008 – 30/9/2008	
		TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Gross rental income	9	27,579		89,833		33,290		97,412	
Service charge income	9	5,674		22,583		13,235		38,864	
Net property expenses		(9,940)		(40,952)		(25,006)		(65,726)	
Net rental income			23,313		71,464		21,519		70,550
Net result on disposal of investment properties		214		(95)		125		312	
Revaluation of investment properties	4	27,644		118,569		(221,253)		(246,127)	
Other depreciation and amortisation		(153)		(522)		(52,541)		(53,211)	
Administrative expenses		(18,377)		(50,905)		(10,037)		(33,704)	
Other income and expenses		(23)		(549)		141		(2,682)	
Expenses connected with management contracts termination	11,14	–		–		(276,457)		(276,457)	
Net operating profit/(loss)			32,618		137,962		(538,503)		(541,319)
Net financial income		21,039		52,574		6,667		10,993	
Profit/(loss) before taxation			53,657		190,536		(531,836)		(530,326)
Taxation credit/(charge) for the period		(9,050)		(31,522)		38,865		45,365	
Profit/(loss) after taxation for the period			44,607		159,014		(492,971)		(484,961)
Attributable to:									
Equity holders of the parent			40,016		154,474		(493,947)		(486,952)
Minority interest			4,591		4,540		976		1,991
Basic & diluted earnings per share/certificate in EUR**			0.1892		0.5949		(2.2966)		(2.2929)

* Figures for the period ended 30/9/2007 have been restated according to changes in accounting policies and changes in presentation principles described in Annual Report 2007

** Subordinated Convertible Securities and Initial Warrants do not currently have a dilutive effect

For the reporting period ended 30/9/2008 see the independent review report on page 11.

Consolidated Cash Flow Statement

Consolidated Statement of Changes in Equity

Condensed consolidated cash flow statement for the period ended 30 September 2008
(Unaudited)

	1/1/2007 – 30/9/2007	1/1/2008 – 30/9/2008
	TEUR	TEUR
Cash flows from operating activities	60,296	40,207
Cash flows from termination of management contract	–	(160,000)
Cash flows from investing activities	(646,714)	(301,800)
Cash flows from financing activities	(2,725,558)	473,168
Increase/(decrease) in cash and cash equivalents	(3,311,976)	51,575
Cash and cash equivalents at the beginning of the period	4,867,800	1,339,035
Cash and cash equivalents at the end of the reporting period	1,555,824	1,390,610

For the reporting period ended 30/9/2008 see the independent review report on page 11.

Condensed consolidated statement of changes in equity for the period ended 30 September 2008
(Unaudited)

	Share capital	Share premium	Income account	Currency translation	Minority interest	Total equity
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Balance as at 31 December 2006	1,126,500	1,906,213	395,813	(15,427)	41,256	3,454,355
Reclassification due to change of accounting policy	–	–	(58,384)	(9,923)	(3,750)	(72,057)
Restated balance as at 1 January 2007	1,126,500	1,906,213	337,429	(25,350)	37,506	3,382,298
Exchange differences arising on translation of overseas operations	–	–	–	(24,172)	–	(24,172)
Deferred tax on items taken directly to equity	–	–	–	4,710	1,598	6,308
Net profit for the period	–	–	154,474	–	4,540	159,014
Total recognised income/(expense)	–	–	154,474	(19,462)	6,138	141,150
Issue of share capital	375,000	1,102,500	–	–	–	1,477,500
Cost of issuing shares	–	(102,002)	–	–	–	(102,002)
Minority interest on acquisition	–	–	–	–	7,228	7,228
Certificates held on behalf of the Company	(444,075)	(1,371,432)	–	–	–	(1,815,507)
Balance as at 30 September 2007	1,057,425	1,535,279	491,903	(44,812)	50,872	3,090,667
Balance as at 1 January 2008	1,057,425	1,535,224	494,851	(54,193)	37,948	3,071,255
Exchange differences arising on translation of overseas operations	–	–	–	16,002	–	16,002
Deferred tax on items taken directly to equity	–	–	–	(5,248)	–	(5,248)
Net profit/(loss) for the period	–	–	(486,952)	–	1,991	(484,961)
Total recognised income/(expense)	–	–	(486,952)	10,754	1,991	(474,207)
Issue and repayment of share capital	27,074	7,886	–	–	–	34,960
Equity component of the Subordinated Convertible Securities issued	–	16,626	–	–	–	16,626
Acquisition of minority interest	–	–	–	–	(24,129)	(24,129)
Balance as at 30 September 2008	1,084,499	1,559,736	7,899	(43,439)	15,810	2,624,505

For the reporting period ended 30/9/2008 see the independent review report on page 11.

Segments by Business Sectors

Segments by business sectors (Unaudited)

For the period ended 30 September 2008	Standing investment segment TEUR	Development segment TEUR	Administration segment TEUR	Total TEUR
Gross rental income	97,412	–	–	97,412
Service charge income	38,864	–	–	38,864
Net property expenses	(63,019)	(2,707)	–	(65,726)
Net rental income	73,257	(2,707)	–	70,550
Net result on disposal of investment properties	312	–	–	312
Revaluation of investment properties	(173,291)	(72,836)	–	(246,127)
Other depreciation and amortisation	(708)	(28)	(373)	(1,109)
Impairment loss	(2,126)	(49,976)	–	(52,102)
Other income and expenses, administrative expenses	411	(3,248)	(33,549)	(36,386)
Expenses connected with management contracts termination	–	–	(276,457)	(276,457)
Net operating loss	(102,145)	(128,795)	(310,379)	(541,319)
Net financial income/(expenses)	(25,444)	(4,419)	40,856	10,993
Loss before taxation	(127,589)	(133,214)	(269,523)	(530,326)
Taxation credit/(charge) for the period	43,416	1,949	–	45,365
Loss after taxation for the period	(84,173)	(131,265)	(269,523)	(484,961)
Investment properties	1,604,905	148,777	–	1,753,682
Investment properties under development	–	1,029,630	–	1,029,630
Segment assets	1,786,939	1,305,659	1,381,815	4,474,413
Segment liabilities	261,250	102,745	1,485,913	1,849,908

For the period ended 30 September 2007	Standing investment segment TEUR	Development segment TEUR	Administration segment TEUR	Total TEUR
Gross rental income	89,833	–	–	89,833
Service charge income	22,583	–	–	22,583
Net property expenses	(40,199)	(753)	–	(40,952)
Net rental income	72,217	(753)	–	71,464
Net result on disposal of investment properties	(95)	–	–	(95)
Revaluation of investment properties	82,021	36,548	–	118,569
Other depreciation and amortisation	(497)	141	(166)	(522)
Other income and expenses, administrative expenses	665	(19)	(52,100)	(51,454)
Net operating profit/(loss)	154,311	35,917	(52,266)	137,962
Net financial income/(expenses)	(17,490)	3,828	66,236	52,574
Profit before taxation	136,821	39,745	13,970	190,536
Taxation charge for the period	(30,361)	(1,161)	–	(31,522)
Profit after taxation for the period	106,460	38,584	13,970	159,014
Investment properties	1,470,254	347,683	–	1,817,937
Investment properties under development	–	614,595	–	614,595
Segment assets	1,647,053	1,045,208	1,689,503	4,381,764
Segment liabilities	296,350	22,142	972,605	1,291,097

Notes to the Consolidated Financial Statements

Notes to the condensed consolidated financial statements for the nine months to 30 September 2008

(Unaudited)

1. Reporting entity

Atrium European Real Estate Limited (the "Company"), formerly known as Meinl European Land Limited, is a company incorporated and domiciled in Jersey. Its current registered office and principal place of business is 32 Commercial Street, St. Helier, Jersey, Channel Islands.

The Company changed its name from Meinl European Land Limited to Atrium European Real Estate Limited on 1 August 2008.

The principal activity of the Company and its subsidiaries ("the Group") is the ownership, leasing, management and development of commercial real estate.

The Group primarily operates in the Czech Republic, Hungary, Poland, Romania, Slovakia, Russia, Latvia and Turkey and also has development projects in Bulgaria, Ukraine and Georgia.

The unaudited condensed interim financial statements were approved and authorised for issue by the directors on 26 November 2008.

2. Principal accounting policies

Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 Interim Financial Reporting.

They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards as endorsed by the EU.

The interim management report and the interim financial statements present a fair and true view of the assets, earnings and financial position of the Group with respect to the information required by paragraph 87 of the Austrian Stock Exchange Act (§ 87 BörseG).

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Changes in accounting policies

As disclosed in the notes to the 31 December 2007 consolidated financial statements, during 2007 the management of the Group

changed the deferred tax accounting policy and reassessed the accounting policy relating to foreign currency translation.

As required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, all changes have been applied retrospectively and therefore the comparative amounts within the condensed income statement have been restated in accordance with the revised policies. Management believes that the financial statements prepared in accordance with the revised accounting policies provide more reliable and relevant information about financial performance and position of the Group.

Additionally in the period ended 30 September 2007 the recognition and measurement of acquired identifiable assets, liabilities and a non-controlling interest in the subsidiary Thesis SpA. has been restated based on the up-to-date information available. The balances as at 31 December 2006 and 2007 have been presented according to the revised policy in the Annual Report 2007. The change in the acquisition calculation has resulted in an increase in the profit after taxation for period ended 30 September 2007 amounting to TEUR 762.

According to the revised deferred tax accounting policy, deferred tax on investment property revaluations is computed on the total amount of the revaluation. Previously the deferred tax was calculated considering temporary differences which would be recovered through use, where the Group used the tax rate of the countries where the properties were located, and temporary differences which would be recovered through the sale of properties performed via sale of shares, where a tax rate of zero was applied, since such sales are tax free. If management had not revised the accounting policy for deferred tax, the profit after taxation for the period ended 30 September 2007 would increase by TEUR 19,439 of which profit after taxation attributable to minority interest would increase by TEUR 4,738 for the period ended 30 September 2007.

As from 1 January 2007 the functional currencies of the Group entities were reassessed. The individual financial statements of each of the Group entities use the currency of the primary economic environment in which the entity operates as their functional currency. When determining the functional currency for each entity the currency in which the entity generates rental income is the primary driver for assessing of the functional currency but other cash flows are also taken into account. Russian entities that only own investment properties under development have their local currency as the functional currency of the entity. In the prior year, the functional currency was the local currency for all entities within the Group. The change in the functional currencies has resulted in a decrease in the profit after taxation for period ended 30 September 2007 amounting to TEUR 5,028.

Due to the change in accounting policies the total equity as at 1 January 2007 has reduced by TEUR 72,057.

Changes in presentation principles

During the financial year 2007, the Board of Directors changed the management and internal reporting structure of the Group with the intention to approximate to the European Public Real Estate Association's ("EPRA") best practice policy recommendation. Group management believes that the reader benefits from the new structure

of the financial statements via enhanced comparability throughout the real estate industry and larger transparency mainly due to clearer distinction of operational and non-operational activities. To ensure comparability of the reported data, the presentation of the prior period balances has been adjusted accordingly.

Property assets

Investment properties are stated at fair value. The fair value of investment properties as at 30 September 2008 was determined by Cushman & Wakefield. Investment properties under development are stated at cost less allowances for impairment. All costs directly associated with purchase and development of a property, and all subsequent capital expenditures in this respect that qualify as acquisition costs, are capitalised. Land is treated as "Investment properties under development" unless a building permit has been granted. In such a case, land is stated under "Investment properties" and revaluated to its fair value. Fair value of such a land was based on the value for which the land could be sold in the market, which was determined by Cushman & Wakefield to be the fair value of the completed project less cost to complete and an appropriate developer's profit.

For land plots which are subject to forward purchase agreements, these agreements were used as a basis for the determination of the market value of these land plots. In general, a forward purchase agreement determines the purchase price for a development project based on a pre-defined yield. For the purpose of measurement of the fair value of these land plots, the present value of that part of the future profits of relevant agreements, which arises from the yield compression between the contract date and the balance sheet date, is considered to be the change in the fair value of the land plot since its acquisition.

Impairment

Based on the current market situation, the Group reviewed the carrying amount of the Group's investment properties under development to determine whether there are any indicators of impairment losses and to estimate recoverable amounts.

The recoverable amounts of the Group's development projects were calculated as the present value of expected gross development value, discounted at the pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. The discount rate used for this purpose ranges from 8.9% to 14.50% depending on the geographical area and the project type. Furthermore, a risk factor based on the market environment, the project and development stage, in the range from 1% to 10%, is applied.

In the case of land plots, price per sqm of land was compared with the current market price.

Impairment losses were recognised in the income statement.

Convertible bonds (the "Subordinated Convertible Securities")

The Subordinated Convertible Securities are split between a financial liability and an equity instrument. The financial liability represents the Company's obligation to make scheduled payments of interest and principal that exists as long as the instrument is not converted. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion. The equity instrument is an embedded option to convert the liability into equity of the Company. The fair value of the option comprises its time value and its intrinsic value, if any.

3. Investments in Group undertakings

During the nine months to 30 September 2008, the Company purchased the remaining 46% of THESIS SpA. and therefore now owns 100% of the share capital of the company. Furthermore the Group established 3 management companies, 2 of them in the Netherlands and 1 in Jersey as well as acquired shares in the following companies:

Company name	Country	Ownership	Assets acquired	Liabilities acquired	Purchase price
			TEUR	TEUR	TEUR
ETHERLAND INVESTMENTS LIMITED	Cyprus	100%	19	19	1
Rezidence Černého s.r.o.	Czech Republic	100%	8	–	8
A. Kharkiv 1 LLC	Ukraine	99.9%	6	–	6
A. Kharkiv 2 LLC	Ukraine	99.9%	6	–	6
A. Kharkiv 3 LLC	Ukraine	99.9%	6	–	6
A. Kyiv LLC	Ukraine	100%	7	–	7

4. Investment properties

The current portfolio of investment properties of the Group consists of 25 (2007: 25) properties in Hungary, 99 (2007: 102) properties in the Czech Republic, 3 (2007: 3) properties in Slovakia, 19 (2007: 19) properties in Poland, 1 (2007: 1) property in Romania, 7 (2007: 9) properties in Russia, 2 (2007: 2) properties in Turkey and 1 (2007: 1) property in Latvia. Four (2007: 4) of the properties in the Czech Republic are refinanced on the basis of finance lease contracts.

During the reporting period ended 30 September 2008, some projects, where building permits for land plots were obtained, were reassessed and consequently the book value of relevant land plots was transferred from investment properties to investment properties under development.

Notes to the Consolidated Financial Statements

	FY 2007 TEUR	9M 2008 TEUR
Balance as at 1 January	1,688,863	1,894,412
Additions – acquisition of new companies	43,515	–
Additions – new properties, technical improvements	75,178	68,357
Transfer from investment properties under development	33,524	84,090
Transfer to investment properties under development	–	(70,694)
Disposals	(3,724)	(2,714)
Adjustments of acquisition costs	(43,738)	–
Translation difference	(32,612)	26,358
Revaluation of investment properties	133,406	(246,127)
Balance as at the end of the period	1,894,412	1,753,682
Land relating to investment properties under development	257,090	115,039
Land relating to investment properties under development subject to a forward purchase agreement	102,327	33,738
Commercial properties	1,534,995	1,604,905
Total	1,894,412	1,753,682

Revaluation of investment properties

	FY 2007 TEUR	9M 2008 TEUR
Land relating to investment properties under development	23,038	(41,846)
Land relating to investment properties under development subject to a forward purchase agreement	34,517	(30,990)
Commercial properties	75,851	(173,291)
Total	133,406	(246,127)

Movement in number of investment properties

	FY 2007	9M 2008
Properties as at 1 January	157	162
Additions	4	–
Transfer from investment properties under development	5	–
Transfer to investment properties under development	–	(2)
Disposals	(4)	(3)
Balance as at the end of the period	162	157

5. Investment properties under development

	FY 2007 TEUR	9M 2008 TEUR
Balance as at 1 January	105,232	781,864
Translation difference	(348)	–
Additions – acquisition of new companies	488,734	–
Additions – cost of land and construction	206,110	286,904
Transfer to trading properties	–	(1,577)
Transfer to investment properties	(33,524)	(84,090)
Transfer from investment properties	–	70,694
Interest capitalised	15,660	25,811
Impairment loss	–	(49,976)
Balance as at the end of the period	781,864	1,029,630
Transfer to investment properties:		
Land	(30,183)	–
Construction costs	(3,341)	(84,090)
Total	(33,524)	(84,090)

Movement in number of investment properties under development

	FY 2007	9M 2008
Properties as at 1 January	21	38
Additions	22	2
Transfer from investment properties*	–	3
Transfer to investment properties**	(5)	–
Balance as at the end of the period***	38	43

* includes a project which was previously treated as one project within investment properties and now development part is separated

** includes projects where land for development is revalued to fair value

*** does not include projects where land for development is revalued to fair value

The impairment loss on investment properties under development in the amount of TEUR 49,976 recognised in the financial statements as at 30 September 2008 (2007: EUR 0) was caused mainly by the current turbulence in the real estate markets.

6. Cash and cash equivalents

As of 30 September 2008 the Group held cash in the total amount of TEUR 1,390,610 of which TEUR 1,252,704 was directly held by the Company, the remaining was held by the Group companies. The Group holds cash of TEUR 58,767 as backing for guarantees and/or other restricted cash issued by various banks on the Group's behalf.

7. Share capital

During the reporting period the Company:

- cancelled 88,815,000 certificates held on behalf of the Company;
- cancelled 150 million partly paid shares held by Tshela Nominees A.V.V.;
- issued TEUR 36,457 in the form of 5,714,286 ordinary shares (represented by certificates) as consideration to Meinel Bank Group, (see Note 11).

As at 30 September 2008, the Company's authorised share capital amounts to EUR 5,000,002,500 divided into 1,000,000,000 ordinary

shares of EUR 5.00 each and 500 special voting shares of EUR 5.00 each. Of this authorised share capital, a total of 216,899,287 ordinary shares are actually issued and outstanding, of which:

- a total of 216,899,286 ordinary shares, which are represented by outstanding certificates, are registered in the name of OeKB; and
- one ordinary share, which is not represented by a certificate, is registered in the name of CPI/Gazit Holdings Limited.

As at 30 September 2008 a total of 500 special voting shares are issued and outstanding of which:

- 230 are held by CPI Austria Holdings Limited; and
- 270 are held by Gazit Midas Limited

The Company has also issued 30 million warrants (the „Initial Warrants“) to CPI/Gazit Holdings Limited (‘‘CG Holdings’’) as of 1 August 2008 in return for CG Holdings’ investment in the Company, (see also Note 14).

8. Borrowings

The Company issued the Subordinated Convertible Securities in August 2008, under the Master Transaction Agreement, see Note 14. The principal amount of the Subordinated Convertible Securities issued was EUR 580m with a fixed interest rate of 10.75% p.a. The holders of the Subordinated Convertible Securities are entitled to convert into newly issued ordinary shares (represented by certificates), in whole or in part, at the option of the holders at any time after closing of the Master Transaction Agreement. The conversion rights expire on the seventh anniversary of closing. The book value of the liability component of the Subordinated Convertible Securities represents TEUR 552,111 as at 30 September 2008. The Subordinated Convertible Securities issued under the Master Transaction Agreement are unsecured.

	FY 2007 TEUR	9M 2008 TEUR
Bonds	887,597	1,445,362
Loans	108,484	103,269
Other	7,379	6,778
Total	1,003,460	1,555,409

The borrowings are repayable as follows:

	FY 2007 TEUR	9M 2008 TEUR
Due within one year	9,317	7,692
In second year	6,812	10,017
In third to fifth year	58,217	65,041
After five years	929,114	1,472,659
Total	1,003,460	1,555,409
Amount due within 12 months (included under current liabilities)	9,317	7,692
Amount due after more than 12 months	994,143	1,547,717

9. Gross rental income and service charge income

At the beginning of 2008, certain lease agreements in Russia were renegotiated with tenants with the aim to allocate a higher proportion of the overall rent as a service charge (rather than being a fixed rent payment). This reclassification resulted in a decrease of rental income and a corresponding increase of service charge income in the Group’s

accounts. For 2008 the amount which was reallocated from the rental income to the service charge income due to the renegotiation was approximately EUR 7.2m.

10. Related party transactions

To the best of management’s knowledge, during the reporting period ended 30 September 2008, no single certificate holder of the Company held more than 5% of the listed certificates. The 150 million partly paid shares that were held by Tshela Nominees A.V.V. were cancelled on 1.8.2008.

During the reporting period, the Company did not enter into any transactions with its directors. Except as described in the following paragraphs directors do not own shares or certificates of the Company and have not invested in any debt issued by the Group.

- a. Heinrich Schwägler, whose resignation as a director became effective on 1 August 2008, indirectly owned as at 30 September 2008 1,000 certificates;
- b. Chaim Katzman, Director and Chairman of the Board, holds through a family member 50,000 certificates in the Company as of 30 September 2008. However, Mr. Katzman through his holdings of Gazit Inc. and Gazit-Globe Limited (‘‘Gazit’’), indirectly holds 2,897,048 certificates which represent approximately 1.3% of certificates of the Company. If the Subordinated Convertible Securities were converted into certificates, Mr. Katzman would indirectly hold 12,900,649 certificates of the Company. If the Initial Warrants were exercised, Mr. Katzman would indirectly hold 8,298,967 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Mr. Katzman would in total indirectly hold 18,302,547 certificates.
- c. Dipak Rastogi, Director, has no direct shareholding in the Company as at 30 September 2008. However, Mr. Rastogi indirectly invests in Initial Warrants (as defined in Note 14) and Subordinated Convertible Securities through Citigroup’s co-invest programme which is assigned to his family trust. If the Subordinated Convertible Securities were converted into certificates, Mr. Rastogi’s family trust would indirectly hold 144,245 certificates. If the Initial Warrants were exercised, Mr. Rastogi’s family trust would indirectly hold 77,888 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Mr. Rastogi’s family trust would in total indirectly hold 222,133 certificates;
- d. Shanti Sen, Director, has no direct shareholding in the Company as at 30 September 2008. However, Ms. Sen holds an indirect investment in Initial Warrants and Subordinated Convertible Securities through Citigroup’s co-invest programme. If the Subordinated Convertible Securities were converted into certificates, Ms. Sen would indirectly hold 12,162 certificates. If the Initial Warrants were exercised, Ms. Sen would indirectly hold 6,567 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Ms. Sen would in total indirectly hold 18,729 certificates.

As at 30 September 2008, some of the board members of the Company also have certain functions in CPI/Gazit Holdings Limited (‘‘CG Holdings’’).

CG Holdings holds EUR 500m Subordinated Convertible Securities as well as 30 million Initial Warrants which are both currently convertible and exercisable respectively. If conversion of the Subordinated

Notes to the Consolidated Financial Statements

Convertible Securities and execution of the Initial Warrants took place CG Holding would receive 85,555,556 certificates. Interest expense relating to the EUR 500m Subordinated Convertible Securities amounted to TEUR 8,958 during the reporting period ended 30 September 2008.

Gazit holds approximately 4% of the Company's certificates in issue as at 30 September 2008.

After the resignation of Bedell Cristin Secretaries Limited as Administrator and Registrar of the Company on 29 February 2008, the Company appointed Aztec Financial Services (Jersey) Limited as its new Company Secretary and Administrator. The Company did not conclude any contract with Aztec Financial Services (Jersey) Limited except for the contract for services connected with serving as the Company Secretary and Administrator.

11. Transactions with Meinl Bank Group

In 2002 the Company concluded a Management Agreement with Meinl European Real Estate Limited, a wholly owned subsidiary of Meinl Bank. Under this Management Agreement, the Board of Directors of Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) subcontracted certain activities to Meinl European Real Estate Limited as the Manager. Quarterly prepayments have been made based on the management fee charged in the previous year. A final adjustment of the management fee was performed at year end based on the actual market value/investment cost per property. The management fee charged for the first seven months of 2008 amounted to TEUR 8,572 (including adjustments for previous years in the amount of TEUR 1,406) (9M 2007: TEUR 7,145). The Management Agreement was terminated on 1 August 2008 in connection with the closing of the Master Transaction Agreement (as described in Note 14) as part of the Company severing ties with Meinl Bank AG.

Furthermore, a license agreement was concluded in 2005 between the Company and Meinl Bank with respect to certain trademarks and logos owned by Meinl Group. The licence fee charged for the nine months of 2008 amounted to TEUR 7,160 (9M 2007: TEUR 9,643). The License Agreement was also terminated on 1 August 2008 in connection with the closing of the Master Transaction Agreement (as described in Note 14) as part of the Company severing ties with Meinl Bank AG.

From time to time the Meinl Bank Group provided various investment banking services to the Group. The most significant service related to services provided under a Placement and Market-Maker-Agreement concluded between the Company and Meinl Bank. The agreement outlines the terms and conditions of services provided by Meinl Bank in connection with the issue of equity. No fees have been charged by Meinl Bank as sole bookrunner during the nine months to 30 September 2008 (9M 2007: TEUR 99,731). The Placement and Market-Maker-Agreement also outlines Meinl Bank's role as market maker regarding the securities of the Company traded on the Vienna Stock Exchange. The maintenance fee is payable quarterly in arrears on the basis of the certificate price on the Vienna Stock Exchange at the end of each calendar quarter. The maintenance fee charged for the nine months to 30 September 2008 amounted to TEUR 11,591 (9M 2007: TEUR 29,714). The Placement and Market Maker Agreement was terminated on 1 August 2008 in connection with the closing of the Master Transaction Agreement (as described in Note 14) as part of the Company severing ties with Meinl Bank AG.

Furthermore, out of the total cash balances held by the Company with banks, a total of approximately EUR 63m were deposited with Meinl Bank at 30 September 2008 mainly in connection with certain guarantees and a series of Mandate and Trust Agreements agreed upon between the Company and Meinl Bank. For its services under these agreements Meinl Bank received a fee that amounted to TEUR 16 for the nine months of 2008 (9M 2007: TEUR 23).

From time to time the Company issued and subsequently repaid Commercial Paper ("CP"). Meinl Bank Group acted as a subscriber of such CP. Proceeds resulting from the issuance of CP were held in an account of the Company with Meinl Bank. No CP was issued during the reporting period.

In connection with bonds issued by the Group before 2006 Meinl Bank acts as Trustee and/or Paying Agent to noteholders. For its services under these agreements Meinl Bank did not receive any compensation.

During the reporting period the Company sold bonds issued by Meinl Bank Group for TEUR 14,652.

In consideration of the Master Transaction Agreement (as described in Note 14) the Company paid:

- a termination fee in an aggregate amount of EUR 160m to the Meinl Bank Group for termination of Management Agreement, Placement and Market Maker Agreement and Licence Agreement;
- EUR 80m in the form of Subordinated Convertible Securities (see Note 14) and TEUR 36,457 in the form of 5,714,286 ordinary shares (represented by certificates) in consideration of the Meinl Bank Group entering into the Non-Compete and Transitional Service Agreements with the Company.

Following the Master Transaction Agreement (as described in Note 14), as at 30 September 2008 the Company has only the following relationships with the Meinl Bank Group:

- a. the Company is a party to the Transitional Services Agreement with Meinl European Real Estate Limited ("MERE"), pursuant to which MERE provides certain consulting services to the Company through to July 2009;
- b. Meinl Bank AG continues to act as security trustee for the 2001 Bonds, 2003 Bonds and the bonds issued under the 2005 MTN Programme;
- c. Meinl Bank AG continues to act as Trustee and Paying Agent in connection to the bonds issued before 2006;
- d. a number of credit agreements in relation to certain real estate projects in two countries and the relevant Mandate and Trust Agreements are still in force;
- e. certain guarantees of an aggregate book value of TEUR 36,540 issued by Meinl Bank AG for and on behalf of the Company were still in existence;
- f. Meinl Bank AG acted as custodian under the Depositary Agreement, although a termination notice has now been served in relation to this agreement and this agreement will terminate no earlier than February 13 2009 and no later than 13 November 2009;
- g. Meinl Bank Group holds Subordinated Convertible Securities issued by the Company in the amount of EUR 80m and 5,714,286 ordinary shares represented by certificates of the Company in the amount of TEUR 36,457.

12. Contingencies

In addition to the contingencies of the Group reported in note 44 of the Annual Report 2007, the Group is involved in the following investigations.

In July 2008 the Jersey Financial Services Commission appointed inspectors to investigate the Company in respect of matters associated with the purchase of certificates by Somal A.V.V. on behalf of the Company. The ultimate outcome of the above matters can not presently be determined and therefore no provisions have been provided for in these financial statements.

13. Financial risk management

During the nine months to 30 September 2008, the Group's financial risk management objectives and policies were consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2007.

14. Events during the period and subsequently

In September 2007, the Board of Directors of the Company began the process of a strategic review, the purpose of which was to identify and implement improvements to the Company's management, corporate governance and reporting arrangements and processes, as well as a review of the Company's capital structure and financing.

As a result of this process, which involved the examination of third party proposals and other alternatives, CPI/Gazit Holdings Limited ("CG Holdings"), a joint venture between Gazit-Globe Limited ("Gazit"), a multinational real estate investment company listed on the Tel Aviv Stock Exchange, and CPI Austria Holdings Limited ("CPI Austria"), a wholly owned subsidiary of CPI Capital Partners Europe LP (and its parallel funds), a real estate fund advised by Citi Property Investors, a business unit of Citibank International plc ("CPI"), agreed to make a significant strategic investment in the Company accompanied by changes in the Company's governance and management structure. The agreement reached between the parties is recorded in a master transaction agreement (the "Master Transaction Agreement") signed on 20 March 2008. The transaction and related measures were approved by investors at the Company's extraordinary general meeting on 16 July 2008.

The principal investment terms of the transaction are set out in the Master Transaction Agreement and provide for a minimum investment of EUR 800m in the Company. Below we provide a summary of the transaction. For more detail please refer to the published Circular.

The minimum investment of EUR 800m comprises EUR 500m to be invested by CG Holdings by way of subscription of Subordinated Convertible Securities carrying a cumulative cash coupon of 10.75% per annum, payable quarterly in arrears (2.6875% of average outstanding balance during quarter) on the last business day of each quarter, 30 million warrants to subscribe for ordinary shares of the Company (the "Initial Warrants") and a EUR 300m rights issue to holders of the ordinary shares (represented by certificates) of newly issued ordinary shares (represented by certificates) which will be backstopped by CPI Austria Holdings and Gazit (the "Rights Issue"). Participants in the Rights Issue will also receive warrants (on the basis of two warrants for every six certificates purchased) to subscribe for additional ordinary shares represented by certificates (the "Rights Issue Warrants").

The EUR 500m subscription amount for the Subordinated Convertible Securities and the Initial Warrants was paid on closing of the Master Transaction Agreement on 1 August 2008. It is anticipated that the EUR 300m Rights Issue will be completed within six months of closing.

In addition, closing of the investment was accompanied by (a) the internalisation of the management of the Company, (b) the reconstitution of the Board of Directors and introduction of a new management team, with CPI Austria Holdings and Gazit having certain consent rights over various business and operational matters of the Group as long as their total investment in the Group maintains above a certain level, (c) the change of the Company's name, (d) termination of the existing contractual arrangements with Meinel European Real Estate Limited and most of the agreements with Meinel Bank and (e) repurchase and cancellation of the Company's partly paid shares, as well as repurchase and cancellation of the ordinary shares underlying the 88,815,000 certificates acquired and held on behalf of the Company.

On 17 November 2008 the Company announced the repurchase of up to EUR 75m nominal value of the notes issued under the Company's guaranteed medium term note programme 2006 as permitted by the terms of the notes.

During the subsequent period the Company announced that it intends to convene an extraordinary general meeting ("EGM") at which it will propose a resolution to authorise the Company's board of directors (the "Board") to buy-back up to 50 million of the Company's Ordinary Shares.

The current turbulence in the world markets, especially in the real estate market, as well as a limited amount of publicly up to date available data and research relating to the real estate markets in the countries in which the Group invests, could lead to significant changes of the values of the Group's assets during subsequent periods. The management is not at present able to assess with accuracy the extent of such changes.

On 1 August 2008 the following persons resigned as directors of the Company:

- Georg Kucian
- Heinrich Schwägler
- Karel Römer

The following persons were appointed as directors of the Company during the reporting period and subsequently:

- Chaim Katzman was appointed on 1 August 2008
- Michael Bar Haim was appointed on 1 August 2008
- Dipak Kumar Rastogi was appointed on 14 October 2008
- Shanti Sen was appointed on 1 August 2008
- Peter David Linneman was appointed on 1 August 2008
- Thomas William Wernik was appointed on 1 August 2008
- Rachel Lavine was appointed on 1 August 2008
- Joseph Frederick Azrack was appointed on 1 August 2008 and resigned 14 October 2008
- Peter Jeffrey Baguley was appointed on 14 October 2008

Contact

Atrium European Real Estate Limited
32 Commercial Street, St Helier, Jersey JE4 0QH, Channel Islands

www.aere.com
ir@aere.com

