

ANNUAL FINANCIAL REPORT 2016

LEADER IN SHOPPING
CENTRES IN CENTRAL AND
EASTERN EUROPE

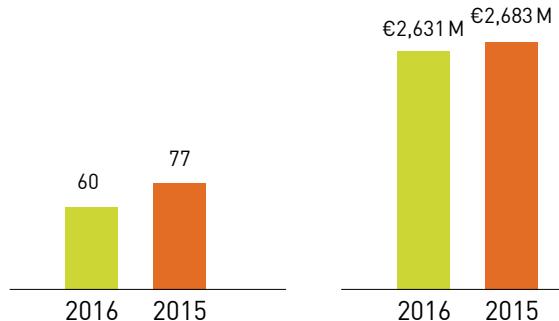


OUR VISION

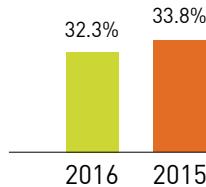
Atrium's vision is to remain one of the leading owners and managers of food, fashion and entertainment anchored shopping centres in Central and Eastern Europe and for the Atrium brand to become a hallmark of high quality retail for consumers and retailers.

Our portfolio will continue to be predominantly focused on income generating shopping centres in the most mature and stable CEE countries, producing solid long term cash flows. Organic growth is to be driven by pro-active, hands-on asset management, ensuring we uphold our "retail is detail" approach. Further growth is to be achieved through redevelopments, upgrades and extensions to our existing portfolio and through the selective acquisition of high quality assets in our region. Our balance sheet will continue to be proactively managed to remain efficient and conservatively leveraged.

NUMBER OF PROPERTIES¹



LTV (GROSS)



OUR PROFILE

Atrium Group owns a €2.6 billion¹ portfolio of 60 shopping centres and smaller retail properties which produced €195.8¹ million of rental income in 2016. These properties are located predominantly in Poland and the Czech Republic, and, with the exception of two, are all managed by Atrium's internal team of retail real estate professionals.

Atrium is based in Jersey, Channel Islands, and has a dual listing on the Vienna and Euronext Amsterdam Stock Exchanges under the ticker ATRS.

OUR FOCUS FOR 2017

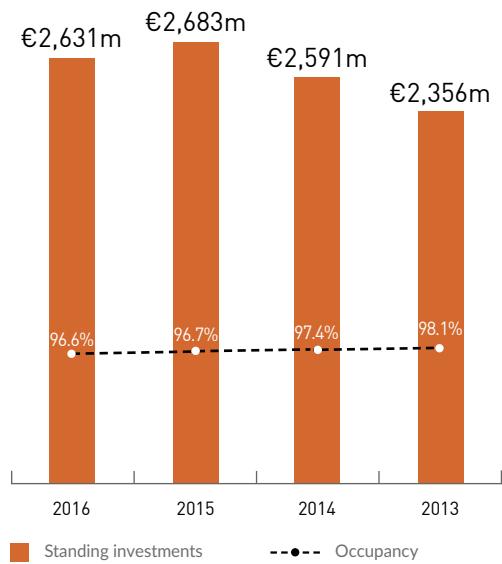
- Continue to improve the quality of our portfolio through selective rotation of properties, driving the operational and financial performance of our assets and increasing the offer for retailers through the relevant extension of already stabilised and successful investments and redevelopments. These are expected to add over 70,000 GLA in the coming three year period, mainly in Warsaw;
- Continue to establish the Atrium brand and strengthen our relationships with key clients while seeking to work with new retailers as they expand into and across the region; and
- Further optimise the cost of capital structure and improve upon the efficiency of the Group's balance sheet.

¹ Including a 75% stake in assets held in Joint Ventures. 31 December 2015 figures also include the Joint Ventures and €117.5 million classified as held for sale. 17 properties were sold during the year.

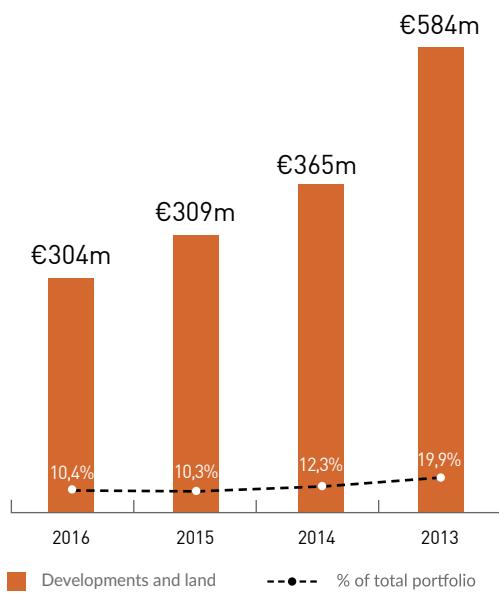


HIGHLIGHTS

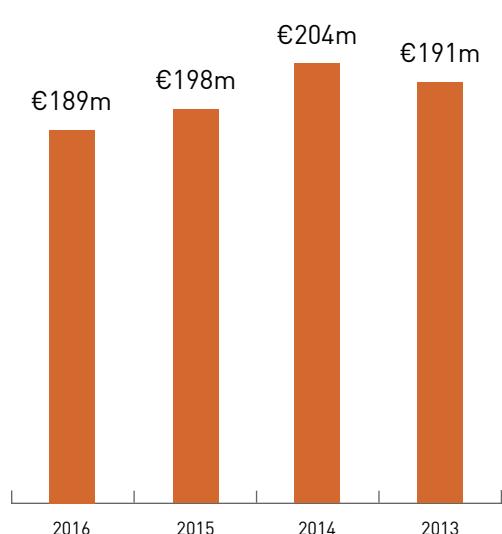
STANDING INVESTMENTS² AND OCCUPANCY³



DEVELOPMENTS AND LAND⁴



NET RENTAL INCOME⁵



COMPANY ADJUSTED EPRA EARNINGS AND DIVIDEND PER SHARE

All data in € cents



² Including a 75% stake in assets held in Joint Ventures. 31 December 2015 figures also include the Joint Ventures and €117.5 million classified as held for sale

³ The above Occupancy rate is defined as 100% less EPRA vacancy

⁴ Including €11.8 million (representing two assets in Russia) classified as held for sale as at 31 December 2016. 31 December 2015 figures include €1.6 million classified as held for sale

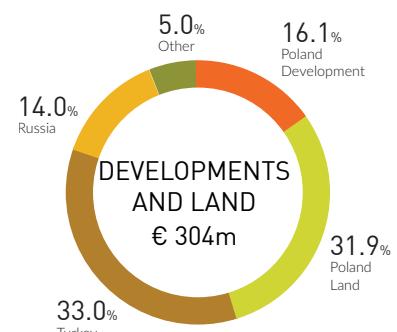
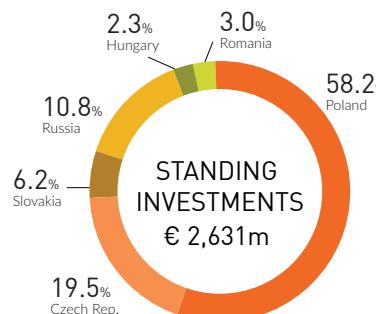
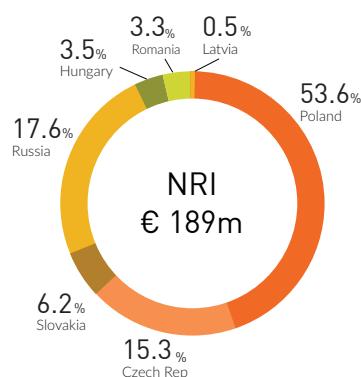
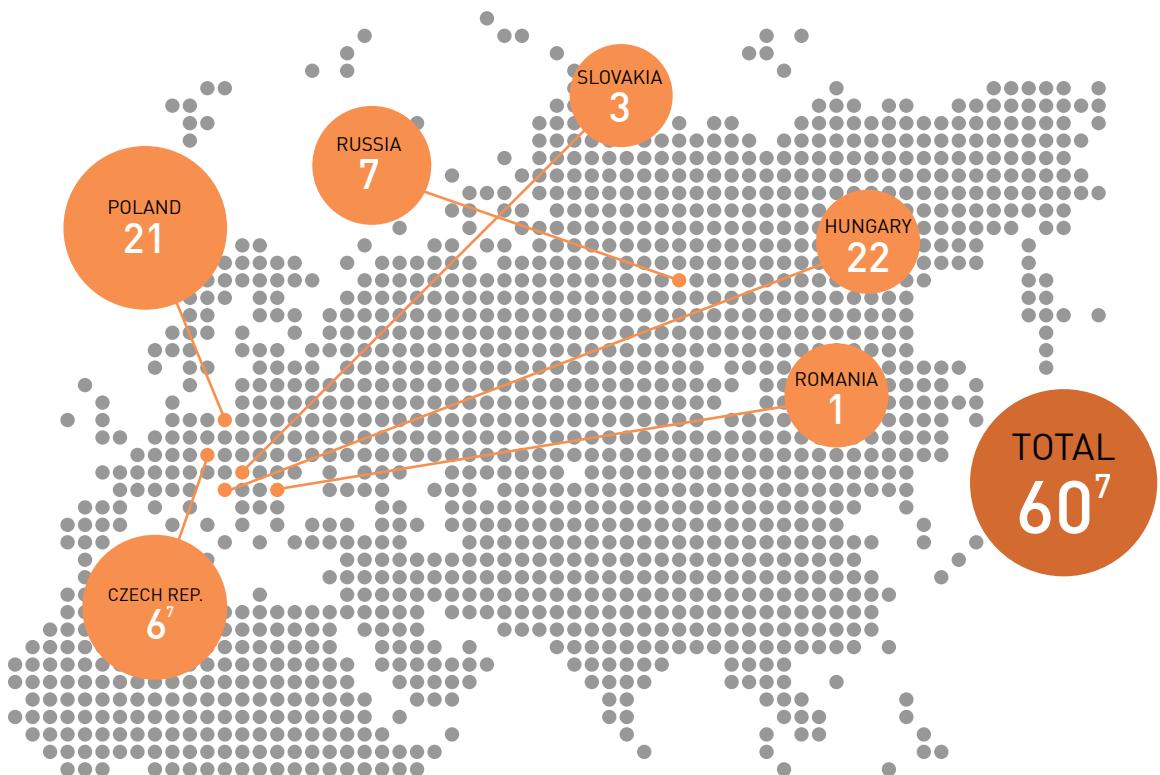
⁵ Including a 75% stake in assets held in Joint Ventures

⁶ Including a special dividend of €cents14 paid on 30 September 2016



OUR BUSINESS

STANDING INVESTMENT PORTFOLIO SPREAD



Key Facts	Poland	Czech Rep.	Slovakia	Russia	Hungary	Romania
Credit rating (S&P)	BBB+/Stable	AA-/Stable	A+/Stable	BBB+/Stable	BBB-/Stable	BBB-/Stable
Credit rating (Fitch)	A-/Stable	A+/Stable	A+/Stable	BBB-/Stable	BBB-/Stable	BBB-/Stable
Atrium GLA in sqm	522.200	112.500	73.500	241.100	97.700	56.600

KEY PERFORMANCE INDICATORS

KEY FINANCIAL FIGURES OF THE GROUP	UNIT	2016	2015	CHANGE %
Gross rental income	€'000	195,772	207,372	(5.6%)
EPRA like-for-like gross rental income	€'000	161,742	167,423	(3.4%)
Net rental income	€'000	188,801	197,871	(4.6%)
EPRA like-for-like net rental income	€'000	156,586	160,302	(2.3%)
Operating margin	%	96.4	95.4	1.0%
EBITDA excluding revaluation, disposals, impairments and legacy legal matters	€'000	162,183	174,041	(6.8%)
Company adjusted EPRA earnings	€'000	118,342	125,171	(5.5%)
Dividend pay-out ratio	%	86.0 ⁸	81.1	4.9%
Revaluation of standing investments	€'000	44,223	(48,678)	
Revaluation of developments and land	€'000	(26,243) ⁹	(50,403)	
Profit after taxation for the year	€'000	58,201	4,812	
Net cash generated from operating activities	€'000	93,591	112,932	(17.1%)
Cash and cash equivalents	€'000	103,671	224,368	(53.8%)
Total assets	€'000	3,155,139	3,282,936	(3.9%)
Equity	€'000	1,942,050	2,031,126	(4.4%)
Borrowings	€'000	947,405	1,012,781	(6.5%)
LTV (gross)	%	32.3	33.8	(1.5%)
LTV (net)	%	28.7	26.3	2.4%
KEY FINANCIAL FIGURES OF THE GROUP EXCLUDING RUSSIA				
EPRA like-for-like net rental income	€'000	123,380	121,230	1.8%
Company adjusted EPRA earnings	€'000	88,642	90,955	(2.5%)
Revaluation of standing investments	€'000	36,343	49,636	(26.8%)
Revaluation of developments and land	€'000	(13,646) ¹⁰	(5,338)	
PORTFOLIO KEY FIGURES				
Number of standing investment assets ¹¹	Number	60	77	
Standing investments at fair value	€'000	2,631,185	2,682,943	(1.9%)
Net equivalent yield (weighted average)	%	7.0	7.3	(0.3%)
Occupancy rate ¹²	%	96.6	96.7	(0.1%)
Developments and land at fair value	€'000	304,417	309,398	(1.6%)
PER SHARE FIGURES				
IFRS Earnings per share	€cents	15.46	1.29	
Company adjusted EPRA earnings per share	€cents	31.4	33.3	(5.6%)
Dividend per share	€	0.41	0.27	
IFRS NAV per share	€	5.29 ¹³	5.40	(1.8%)
EPRA NAV per share	€	5.52 ¹³	5.64	(1.9%)
Share price end of the year	€	3.93	3.57	10.1%

The key performance indicators include assets classified as held for sale and a 75 % stake in assets held in Joint Ventures.

⁸ Excluding the special dividend of €cents 14 per share paid on 30 September 2016

⁹ Mainly related to devaluations in Turkey and Russia

¹⁰ Mainly related to devaluations in Turkey

¹¹ 17 properties were sold during the year

¹² The above Occupancy rate is defined as 100% less EPRA vacancy

¹³ Adjusted for the special dividend of €cents 14 per share paid on 30 September 2016





**“2016 WAS MARKED BY THE
CONTINUATION OF OUR STRATEGY
TO IMPROVE THE QUALITY OF THE
GROUP’S PORTFOLIO TO ENSURE
WE ARE ABLE TO DELIVER
SUSTAINABLE INCOME GROWTH
OVER THE VERY LONG TERM”**

For Atrium, 2016 was marked by the continuation of our ongoing strategy to continually improve the quality of the Group's portfolio to ensure it is able to deliver sustainable income growth over the very long term. In the course of the year under review we were particularly successful in progressing this strategy on two key fronts. Firstly, by upgrading and extending our existing centres and secondly, by disposing of more than €130 million of properties where we could not see a growth opportunity. These initiatives helped us further our goal of increasing the portfolio's weighting towards not just the region's largest economies of Poland, the Czech Republic and Slovakia, but also the best cities and locations in those territories.

Looking at the first of these initiatives in more detail, you will remember that in my statement last year I reflected on the progress we had made in this respect, and I am pleased to report that 2016 saw us identify and begin to execute additional opportunities to accelerate this strategy further.

CHAIRMAN'S STATEMENT

Following the successful opening of stage one of our Atrium Promenada extension and redevelopment, the Board of Directors approved further remodelling and renovation works at this important centre, as well as the extension and renovation of Atrium Targowek, also located in Warsaw. These upgrades are expected to enhance our position in the capital city of our largest and most important market, in line with our goal of maintaining the dominance of our shopping centres in their catchment areas, as well as ensuring they remain desirable and appeal to consumers in a rapidly evolving retail environment.

The success of this strategy, coupled with the hard day-to-day work of our operation teams, is evidenced by the fact that we saw like-for-like net rental income grow across all of our territories, with the exception of Russia. However, I was pleased to see some positive momentum there too towards the end of the year.

After a year of significant progress in strengthening the Group's balance sheet and optimising its capital structure in 2015, we made a further voluntary bank loan repayment in 2016 and repurchased an additional €17 million bonds. The Group's leverage remains low and, with 84% of our assets now unencumbered, we have plenty of flexibility to grow both organically and non-organically.

I am also pleased to report headway on another key milestone during the year under review, which was the progress made in resolving some of the Group's longstanding legacy legal issues. In January 2016, we announced the resolution of the Dutch litigation and the establishment of a compensation fund which was in place through to October 2016 and resulted in expected compensation payments in respect of some 1,650 submissions.

Perhaps of even more significance was the fact that we carried this positive momentum into 2017 and, following a series of discussions, the Board of Directors approved on the 21 March 2017 an agreement with AdvoFin Prozessfinanzierung AG and Salburg Rechtsanwalts GmbH to resolve the vast majority of the Austrian legacy litigation. This resulted in an increased provision in relation to this issue and whilst we maintain our position that there is no basis for claims against the Group, we are of the firm belief that this arrangement is an enormously positive step forward for the Group. Not only does it remove a great deal

of uncertainty surrounding this issue for all stakeholders and results in significant administrative cost savings, it also allows our Board of Directors and executive team to focus their efforts entirely on growing the business.

2016 saw a number of significant macro-economic events on both sides of the Atlantic and in 2017 there is a real chance we will see a continuation of that trend. At the same time I believe that the Group is very well positioned and will continue to prosper. That belief, coupled with the sales of non-core assets achieved during the year, our strong cash position and low leverage gave the Board the confidence to pay a special dividend to shareholders in September and to maintain the annual dividend at €27cents per share for 2017 whilst still leaving flexibility for future growth.

At the end of the year our CEO, Josip Kardun, resigned, having made a valuable contribution to Atrium, and has now left the Group to seek other opportunities. I would like to reiterate the Board's thanks for all his efforts. At the same time, I am pleased to welcome Liad Barzilai back to the Group. Liad has been involved with Atrium from the very outset in 2008 and, having seen him exceed expectations at every level, including as Group's CIO, I am looking forward to watching the Group's continued prosperity under his stewardship.

As always, on the Board's behalf, I would like thank our executive team, together with our entire staff, for their continued efforts and hard work during the year; their contribution is the single most important factor in Atrium's ongoing success. I would also like to thank our shareholders and bondholders for their ongoing support and to assure them, as always, that we remain entirely focused on delivering long-term value on their behalf.

Sincerely,



Chaim Katzman





**“OUR FOCUS WILL REMAIN ON
RESHAPING OUR PORTFOLIO
TOWARDS LARGER SCALE
DOMINANT SHOPPING CENTRES,
FURTHER REDEVELOPMENTS
OF OUR ASSETS AND EFFECTIVE
MANAGEMENT OF OUR
PORTFOLIO.”**

2016 has been another year of solid progress for Atrium during which we achieved significant progress with our portfolio improvement strategy while also, further strengthening the Company's balance sheet, to provide a strong foundation to support further growth. Once again the Group reported like-for-like net rental income growth across all our territories, with the exception of Russia, as our operational teams continue to refine the strength and resilience of the portfolio. In addition to the further improvements to our financial and operational performance, we also progressed with our key extension and redevelopment projects during the period, and simultaneously identified new opportunities within the portfolio.

While Poland and the Czech Republic remain our strongest markets and the focus of much of our activity, the economic situation in Russia has continued to impact our overall performance during the year. Nevertheless, I'm pleased to say that there is a growing consensus that Russia's economy is

GROUP CHIEF EXECUTIVE'S STATEMENT

improving and some expectation that it will exit recession next year. Despite the challenges we faced in Russia over recent years we have been able to mitigate the consequences of the downturn on our underlying performance and, having seen these initial positive signs, I believe that we are well placed to benefit from any further improvements.

Excluding Russia, our EPRA like-for-like net rental income for the year was up by 1.8% to €123.4 million (2015: €121.2 million), providing further evidence of the effectiveness of our portfolio repositioning strategy.

Overall, our EBITDA, excluding revaluation, disposals, impairments and legacy legal matters was €162.2 million, reflecting lower income in Russia and a loss of income following the disposals of non-core assets over the past two years. This was partly offset by the contribution gained by the acquisition of the 75% interest in Arkády Pankrác in June 2015, which, coupled with our strategic disposals, dramatically improved the overall quality of our Czech portfolio. Company adjusted EPRA earnings decreased by 5.5% to €118.3 million (2015: €125.2 million).

Central to the success of the centres is our care in ensuring that they each have a strong and diverse range of tenants, appealing to our customers and cognisant of the changing underlying dynamics of the retail sector, driven by consumer habits. We also emphasize the importance of our expert teams, who maintain in depth relationships with our lessees and allow for an efficient leasing process, which has assisted in maintaining the high occupancy across our portfolio, standing at 96.6% by EPRA measurements and 96.3% by GLA.

The careful and conservative management of our balance sheet is another of our key principles and central to the future success and growth of the business. Our gross leverage has further reduced to 32% (2015: 34%) following the completion of a number of corporate transactions that served to strengthen our financial position. In March 2016 we completed the voluntary repayment of a bank loan in Poland, for a total amount of €50 million, with just under 85% of the Group's standing investments unencumbered as a result. In April 2016, we repurchased bonds due in 2020 and 2022 with a total nominal value of €17 million. Ahead of the year end, the Group signed a €25 million increase of the unsecured revolving credit facility, bringing the total available revolving credit facilities to €175 million.

Having started to build momentum in the resolution of the legacy legal issues through the stichting compensation scheme we established last year, we were very pleased to be able to announce that we have now approved an arrangement for resolving the vast majority of the outstanding claims and potential claims. The maximum payment by Atrium under this agreement is €44 million and we expect to be able to reduce associated administrative costs by approximately €5 million per annum going forward.

In addition, we have identified further cost savings initiatives to reduce an incremental €5 million a year in administrative costs.

In total, we are confident, that the legacy legal resolution and the cost savings program, will contribute up to €10 million per year to our EBITDA from 2018.

Altogether, these measures have resulted in a better positioned and much more resilient financial profile for the Group going into 2017.

THE PORTFOLIO

The majority of our efforts in 2016, as we have emphasised in our regular communication with shareholders throughout the course of the year, have been put towards the continual improvement of our portfolio and the individual assets that we believe can deliver the strongest long term income for the business. Alongside this, we have continued our strategy of disposing of non-core assets to ensure our portfolio comprises high grade shopping centres that are dominant within their respective catchment areas. We expect to continue executing both of these initiatives in the year ahead.

In October, we successfully completed the first stage of the modernisation and extension of Atrium Promenada in Warsaw, Poland adding 7,600 sqm of new GLA to this flagship property. The second stage of the redevelopment project which comprises a remodelling and renovation of an additional part of the shopping centre is ongoing and is expected to complete in the first quarter of 2018.

In addition to the redevelopment at Atrium Promenada which is one of our key developments currently underway in Poland, the redevelopment project in Atrium Targowek in Warsaw has also commenced. This initial phase, which precedes the construction of the main 8,600 sqm GLA extension, comprises land assembly, project design and the construction of additional parking.

Atrium continues to assess the potential of the development pipeline, focusing on growing and strengthening our portfolio in order to complement our strategy of reweighting the Group's portfolio to large, dominant shopping centres.

In terms of disposals, we sold approximately €130 million of assets during 2017 including a portfolio of ten retail assets in the Czech Republic for €102.6 million in February 2016.

We also sold three Polish assets for a total consideration of €17.5 million. Finally, in October, the Group completed the sale of Atrium Azur, our only asset in Latvia, for €12.5 million and exited the country.

In May 2016, the Group acquired the 46.5% co-ownership share of the Zilina Duben Shopping Centre in Slovakia for a total consideration of €7 million; giving it full ownership of the asset and providing an opportunity to strengthen the asset and extract further value from it.

In general, however, we remain highly selective in our acquisition activity in an investment market that we believe does not offer the best value for our shareholders.

SUSTAINABILITY

As a leading owner and operator of shopping centres and retail real estate we remain committed to sustainable growth and sustainable development. We continue to strive for economic efficiency, social fairness and environmental sustainability throughout our business and in our activities.



Atrium Promenada, Warsaw, Poland

DIVIDEND

In September 2016, further to the quarterly dividend of €cents 6.75 per share, Atrium's Board of Directors approved a Special Dividend of €cents 14 per share, or €52.7 million in additional distributions to our shareholders which was paid on 30 September 2016. Following this, on 15 November 2016 the Board approved an annual dividend of €cents 27 per share to be paid quarterly from the end of March 2017.

Our distributions to shareholders demonstrate the confidence that the Board has in the effectiveness of the strategy we are implementing at Atrium and the cautious optimism we have in the business to deliver strong cash flow over the short to medium term.

MANAGEMENT

Following an orderly handover, I formally assumed the role of Group CEO on 23 February and I am pleased to find it in a strong position with a bright future ahead. My previous eight years of experience at Atrium gives me the benefit of a deep knowledge of the business and I am confident that we have the best team in place to continue building on the progress made in recent years. I would like to take this opportunity to thank my predecessor, Mr. Josip Kardun for his contribution to the Company and all of my colleagues at Atrium for their continuous hard work and dedication, and for their support in helping me to settle into this exciting new role.

OUTLOOK

As I take on the reins of the Group, I have full confidence in its operational strength and the overall outlook across our region, where the fundamentals remain robust. The course of events in Russia is taking a turn and, while we remain mindful of the situation there, prospects appear more encouraging than they have been in recent times. In the year ahead we will continue to strengthen our key assets and progress our redevelopment and extension program, while at the same time leveraging our expertise in our core territories to find the most attractive investment opportunities that fit with our strategy. While there is some global macro-economic and political uncertainty on the horizon for 2017, Atrium has a strong platform comprising a low-leveraged balance sheet, a high liquidity profile and solid operational performance, from which it can continue to move forward and provide shareholders continued confidence.

Sincerely,



Liad Barzilai

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01

GROUP MANAGEMENT REPORT





Atrium Reduta, Warsaw

OPERATING ACTIVITIES

OUR MARKETS

On a global level, 2016 was marked by a backdrop of geopolitical uncertainty, including unexpected events where the significant long-term international consequences are difficult to foresee, such as the UK's vote to exit the European Union, the outcome of the US election and the November OPEC agreement to curb oil output. Uncertainty prevailed within CEE as well. Particularly in focus has been the new direction taken by the Polish government elected at the end of 2015 and the changes to investment ratings for various countries. However, despite the negative implications of certain events the overall macroeconomic fundamentals of our markets remain healthy, as reflected in the overall robust economic confidence within and investor interest in the CEE region, and the growing consensus that Russia will exit recession this year.

Turning to the retail and real estate markets specifically, 2016 has largely seen the continuation of previously observed trends. Across CEE, consumer appetite was resilient throughout the year, with the most recent data suggesting retail sales have maintained a steady pace of growth in most countries, at 6.4% in Poland, 5.1% in the Czech Republic, 2.2% in Slovakia, 4.5% in Hungary and 13.3% in Romania. Within Russia, despite the -5.0% year-on-year contraction of private consumption, the average real disposable income is back to positive growth territory as of January 2017 while inflation fell to 5.4% year-on-year by the end of 2016. Moreover, by year-end, regional economic sentiment across CEE reached its strongest level since the onset of the global financial crisis in 2008.

The healthy growth of and outlook for household spending has continued to attract strong interest from both retailers and investors. Based on preliminary figures, real estate investment into CEE seems to have accelerated at a robust pace during 2016. In Poland, momentum carried through from the exceptional volumes of 2015, exceeding €4.5 billion in 2016 with an annual pace of growth of 11%, with retail taking the lion's share at 43%. Similarly, the Czech Republic recorded its highest level at a total volume of €3.6 billion, up 36% on 2015 and exceeding the former peak-trading year of 2007 by 26%, although mostly driven by office and industrial deals rather than the retail sector. The Slovakian property market also enjoyed its highest level in history at €846m, 25% higher than its 2005 record, with retail accounting for about 50% of that volume. Strong growth figures were also registered in other CEE markets, with commercial real estate investment up by 74% year-on-year in Russia in large part due to office transactions, represented approximately 60% of total volume. More generally, we continue to observe a shortage of prime retail assets available for trading within the region. The disparity of prime and secondary locations still translates to a significant yield gap, and good quality product has become even more steeply priced in light of increased investor appetite, albeit in the latter part of 2016 pricing appears to have stabilised.

Looking ahead, according to their January World Economic Outlook (WEO) update, the IMF maintains its forecast of improved economic growth within emerging and developing markets in 2017 and 2018, including across CEE. To be more specific, 2017 GDP growth is expected to reach 3.1% for the CEE region as a whole, including per country figures of 3.4% in Poland, 2.7% in the Czech Republic, 3.3% in Slovakia,

3.8% in Romania, 2.5% in Hungary and -0.6% in Russia. The forecasts remained largely unchanged since the October WEO report, with the exception of Russia, whose GDP growth was revised upwards from the previously anticipated -0.8%. In addition, in January 2017, the IMF upgraded its 2017 GDP growth forecast from 1.4% to 1.5% for Germany, and from 1.5% to 1.6% for the euro-zone. Furthermore, the firming of oil prices since last November 2016 has had a positive dual effect within CEE. Namely, it has boosted the substantial easing in inflation within Russia, and has thus contributed to both the stabilisation of the economy and of financial conditions within the country. At the same time, it has temporarily raised inflation expectations within the rest of Atrium's markets, although this effect is predicted to fade by the second half of the year. Therefore, despite the uncertain political environment, and based on the latest available forecasts, the economic prospects for Europe and for Atrium's markets remain robust.

Sources: Eurostat, Capital Economics, PMR, Focus Economics, JLL, IMF

OUTLOOK

We maintain our confidence in the strong economic and consumer fundamentals of our markets, and we look forward to the stabilisation and gradual recovery currently forecast for the Russian market. Over the year, Atrium will continue executing its portfolio strategy by focusing on strengthening its key assets, engaging in several large-scale redevelopment and extension projects, while seeking attractive investment opportunities within its Core Markets, where appropriate. As the Group matures and its portfolio continues to improve through acquisitions, disposals and modernisations, we remain cautiously optimistic in spite of the global uncertainty.

INCOME PRODUCING PORTFOLIO

As at 31 December 2016, Atrium's income producing portfolio comprised 60¹⁴ standing investment properties across six CEE countries with a market value of €2.6 billion¹⁴.

Our assets have a total gross lettable area ("GLA") of 1.1 million sqm and in 2016 produced a gross rental income of €195.8 million¹⁴.

Thirty-one of the assets owned by the Group at the year-end were shopping centres, nineteen of which each offer over 30,000 sqm of GLA, while the other twelve offer between 10,000 sqm and 30,000 sqm of GLA. The twenty nine remaining assets are mainly smaller-scale properties leased to a variety of retailers ranging from food anchors to do-it-yourself ("DIY") stores and electronics shops.

The Group's operating assets are anchored by food, fashion and entertainment tenants, supporting the resilient nature of the portfolio and its developing focus to both meet the every-day needs of consumers and offer itself as an attractive destination location. Our detailed, forward thinking and proactive approach to the asset management of our investment properties remains key to generating additional income and value creation. We maintain close working relationships with our tenants through our local on the ground management teams, who are able to provide vital insight into each of our assets' local requirements and market dynamics. This approach has been a major component in

the sustainable levels of rental income and cash flow generated from the Group's operating activities in its territories.

The market value of the Group's 60¹⁵ standing investments decreased by 1.9% or €51.8 million to €2,631 million over the course of the year, compared to €2,683 million at the same time in 2015. During the year Atrium continued to progress with its strategy of reweighting the Group's portfolio to large, dominant shopping centres in Poland and the Czech Republic, having completed or commenced a number of initiatives during the reporting period. The decrease in our standing

investments was primarily a result of the sale of portfolio of 10 small retail assets in the Czech Republic and 3 in Poland with a total value of €102.6 million and €17.5 million respectively, along with an asset in Latvia which was sold for a value of €12.5 million. These sales were offset by valuation gains throughout the year across all countries, excluding Hungary, totalling €43.8 million. Further value was added to the portfolio by the opening of the newly developed extensions to the Atrium Promenada shopping centre in Warsaw, Poland in March and October 2016, which added 7,600 square metres to the portfolio.

THE COUNTRY DIVERSIFICATION OF THE GROUP'S INCOME PRODUCING PORTFOLIO IS PRESENTED BELOW:

Standing investments	No. of properties		Gross lettable area		Market value		Revaluation	
	Country	2016	2015	2016 sqm	2015 sqm	2016 €'000	2015 €'000	2016 €'000
Poland	21	21	522,200	520,200	1,529,463	1,498,095	13,894	27,542
Czech Republic	5	7	82,500	87,500	340,573	327,770	9,879	12,271
Slovakia	3	3	73,500	65,600	163,625	148,096	6,601	2,315
Russia	7	7	241,100	240,900	284,344	275,286	7,880	(98,314)
Hungary	22	23	97,700	100,900	61,165	64,810	(3,875)	(4,620)
Romania	1	1	56,600	54,100	79,590	71,030	5,432	89
Latvia	-	1	-	20,400	-	11,864	535	1,933
Total	59	63	1,073,600	1,089,600	2,458,760	2,396,951	40,346	(58,784)
Investment in Joint Ventures (75%)	1	1	30,000	30,000	172,425	168,525	3,429	5,584
Standing investments classified as assets held for sale	-	13 ¹⁶	-	101,800	-	117,467	-	4,522
Total standing investments	60	77	1,103,600	1,221,400	2,631,185	2,682,943	43,775	(48,678)

The primary driver behind the 1.6% or €43.8 million revaluation as at 31 December 2016 was yield compression, partially offset by our capital expenditures in the centres. That was the case for our Polish portfolio which was revalued by 0.9%, or €13.9 million. In the Czech Republic, the positive valuation was also mainly due to yield compression in our major assets, but offset by ERV decreases in certain assets and capital expenditures. The positive revaluations in Slovakia and Romania were again brought about by a compression of yields. In Russia, the positive revaluation results from an improvement in rental income compared to the previous year while Hungary, the only country experiencing a net devaluation, the decrease was due to continuing pressure on rental income levels.

¹⁵ Including a 75% stake in assets held in Joint Ventures

¹⁶ Representing 10 assets in the Czech Republic and 3 assets in Poland



THE YIELD DIVERSIFICATION OF THE GROUP'S INCOME PRODUCING PORTFOLIO IS PRESENTED BELOW:

Country	Net equivalent yield* (weighted average)		EPRA Net initial yield (NIY) **	
	2016	2015	2016	2015
Poland ¹⁷	6.3%	6.5%	6.2%	6.5%
Czech Republic ¹⁸	5.7%	6.2%	5.6%	6.1%
Slovakia	7.2%	7.4%	7.0%	7.4%
Russia	12.8%	12.7%	12.0%	12.3%
Hungary	9.4%	9.7%	11.6%	10.5%
Romania	8.1%	8.7%	7.8%	7.9%
Latvia	-	10.1%	-	8.9%
Average	7.0%	7.3%	6.9%	7.2%

* The net equivalent yield takes into account the current and potential net rental income, occupancy and the expiry of leases.

** The EPRA NIY is calculated as the annualised net rental income of the portfolio divided by its market value.

The portfolio's net equivalent yield and the EPRA net initial yield decreased to 7.0% and 6.9% respectively (31 December 2015: 7.3% and 7.2%). The sale of the portfolio of ten assets in the Czech Republic and yield compression in Poland, the Czech Republic, Slovakia and Romania were the main drivers behind the decrease in each case. The alternative EPRA "topped up" NIY as at 31 December 2016 decreased to 7.5% (31 December 2015: 8.0%) mainly due to the sales in the Czech Republic, which have helped improve the overall quality of the portfolio.

DISPOSALS

In February 2016, the Group completed the sale of a portfolio of ten retail assets located in the Czech Republic with a total lettable area of approximately 86,200 sqm to a private client account managed by Palmer Capital for an asset value of €102.6 million. The net profit resulting from this transaction amounted to €1.5 million.

In June 2016, the Group completed the sale of a portfolio of three retail assets located in Poland with a total lettable area of approximately 15,700 sqm to Pergranso Sp z.o.o. for an asset value of €17.5 million. The net profit resulting from this transaction was immaterial.

Also in June 2016, the Group completed the sale of two small assets, one of which is located in the Czech Republic, and the other in Hungary.

In October 2016, the Group completed the sale of the Atrium Azur shopping centre in Latvia for an asset value of €12.5 million. The net profit resulting from this transaction amounted to €0.6 million.

In November 2016, the Group completed the sale of another small asset located in the Czech Republic. The net loss resulting from this transaction amounted to €0.6 million.

These sales form part of the Group's strategy of improving its portfolio through selective rotation of the properties and focusing on larger scale, well-established shopping centres which dominate their catchment areas in Atrium's markets.

OCCUPANCY

Atrium's occupancy remained strong throughout the year, with rates of 96.6% and 96.3% at year end on the basis of EPRA¹⁹ and GLA respectively.

The following table provides the occupancy analysis by country on the basis of both EPRA and GLA:

OCCUPANCY ANALYSIS

Country	Occupancy rate ¹⁹		GLA Occupancy	
	2016	2015	2016	2015
Poland ¹⁷	96.9%	96.6%	96.3%	96.5%
Czech Republic ¹⁸	98.3%	97.7%	97.4%	97.5%
Slovakia	98.4%	98.7%	98.6%	97.7%
Russia	93.1%	94.4%	93.5%	96.4%
Hungary	98.0%	97.7%	97.6%	97.5%
Romania	99.6%	99.5%	99.8%	99.8%
Latvia	-	95.3%	-	94.6%
Group	96.6%	96.7%	96.3%	96.9%

LEASING ACTIVITY

Atrium's focus on asset management and strengthening relationships with tenants saw it sign 881 leases (2015: 689 leases) during the year; 604 (2015: 511) of these leases were in previously occupied premises and 277 (2015: 178) leases in previously vacant/restructured units.

	Unit	2016
Previously occupied (comparable units)		
Number of leases	Number	604
GLA leased	Sqm	121,193
New contracted monthly rental income per sqm	€	16.2
Prior contracted monthly rental income per sqm	€	17.4
Previously vacant (incl. restructured units)		
Number of leases	Number	277
GLA leased	Sqm	70,594
New contracted monthly rental income per sqm	€	13.0
Total New Leases		
Number of leases	Number	881
GLA leased	Sqm	191,787
New contracted monthly rental income per sqm	€	15.0

The 881 leases signed represented approximately €34.5 million of annualised rental income at an average rent of €15.0 per square metre per month and helped sustain the portfolio occupancy level and the average lease duration.

¹⁷ Including €16.0 million (representing 3 assets) classified as held for sale as at 31 December 2015

¹⁸ Including a 75% stake in assets held in Joint Ventures and €101.5 million (representing 10 assets) classified as held for sale as at 31 December 2015.

¹⁹ Best practice recommendations provide for a vacancy definition based on ERV of vacant units divided by the ERV of the whole portfolio. The above Occupancy rate is therefore defined as 100% less EPRA vacancy

LEASE EXPIRIES

26.9% of lease agreements across the Group now have a remaining contract term of more than five years (2015: 30.9%). These percentages are calculated using annualised rental income ("ARI"), which is the contracted base rent, including discounts and turnover rent, as at the end of 2016. Additionally, the lease maturities between 2017 and 2021 are well spread. This provides the Group with a high degree of visibility regarding likely future cash flows over the coming years.

The average length of the leases in the portfolio at the end of 2016 was 4.9 years (2015: 5.1 years).

On the basis of 2016's ARI the expiry schedule of existing lease agreements is shown in the following table:

Lease expiry schedule	Number of terminating lease agreements	Area in terminating agreements (in sqm '000)
Lease expiry schedule	% of ARI	
2017	13.3%	747
2018	22.7%	686
2019	13.9%	462
2020	10.9%	381
2021	10.2%	293
> 2021	26.9%	403
Indefinite	2.1%	142
Total	100.0%	3,114
		1,061

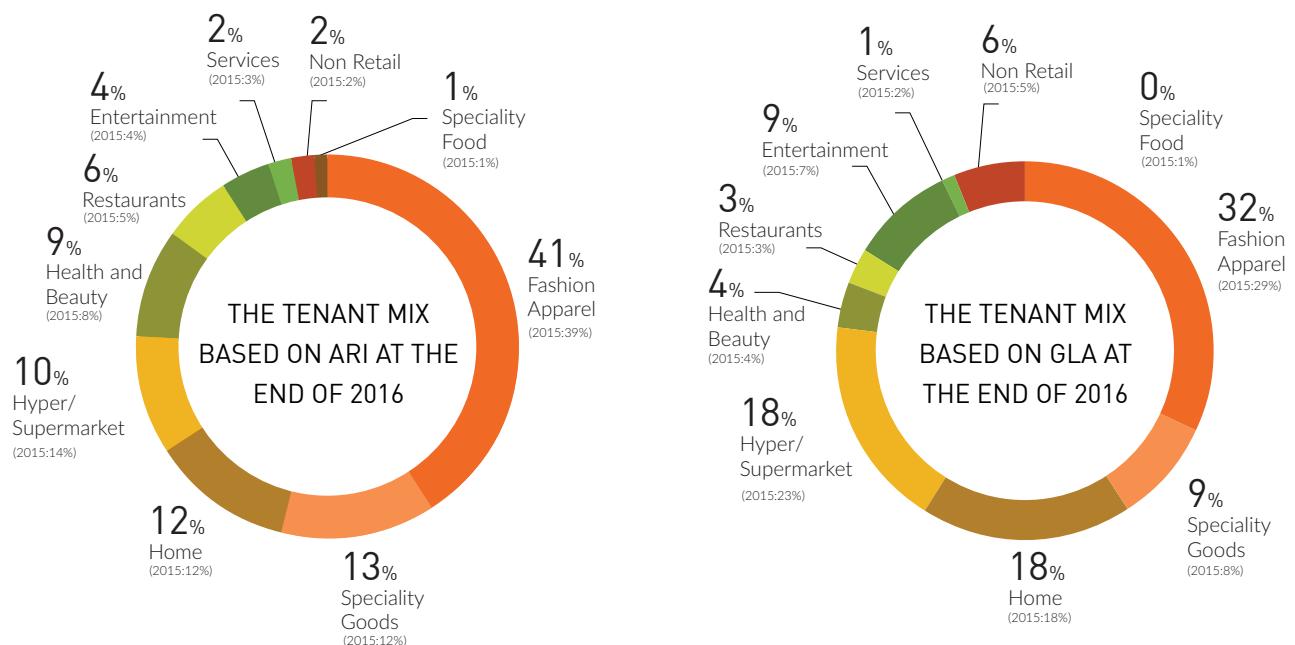
88.3% of the Group's lease agreements by GRI are denominated in Euros, limiting the Group's rental income exposure to local currency fluctuations. Of the remainder, 1.8% is denominated in Czech Korunas, 5.7% in Polish Zlotys, 1.5% in US Dollars, and 2.7% in other currencies. In currencies, such as the Rouble, where we expect future exposure to fluctuations, Atrium has been proactive in providing margin protection to tenants in the form of discounts.



H&M opening -Atrium Promenda, Warsaw

TENANT MIX

Ensuring that our centres offer a strong and diversified range of retail and leisure operators that are appealing to consumers is a key priority for the Group meaning that our asset managers keep tenant mix under constant review. We assess the possibility of making improvements when there are natural points or breaks in the leasing cycle, or where we see an opportunity or situation arise which facilitates this process. The Group's larger shopping centres are all anchored by well-known international fashion brands as well as strong hypermarket/supermarket anchors, in parallel we have continued to extend our entertainment offering with extensive food court renovations and extensions completed or planned. These partnerships drive footfall, whilst meeting the needs of the end-consumer and complement the other tenants, all of which combine to help add long term value to an asset. In 2016, fashion and apparel tenants represented the largest percentage of GLA at 32% and the largest percentage of ARI at 41%. Confirming our re-focus toward larger scale and dominant shopping centres, the relative share of hyper/supermarket anchors is declining structurally, now for the 5th consecutive year.



TOP TEN TENANTS

As at the end of 2016, the brands belonging to L'Association familiale Mulliez (AFM) represent 4.0% of total ARI, and the top ten tenants represented 21.8% of the Group's total ARI and 28.4% of the total GLA, highlighting the high degree of tenant diversification within the portfolio.

The top ten tenants as a percentage of total ARI and of total GLA are illustrated below:

Top ten tenants	Main brands	Field of operations	As a % of 2016 total ARI	As a % of 2016 total GLA
AFM	Auchan, Decathlon	International hypermarket and sport goods retailer	4.0%	7.4%
LPP	Reserved, House, Mohito, Cropp	Fashion	3.6%	3.4%
Metro Group	Media Markt, Saturn	International hypermarket and electronic retailer	2.9%	4.6%
Hennes & Mauritz	H&M	Fashion	2.6%	3.1%
Inditex	Bershka, Pull&Bear, Zara	Fashion	2.3%	2.3%
Kingfisher	Castorama	Home improvement	1.4%	1.9%
ASPIAG	Interspar, Spar	International hyper / supermarket	1.3%	2.0%
New Yorker	New Yorker	Fashion	1.3%	1.1%
Carrefour	Carrefour	International hyper / supermarket	1.2%	2.1%
A.S. Watson	Marionnaud, Rossmann	Health and Beauty	1.2%	0.6%
Total top ten tenants			21.8%	28.5%

TOP TEN STANDING INVESTMENTS

The table below gives an overview of the Group's top ten standing investments based on market value as at 31 December 2016. On that date, the top ten standing investments were located in our strongest

markets of Poland, the Czech Republic and Slovakia and represented 62.9% (2015: 59.3%) of the total standing investments by value.

Property name	City	Country	Market value €'000 ²⁰	GLA Sqm	Year of opening	Number of retail tenants	Food anchor tenants	Occupancy rate ²¹
Atrium Promenada	Warsaw	Poland	261,042	55,400	1996	162	-	94.2%
Atrium Flora	Prague	Czech Republic	227,182	40,100	2003	115	Albert	98.6%
Atrium Targowek	Warsaw	Poland	181,550	31,400	1998	128	Carrefour	99.0%
Arkády Pankrác	Prague	Czech Republic	172,425 ²²	30,000 ²²	2008	118	Albert	99.7%
Galeria Dominikańska	Wroclaw	Poland	169,570	32,500	2001	97	Carrefour	99.2%
Atrium Felicity	Lublin	Poland	137,453	54,600	2014	116	Auchan	99.1%
Atrium Koszalin	Koszalin	Poland	135,700	56,500	2008	117	Tesco	99.2%
Atrium Copernicus	Torun	Poland	128,510	47,500	2005	135	Auchan	96.7%
Atrium Optima	Kosice	Slovakia	122,216	48,000	2002	148	Hypernova	99.3%
Focus Mall	Bydgoszcz	Poland	121,432	42,800	2008	126	-	90.3%
Total top ten standing investments			1,657,080	438,800				

²⁰ Includes land lease

²¹ The above Occupancy rate is defined as 100% less EPRA vacancy

²² Represents our 75% stake in the centre



RENTAL INCOME

The Group's standing investment properties produced the following results in terms of gross, net and EPRA like-for-like rental income during the reporting period:

GROSS RENTAL INCOME

Country	NUMBER OF PROPERTIES		2016		2015		Change	Change
	2016	2015	€'000	% OF GRI	€'000	€'000		
Poland	21	24	102,062	52.2%	103,410	(1,347)	(1.3%)	
Czech Republic	5	17	20,604	10.5%	30,195	(9,591)	(31.8%)	
Slovakia	3	3	11,753	6.0%	11,297	456	4.0%	
Russia	7	7	35,834	18.3%	42,136	(6,302)	(15.0%)	
Hungary	22	23	7,641	3.9%	7,492	149	2.0%	
Romania	1	1	6,690	3.4%	6,392	298	4.7%	
Latvia	-	1	1,358	0.7%	1,555	(198)	(12.7%)	
Total	59	76	185,942	95.0%	202,477	(16,535)	(8.2%)	
Investment in Joint Ventures (75%)	1	1	9,830	5.0%	4,895	4,935		
Total gross rental income	60	77	195,772	100.0%	207,372	(11,600)	(5.6%)	

NET RENTAL INCOME

Country	NUMBER OF PROPERTIES		2016		2015		Change	Change
	2016	2015	€'000	% OF NRI	€'000	€'000		
Poland	21	24	101,157	53.6%	101,450	(293)	(0.3%)	
Czech Republic	5	17	19,905	10.5%	28,581	(8,676)	(30.4%)	
Slovakia	3	3	11,613	6.2%	11,272	341	3.0%	
Russia	7	7	33,206	17.6%	38,744	(5,538)	(14.3%)	
Hungary	22	23	6,641	3.5%	6,395	246	3.8%	
Romania	1	1	6,163	3.3%	5,826	337	5.8%	
Latvia	-	1	960	0.5%	1,073	(113)	(10.5%)	
Total	59	76	179,645	95.2%	193,341	(13,696)	(7.1%)	
Investment in Joint Ventures (75%)	1	1	9,156	4.8%	4,530	4,626		
Total net rental income	60	77	188,801	100.0%	197,871	(9,070)	(4.6%)	

The Group's portfolio produced €195.8 million of GRI during the year, a 5.6% decrease compared to last year. Excluding Russia, the GRI decreased by 3.2% mainly reflecting the improvements to the composition of our portfolio in the Czech Republic, where there was a loss of income from the disposal of fifteen non-core assets in the current reporting period. This was partially offset by the income contribution gained from the 75% interest in Arkády Pankrác in Prague which was acquired in June 2015. In addition the disposal of a small portfolio of non-core assets in Poland adversely affected the GRI in Poland.

Group NRI only decreased by 4.6% to €188.8 million, despite the fact that there was a 14.3% decline in Russia. Excluding Russia, the decrease in Group NRI was 2.2%, also reflecting the improvements to the composition of our portfolio, as mentioned above. Furthermore, the NRI figures in Poland, Hungary and Romania all compared positively to their GRI levels, mainly due to a combination of the collection of receivables, which had previously been provided for, and higher service charge income in 2016.



OPERATING MARGIN

Country	2016 (in %)	2015 (in %)	Change (in %)
Poland	99.1%	98.1%	1.0%
Czech Republic	95.5%	94.4%	1.1%
Slovakia	98.8%	99.8%	(1.0%)
Russia	92.7%	92.0%	0.7%
Hungary	86.9%	85.4%	1.5%
Romania	92.1%	91.1%	1.0%
Latvia	70.7%	69.0%	1.7%
Total operating margin	96.4%	95.4%	1.0%

The operating margin remained strong at 96.4%.

The base rent including lease incentives per sqm increased from €154 as at 31 December 2015 to €157 as at 31 December 2016. Turnover rent was 3.8% of total GRI in 2016 (2015: 3.1%)

EPRA LIKE-FOR-LIKE GROSS RENTAL INCOME

Country	2016		2015		Change €'000	Change %
	€'000	% Total	€'000	%		
Poland	82,594	42.2%	82,824	(230)	(230)	(0.3%)
Czech Republic	19,552	10.0%	19,634	(82)	(82)	(0.4%)
Slovakia	9,454	4.8%	9,318	136	136	1.5%
Russia	35,834	18.3%	41,820	(5,986)	(5,986)	(14.3%)
Hungary	7,618	3.9%	7,438	180	180	2.4%
Romania	6,690	3.4%	6,389	301	301	4.7%
Like-for-like gross rental income	161,742	82.6%	167,423	(5,681)	(5,681)	(3.4%)
Remaining gross rental income	34,030	17.4%	39,302	(5,272)	(5,272)	(13.4%)
Exchange rate effect*	-	-	647	(647)	(647)	-
Total gross rental income	195,772	100.0%	207,372	(11,600)	(11,600)	(5.6%)

* To enhance comparability of GRI, prior period values for like-for-like properties have been recalculated using the 2016 exchange rates as per EPRA best practice recommendations

EPRA LIKE-FOR-LIKE NET RENTAL INCOME

Country	2016		2015		Change €'000	Change %
	€'000	% Total	€'000	%		
Poland	81,932	43.3%	81,288	644	644	0.8%
Czech Republic	18,990	10.1%	18,335	655	655	3.6%
Slovakia	9,666	5.1%	9,400	266	266	2.8%
Russia	33,206	17.6%	39,072	(5,866)	(5,866)	(15.0%)
Hungary	6,629	3.5%	6,371	258	258	4.0%
Romania	6,163	3.3%	5,836	327	327	5.6%
Like-for-like net rental income	156,586	82.9%	160,302	(3,716)	(3,716)	(2.3%)
Remaining net rental income	32,215	17.1%	37,781	(5,566)	(5,566)	(14.7%)
Exchange rate effect*	-	-	(212)	212	212	-
Total net rental income	188,801	100.0%	197,871	(9,070)	(9,070)	(4.6%)

* To enhance comparability of NRI, prior period values for like-for-like properties have been recalculated using the 2016 exchange rates as per EPRA best practice recommendations



On a like-for-like basis, the performance of the Russian portfolio was the principal driver behind the decrease in both Group GRI and NRI of 3.4% to €161.7 million and 2.3% to €156.6 million, respectively. In the Czech Republic and in Poland, the net like-for-like figures compared positively to the gross like-for-like figures mainly due to higher service charge income. In Russia, Romania, Slovakia and Hungary, the like-for-like figures mirrored that of the overall GRI and NRI figures.

EBITDA excluding revaluation, disposal, impairments and legacy legal matters decreased by 6.8% to €162.2 million, compared to €174.0 million in 2015. This result was primarily due to lower income in Russia and the change in composition of our portfolio in the Czech Republic as mentioned above. As such, Company adjusted EPRA earnings decreased by 5.5% to €118.3 million, compared to €125.2 million in 2015 (for more details about EPRA earnings see page 29).



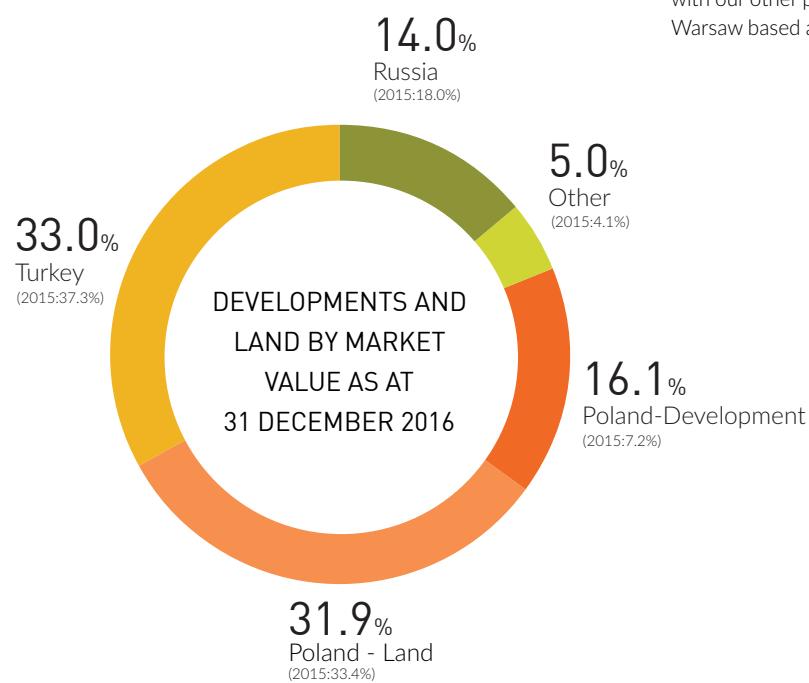
Atrium Flora, Prague

DEVELOPMENTS AND LAND PORTFOLIO

As at 31 December 2016, Atrium's developments and land portfolio was valued at €304²³ million compared to €309²³ million as at 31 December 2015. Atrium continues to pursue its strategy of monetising development and land assets and focusing on upgrading and extending assets which are already cash generating and have a lower execution risk, whilst also taking into account the effect of the current economic situation in Russia on our land and developments portfolio.

The developments and land portfolio experienced a €26.2 million devaluation during 2016 primarily due to a €12.6 million devaluation in Russia and €14.9 million devaluation in Turkey caused by the economic situation and uncertainty affecting both countries.

The country diversification of the Group's developments and land portfolio is presented below:



Over the course of the year we have continued to carefully assess which redevelopment projects have the most potential to add value to our portfolio. Our focus is towards growing and strengthening our portfolio in the largest and strongest cities and domestic economies of our region. The decision to redevelop a project is dependent on its location, size, the economic situation in the relevant city and country, competition and the overall risk profile, our preference being to acquire income producing properties. Accordingly, we aim to create value mainly by developing extensions to our existing and proven assets, while continuing to examine the possibility of monetising specific land plots and exceptionally analysing the potential of new developments.

The Company plans to invest a total of approximately €300 million in its developments projects. This includes the development projects in Atrium Promenada and Atrium Targowek which will add, together with our other planned projects, approximately 60,000 of GLA to our Warsaw based assets, an equivalent of a brand new shopping centre.

²³ Including €11.8 million (representing two assets in Russia) classified as held for sale as at 31 December 2016. 31 December 2015 figures include €1.6 million classified as held for sale.



REDEVELOPMENT FOCUS TOPIC

atrium promenada REDEVELOPMENT

In 2015, Atrium embarked on an extension and modernization of Atrium Promenada. Our intention is to create a modern and interactive shopping centre – a showpiece of right-bank Warsaw. The enhanced and extended Atrium Promenada will not only attract new, desirable brands, but will also benefit from an impressive new, golden glass façade. Numerous amenities for customers will be introduced in response to the changing needs of Warsaw residents and the evolving requirements of retailers and consumers. Overall, the Promenada redevelopment comprises a major 44,000 sqm extension and a remodelling of the existing shopping centre.



Stage 1 was completed in October 2016, adding a newly refurbished central corridor, with numerous new facilities, as well as a unique golden façade. Approximately 7,600 sqm of new space accommodates one of the largest H&M stores in Poland as well as the latest retail design concepts of GoSport, Jatomi Fitness and others.



The new H&M

Stage 2 is currently ongoing and will focus on the enhancement and upgrading of the mall. When complete, stage 2 will generate an additional GLA of more than 13,400 sqm, create a fountain alley, provide double shop fronts on the first floor and add a new food court and a two level car park. Stage 2 is expected to be completed in the first quarter of 2018.



Visualisation of Stage 2



Visualisation of Stage 2

atrium targowek extension

Phase 1 of the Atrium Targowek extension, which precedes construction of a larger main extension, will comprise land assembly, project design and the construction of additional parking spaces. The initial phase was completed in November 2016 and created an additional 380 parking spaces.

The overall project combines the acquisition of land to accommodate an extension of 8,600 sqm of GLA with roof deck parking, additional car park spaces on top of the existing building, as well as a refurbishment of the existing scheme carried out over several integrated phases with expected completion at the end of 2018.

The extension will enlarge the number and size of anchor tenants and refurbish the mall area within the existing scheme.



OTHER EVENTS DURING AND AFTER THE PERIOD

FINANCING TRANSACTIONS

In March 2016, the Group completed the voluntary repayment of a bank loan from Berlin-Hannoversche Hypothekenbank AG, in Poland, for a total amount of €49.5 million including accrued interest and breakage costs.

During the reporting period, Atrium continued its strategy of buying its bonds, repurchasing notes issued in 2013 and 2014 and due in 2020 and 2022. The nominal value of the bonds repurchased amounted to €15.1 million and €1.4 million respectively.

In November 2016, the Group signed a €25 million increase in the unsecured revolving credit facility. Following this change, the total revolving credit facilities available to the Group will amount to €175 million.

CHANGES IN THE HOLDINGS OF RELATED PARTIES

During 2016, Gazit-Globe Ltd ("Gazit-Globe") indirectly purchased a total of 17,577,183 additional shares in the Company, or approximately 4.7% of the entire issued share capital. Consequently, Gazit-Globe directly or indirectly holds a total of 224,258,735 shares in Atrium, comprising 59.5% of the issued shares and voting rights in the Company.

GROUP EXECUTIVE TEAM CHANGES

In December 2016 the Group announced that Josip Kardun, Chief Executive Officer of Atrium Group, resigned from his role to pursue other business interests. The role of CEO was taken by Liad Barzilai with effect from 23 February 2017.

In September 2016, and as per agreement, Thomas Schoutens, Group Chief Development Officer, left Atrium Group.

OTHERS

In January 2016, the Company announced the resolution of the Dutch litigation case brought by Stichting Atrium Claim and the establishment of an arrangement to create a compensation fund through which to resolve disputes being litigated in the Austrian civil courts. The period for the compensation arrangement expired on 15 October 2016 and resulted in total expected compensation payments of approximately 11 million, of which the Company bears 50%, in respect of some 1,650 submissions.

A major positive milestone was reached in March 2017 with the approval by the Board of Directors of an arrangement to resolve the vast majority of the Austrian legacy litigation. The related provision has been increased by approximately €32 million and it is anticipated that the payment under the arrangement will be up to €44 million.



Atrium Flora, Prague

For further details see note 2.40 to the financial statements.

At its meeting on 15 November 2016, the Board of Directors approved a change from quarterly reporting to semi-annual reporting in line with industry standards, commencing in 2017. The Group will continue to publish a quarterly trading update.

AWARDS

Atrium advanced both its sustainability strategy and its commitment to continuously improve its reporting standards and transparency, and, as a result, was granted industry acknowledgement of its progress in the form of two awards.

Having voluntarily participated in the benchmark-setting GRESB survey for the first time, Atrium was awarded "Green Star" status, ranking within the top quadrant, despite its inclusion in the highly-competitive Retail Listed European peer group. Furthermore, Atrium was upgraded and received the EPRA Gold award for its financial reporting, in line with the EPRA Best Practices Recommendations that facilitate the comparability of listed property companies.

MANAGEMENT

On 31 December 2016, the Group Executive Team consisted of Josip Kardun, Group Chief Executive Officer, Liad Barzilai, Group Deputy Chief Executive Officer, Ryan Lee, Group Chief Financial Officer, Rüdiger Dany, Group Chief Operating Officer, Geraldine Copeland-Wright, Group General Counsel and Ljudmila Popova, Group Head of Asset Management and Investor Relations.

In December 2016, the Group announced that Josip Kardun, Chief Executive Officer of Atrium Group, resigned from his role to pursue other business interests. The role of CEO was taken by Liad Barzilai with effect from 23 February 2017.

This team is supported by local management teams with day-to-day responsibility for managing the assets and customer relationships in each of our countries of operation.

As at 31 December 2016, the division of the Group's 366 employees was: General Management - 9 employees; Operations - 188 employees; Development - 22 employees; Finance and administration - 88 employees; Information systems - 8 employees; Legal - 18 employees; Other - 33 employees

GROUP EXECUTIVE TEAM



LIAD
BARZILAI
Group CEO



ROLF
RÜDIGER
DANY
Group COO



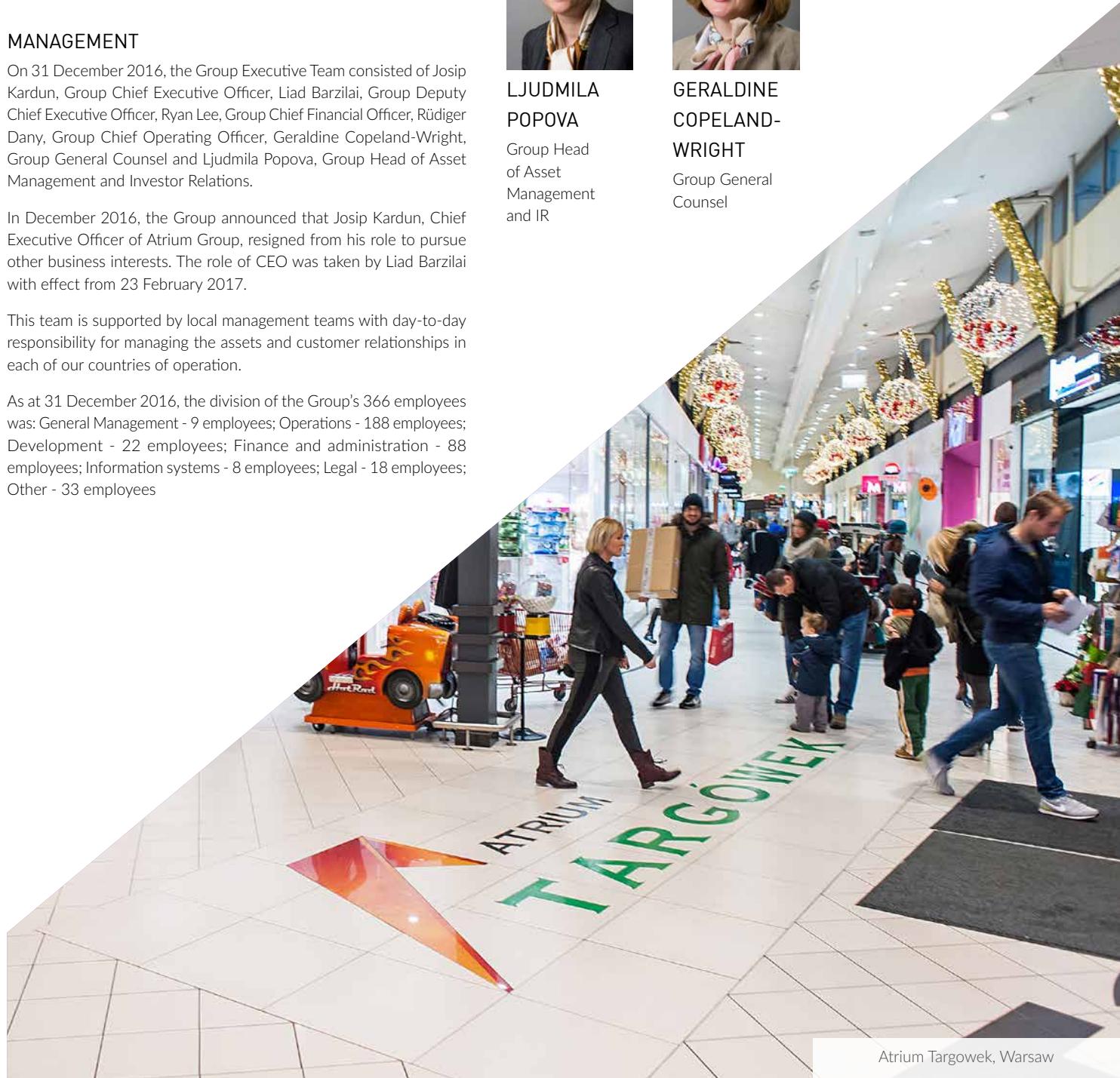
RYAN LEE
Group CFO



LJUDMILA
POPOVA
Group Head
of Asset
Management
and IR



GERALDINE
COPELAND-
WRIGHT
Group General
Counsel



STOCK EXCHANGE AND SHARE PRICE INFORMATION

Atrium has a dual listing on the Vienna Stock Exchange and Euronext Amsterdam ("Euronext").

ISIN: JE00B3DCF752

Bloomberg tickers

Vienna: ATRS AV

Euronext: ATRS NA

Reuters tickers

Vienna: ATRS.VI

Euronext: ATRS.AS

Total Return in 2016

Over 2016, Atrium's shareholder return was as follows:

VIENNA STOCK EXCHANGE

Closing price 2015	€3.57
Closing price 2016	€3.93
Movement in the share price	€0.36
Share return	10.1%
Dividend for year 2016	€0.41 ²⁵
Dividend return	11.5%
Total return per share invested on 31 December 2015	€0.77 or 21.6%

ATRIUM SHARE PRICE²⁴ RELATIVE TO EPRA INDICES



Outstanding shares as at 31 December 2016	376,745,499
Market capitalisation as at 31 December 2016	€1,481 million
2016 lowest closing share price	€3.00 quoted on 12 February 2016
2016 highest closing share price	€4.00 quoted on 21 September 2016

DIVIDEND

Atrium paid a €cents 6.75 per share dividend as a capital repayment on each of 31 March 2016, 30 June 2016, 30 September 2016 and 29 December 2016. Total dividend payments for 2016 amounted to €101.7 million (2015: €101.5 million).

In September 2016, in addition to the aforementioned quarterly dividend and reflecting continuing confidence in the Group's prospects, the Board of Directors approved the payment of a special dividend (also paid as a capital repayment) of €cents 14 per share, representing a total amount of €52.7 million which was paid on 30 September 2016.

At its meeting on 15 November 2016, the Board of Directors approved a consistent annual dividend of €cents 27 per share for 2017 (to be paid as a capital repayment) which likewise will be paid in equal quarterly instalments commencing at the end of March 2017 (subject to any legal and regulatory requirements and restrictions of commercial viability).

MAJOR SHAREHOLDERS

To the best of the management's knowledge, during the year ended 31 December 2016, no single shareholder of Atrium held more than 5% of the Company's shares, except for Gazit-Globe which held 59.5% (2015: 55.0%) of the shares, as at 31 December 2016, as has been notified.

²⁴ Vienna Stock Exchange

²⁵ Including a special dividend of €cents 14 paid on 30 September 2016

EPRA PERFORMANCE MEASURES

A. EPRA EARNINGS

	31 December 2016	31 December 2015
	€ '000	€ '000
Earnings attributed to equity holders of the parent company	58,201	4,866
Changes in value of investment properties	(14,551)	104,665
Net result on disposals of investment properties	1,042	9,446
Amortisation of intangible assets	1,746	2,000
Deferred tax in respect of EPRA adjustments	10,926	(11,837)
Changes in fair value of financial instruments, debt and associated close-out costs	5,004	12,449
Joint venture interest in respect of the above adjustments	(3,429)	(5,584)
EPRA Earnings	58,939	116,005
Weighted average number of shares	376,498,377	376,005,016
EPRA Earnings per share (in €cents)	15.7	30.9
Company adjustments ²⁶ :		
Legacy legal matters	45,210	25,259
Impairments	5,000	496
Foreign exchange differences	5,326	1,669
Deferred tax not related to revaluations	(1,827)	(31,727)
Changes in the fair value of financial instruments	1,095	4,283
Non recurring tax charges	3,154	6,475
Business restructuring costs	1,445	2,711
Company adjusted EPRA earnings	118,342	125,171
Company adjusted EPRA earnings per share (in €cents)	31.4	33.3

B. EPRA NET ASSET VALUE ("NAV")

	31 December 2016	31 December 2015		
	€'000	in € per ordinary share	€'000	in € per ordinary share
Equity	1,942,050	2,031,126		
Non-controlling interest	-	845		
NAV per the financial statements	1,942,050	5.15	2,031,971	5.40
Effect of exercise of options	15,938	16,683		
Diluted NAV, after the exercise of options	1,957,988	5.14	2,048,654	5.38
Fair value of financial instruments	4,704	6,872		
Deferred tax	88,232	91,498		
EPRA NAV	2,050,924	5.39	2,147,024	5.64

²⁶ The "Company adjustments" represent adjustments of other non-recurring items which could distort Atrium's operating results. Such non-recurring items are disclosed separately from the operating performance in order to provide stakeholders with the most relevant information regarding the performance of the underlying property portfolio.



C. EPRA TRIPLE NAV ("NNNAV")

	31 December 2016	31 December 2015		
	€'000	in € per ordinary share	€'000	in € per ordinary share
EPRA NAV	2,050,924	2,147,024		
Fair value of financial instruments	(4,704)	(6,872)		
Impact of debt fair value	(61,207)	(38,689)		
Deferred tax	(88,232)	(91,498)		
EPRA NNNAV	1,896,781	4.98	2,009,965	5.28
Number of outstanding shares	376,745,499	376,174,317		
Number of outstanding shares and options	380,835,806	380,502,476		

D. EPRA NIY AND "TOPPED UP" NIY

	31 December 2016	31 December 2015
	€'000	€'000
Investment property – wholly owned	2,763,175	2,823,816
Investment in Joint Venture (75%)	172,425	168,525
Less developments	(304,415)	(309,398)
Completed property portfolio	2,631,185	2,682,943
Allowance for estimated purchasers' costs	47,306	47,955
Gross up completed property portfolio valuation (B)	2,678,491	2,730,898
Annualised cash passing rental income	193,944	206,384
Property outgoings	(8,846)	(9,866)
Annualised net rents (A)	185,098	196,518
Add: notional rent expiration of rent free periods or other lease incentives	16,361	21,874
Topped-up net annualised rent (C)	201,459	218,392
EPRA NIY A/B	6.9%	7.2%
EPRA "topped up" NIY C/B	7.5%	8.0%

E. EPRA VACANCY RATE

	31 December 2016	31 December 2015
	€'000	€'000
Estimated rental value of vacant space	6,013	6,065
Estimated rental value of the whole portfolio	178,065	183,738
EPRA vacancy rate	3.4%	3.3%

F. EPRA COST RATIO

	31 December 2016	31 December 2015
	€'000	€'000
Administrative expenses	72,234	52,072
Exclude non-recurring legacy legal and business restructuring costs	(46,656)	(27,970)
Other depreciation and amortisations	2,787	3,005
Cost connected with development	2,860	2,601
Net property expenses net of service charge income	6,297	9,136
Share of Joint Venture's expenses	730	338
EPRA Costs (including direct vacancy costs) (A)	38,252	39,182
Direct vacancy cost	(3,311)	(2,834)
EPRA Costs (excluding direct vacancy costs) (B)	34,941	36,348
Share of Joint Venture's income	9,830	4,895
Gross rental income	185,942	202,477
Total income (C)	195,772	207,372
EPRA Costs ratio (including direct vacancy costs) (A/C)	19.5%	18.9%
EPRA Costs ratio (excluding direct vacancy costs) (B/C)	17.8%	17.5%

SUSTAINABILITY

IT MATTERS – ATRIUM'S APPROACH TO SUSTAINABILITY

Why is Atrium focusing on sustainability?

Very simply: because it matters and it adds value. This is our overarching approach and vision when monitoring and improving our Environmental, Social and Governance (ESG) performance. All our activities need to create value for our stakeholders. We strive for economic efficiency, social fairness and environmental sustainability in all our endeavours.

Atrium is committed to sustainable growth, reflecting our long-term approach to investment and operations and our continued efforts to lead in terms of corporate citizenship in our region. Accordingly, Atrium has always employed sustainable principles and procedures as an underlying foundation of its daily activities standing at the core of its strategy.

Atrium formally developed its sustainability strategy in 2014, following internal and external stakeholder dialogue. Our sustainability strategy aims to structure our sustainability activities in the coming years in order to engage with our customers, optimise the environmental footprint of our assets and provide a positive place to work for employees who are proud to work for us.

What have we achieved so far?

During 2016, Atrium continued and substantially advanced its efforts to formalise its sustainability strategy, implement it further, and to improve the transparency of its sustainability reporting. In particular, Atrium's achievements during 2016 reflect significant acknowledgements granted to the company by the industry. Following its first-ever voluntary participation in the Global Real Estate Sustainability Benchmark (GRESB) survey in 2016, Atrium received "Green Star" status, ranking in the top quadrant, alongside leading industry peers. Management has subsequently committed to continue to participate in this global initiative to promote transparency and environmental stewardship in the real estate sector.

Another noteworthy distinction was the EPRA Gold award received by Atrium for its financial reporting, in line with the EPRA Best Practices Recommendations that facilitate the comparability of listed property companies. The best-in-class distinction was all the more coveted as it marked significant progress from the Silver and Bronze awards received in 2014 and 2013, respectively. Furthermore, management has committed to maintaining similarly high financial reporting standards in the years to come in order to preserve and enhance its transparency for the benefit of stakeholders.



Atrium Targowek, Warsaw

It Matters: Disclosure on our sustainability performance

In the first half of 2017 Atrium will publish its first-ever It Matters Report, which will be in line with international sustainability reporting guidelines. We will disclose the progress made with our sustainability strategy in thorough detail, as well as the targets we have committed to meet in the near, medium and long-term future. This clearly demonstrates Atrium's aspirations to become even more transparent towards its stakeholders in respect of its non-financial performance.

For more information on our sustainability ambitions and actions taken in 2016, please read our first sustainability report, which will be available on our corporate website after publication.

Our sustainability strategy in action

Following extensive internal and external stakeholder dialogues, Atrium formalised its sustainability strategy by choosing to focus on three main pillars, namely Our customers, Our places, and Our people. For each impact area Atrium aims to optimise its performance by reducing operational costs and minimising and/or mitigating risks. Through active shopping centre management, data collection and sharing of best practices we aim to control and minimise the environmental impact of our operations. At the same time, Atrium is actively working together with its stakeholders to enhance its social-economic impact, by introducing innovative solutions and organising events that contribute to a positive customer experience.

OUR STRATEGY



OUR CUSTOMERS

UNDERSTAND CUSTOMER BEHAVIOUR
AND MEET EXPECTATIONS
TODAY AND IN THE FUTURE

AMBITIONS

- Optimize customer experience and satisfaction
- Connect, inform and delight customers and tenants with shopping centre app
- Nurture partnerships with retailers
- Engage pro-active involvement in local communities

ACTIONS

- Customer satisfaction surveys
- Detailed catchment area analysis
- Shopping centre app pilot
- Optimisation of tenant mix and customer experience

OUR PLACES

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

AMBITIONS

- Actively monitor and reduce energy, water and waste consumption
- Certify every major new development and extension
- Provide safe and healthy spaces for customers and tenants
- Reduce environmental footprint

ACTIONS

- Data collection and target setting
- Increased external transparency through our first sustainability report
- BREEAM certifications obtained
- Sustainable procurement policy in place

OUR PEOPLE

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

AMBITIONS

- Provide rewarding professional opportunities for our employees
- Create a strong corporate culture based on our Atrium Core Values
- Embed sound governance and high professional standards
- Enhance internal communication

ACTIONS

- HR policies updated and rolled out
- More training, development and internal events to share best practices
- Core Values definition and training
- Improve internal communications via intranet and internal newsletter

More information: Please view our first sustainability report which is available on our Corporate website (second quarter in 2017).

STATEMENT BY THE BOARD OF DIRECTORS OF ATRIUM EUROPEAN REAL ESTATE LIMITED PURSUANT TO § 82 OF THE AUSTRIAN STOCK EXCHANGE ACT

The members of the Board of Directors of Atrium European Real Estate Limited ("Atrium"; Atrium together with its subsidiaries, the "Group") pursuant to Section 82 of the Austrian Stock Exchange Act (§ 82 BoerseG) hereby confirm:

- A** that to the best of their knowledge the consolidated annual financial statements and Atrium's standalone financial statements prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Atrium, and
- B** that the Group management report presents the development and performance of the business and the position of the Group and Atrium in such a manner so as to give a true and fair view of the assets, liabilities, financial position and profit or loss, together with a description of the major risks and uncertainties to which the Group and Atrium are exposed.

THE BOARD OF DIRECTORS:



CHAIM KATZMAN

Chairman of the Board



RACHEL LAVINE

Vice-Chairman and Director



PETER LINNEMAN

Director



NOAM BEN-OZER

Director



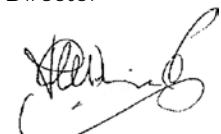
KARINE OHANA

Director



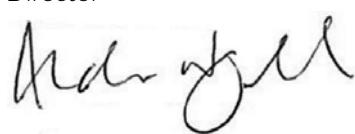
SIMON RADFORD

Director



THOMAS WERNINK

Director



ANDREW WIGNALL

Director



STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Annual Financial 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", "should", "could", "assumes", "plans", "seeks" or "approximately" 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 Annual Financial Report and include

statements regarding the intentions, plans, objectives, beliefs or current expectations of Atrium. 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 Annual Financial Report is up to date only as of the date of this Annual Financial Report. The business, financial conditions, results of operations and prospects of Atrium or the Group may change. Except as required by law, Atrium and the Group do not undertake any obligation to update any forward looking statements, even though the situation of Atrium or the Group may change in the future.

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

This Annual Financial Report and the documents available for inspection should be read in their entirety and with the understanding that the actual future results of Atrium or the Group may be materially different from what Atrium or the Group expects.



CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

Atrium European Real Estate Limited ("Atrium") was established under the laws of Jersey, Channel Islands, in 1997. Atrium has been listed on the Vienna Stock Exchange ("ATRS") since November 2002 and on the Euronext Amsterdam Stock Exchange since August 2009.

As a certified Jersey Listed Fund Atrium must comply at all times, and operate in accordance with, the Jersey Listed Fund Guide and the detailed provisions of the Jersey Codes of Practice for Certified Funds (the "Codes"). The Codes are arranged under a number of fundamental principles which include corporate governance, internal systems and controls, AML Procedures and financial reporting. Jersey law also imposes general fiduciary duties and duties of care, diligence and skill on directors, who are also under a statutory obligation to act in good faith and in the best interest of Atrium. In addition and as agreed with the Jersey Financial Services Commission ("JFSC"), Atrium must remain materially compliant with the AIC Code and the UK Combined Code as set down in the AIC's Corporate Governance Guide for Investment Companies in matters pertaining to the independence of directors and the composition of the board.

During 2016, the Board consisted of eight Directors, as set out below:

Name	Audit Committee	Compensation and Nominating Committee	Special Standing Committee	Operations Committee	Investment Committee	Date of birth	Mandate start
Chaim Katzman		✓	✓			04.11.1949	01.08.2008
Rachel Lavine	✓		✓		✓	09.12.1965	01.08.2008
Noam Ben-Ozer	✓	✓				22.06.1963	24.11.2009
Peter Linneman	✓	✓	✓			24.03.1951	01.08.2008
Karine Ohana	✓					27.12.1964	24.06.2015
Simon Radford	✓			✓	✓	03.02.1957	06.03.2008
Thomas Wernink	✓	✓				10.12.1945	01.08.2008
Andrew Wignall	✓			✓	✓	11.05.1964	06.03.2008

The mandate of each Director then in office ends at the shareholders' annual general meeting ("AGM") held following the date of appointment. Provision is made for each Director to retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed or it is expressly resolved not to fill the office being vacated or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected. The current mandate of each Director in office ends at the AGM to be held in April 2017.

The Austrian Code of Corporate Governance (as amended in January 2015) (the "Austrian Code") sets out rules and regulations for responsible management and guidance of companies listed in Austria. The Austrian Code applies primarily to Austrian stock market-listed joint stock corporations that undertake to adhere to its principles and obliges those companies that have committed to adhere to it to either comply or explain any deviations from its applicable rules. Atrium currently submits voluntarily to the Austrian Code, which is available on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at). Explanations for deviations from the applicable rules are provided on page 43.

BOARD AND MANAGEMENT STRUCTURE

The management structure of Atrium is a one-tier Board of Directors.

Pursuant to Atrium's articles of association (the "Articles"), at least half of the Directors are required to be independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2016, six of the eight Directors were independent in accordance with those rules, namely Mr. Ben-Ozer, Mr. Linneman, Mr. Radford, Ms. Ohana, Mr. Wernink and Mr. Wignall. The independent Directors do not have shareholdings of more than 10% in Atrium. They also do not represent the interests of a shareholder with an investment of more than 10% in Atrium.

The business of Atrium is managed by the Directors, who may exercise all powers of Atrium that are not required by applicable corporate law or the Articles to be exercised by the shareholders in a general meeting. The power and authority to represent Atrium in all transactions relating to real and personal property and all other legal or judicial transactions, acts and matters before all courts of law is vested in the Directors.





CHAIM KATZMAN

Non-executive director and Chairman
Chairman, Special Standing Committee
Member, Compensation and Nominating
Committee

Chaim Katzman is the founder, controlling shareholder and Chairman of Gazit-Globe, a leading international real estate company listed on the Tel Aviv Stock Exchange (TASE: GZT) and the New York Stock Exchange (NYSE: GZT) and the Toronto Stock Exchange (TSX: GZT).

Mr. Katzman is also the founder, controlling shareholder and Chairman of Norstar Holdings (formerly Gazit Inc.), the parent company of Gazit-Globe; Vice Chairman of Regency Centers Corporation (NYSE: REG); the Chairman of Citycon (OMX: CTY) and a director of First Capital Realty (TSX: FCR). Mr. Katzman is a member of the International Council of Shopping Centers (ICSC), the National Association of Real Estate Investment Trusts (NAREIT), the Urban Land Institute (ULI), the Real Estate Roundtable and the Association of Foreign Investors in Real Estate (AFIRE).

He received a LL.B. degree from Tel Aviv University Law School and in 2011, founded the Gazit-Globe Real Estate Institute at Israel's Interdisciplinary Center (IDC) Herzliya.



RACHEL LAVINE

Non-executive director and Vice-Chairman
Member, Audit Committee, Special Standing Committee and Investment Committee

Rachel Lavine was appointed as Vice Chairman of the Board on 1 December 2014 having previously been Chief

Executive Officer from August 2008 to November 2014 and a member of the Board of Directors throughout that time. Mrs. Lavine currently serves as a member of the Board of Directors of Citycon and as a member of the Advisory Board of EPRA. Mrs. Lavine was formerly CEO of Gazit-Globe; President and CEO of Plaza Centres (Europe) BV; President and CEO of Elscint Ltd; and a director on several boards of directors throughout her career. Mrs. Lavine graduated from the Tel Aviv College of Management with BA (Bachelor of Business) in accounting, has been a CPA (Certified Public Accountant) since 1995 and holds an Executive MBA from the Kellogg School of Management (Northwestern University)/Reccanati School of Management (Tel Aviv University) graduating in 2008



NOAM BEN-OZER

Non-executive director
Chairman, Compensation and Nominating Committee and
Member, Audit Committee

Noam Ben-Ozer is an independent non-executive director appointed to the Board in November 2009. He is a founder

and managing director of Focal Energy, a company which develops and invests in renewable energy projects. He is also the founder and proprietor of Focal Advisory, a strategic and finance-related advisory firm in Boston. Mr. Ben-Ozer has extensive experience in financial and business planning, fund raising, deal structuring and project financing. Mr. Ben-Ozer holds a MBA from the Harvard Business School.



PETER LINNEMAN

Non-executive director
Chairman, Audit Committee
Member, Compensation and Nominating Committee and Special Standing Committee

Peter Linneman is an independent non-executive director appointed to the Board in August 2008. Mr. Linneman is a principal of Linneman Associates and the Albert Sussman Emeritus Professor of Real Estate, Finance and Public Policy at the Wharton School of Business, University of Pennsylvania. He has served as a director of a number of NYSE-listed companies and currently is an independent director of Paramount Group Inc. (NYSE: PGRE), Regency Centers Corporation, AG Mortgage Investment Trust, Inc. (NYSE: MITT) and Equity Commonwealth (NYSE: EQC). Mr. Linneman has a PhD in Economics.



KARINE OHANA

Non-executive director
Member, Audit Committee

Karine Ohana is an independent non-executive director appointed to the Board in June 2015. Ms. Ohana is currently a Managing Partner at Ohana & Co., and was previously with Société Générale, after beginning her career at Merrill Lynch. Ms. Ohana served as a Director of Citycon from 2013 to 2015, is the author of a book written under the supervision of the Banking Regulation Committee of the French central bank "Les Banques de Groupe en France" (Corporate-owned banks in France) and holds a Master's degree in Finance from Université Paris-Dauphine.



SIMON RADFORD

Non-executive director

Member, Audit Committee, Investment Committee and Operations Committee

Simon Radford is an independent non-executive director appointed to the Board in March 2008. Based in Jersey, he serves as a non-executive director on a number of alternative investment strategy funds, as well as a multi-national trust and corporate services business.

Mr. Radford was the Chief Financial Officer of an alternative investment fund administration business for 11 years until March 2016 and prior to that was senior partner of Deloitte & Touche in Jersey where he was in charge of the assurance and advisory business. Mr. Radford is a Fellow of the Institute of Chartered Accountants in England and Wales. In the years 2006 to 2008, he also served as Chairman of the Institute of Directors in Jersey.



THOMAS WERNINK

Non-executive director

Member, Audit Committee and Compensation and Nominating Committee

Thomas Wernink is an independent non-executive director appointed to the Board in August 2008. He has been serving as a non-executive director of Green Reit PLC in Dublin since July 2013, until April 2016 he was non-executive Chairman of MAF Properties in Dubai and previously served as a non-executive director of a number of European based property and investment companies, including stock exchange listed companies Segro plc, Citycon and European Direct Real Estate Fund (SICAF). Formerly, he was also Chief Executive of Corio and Chairman of the European Public Real Estate Association.



ANDREW WIGNALL

Non-executive director

Chairman, Operations Committee

Member, Audit Committee and Investment Committee

Andrew Wignall is an independent non-executive director appointed to the Board in March 2008. Mr. Wignall is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Ernst & Young in 1988, where he worked as an auditor primarily with financial services clients. In 1996 he was a founding director of Moore Management Limited ("Moore") and since leaving Moore in 2007, Mr. Wignall has acted as an independent non-executive director of a number of private equity, real estate and other alternative fund structures. Mr. Wignall is authorised by the Jersey Financial Services Commission to act as a director of such structures and from 2004 to 2011 was a committee member of the Jersey Funds Association.

COMMITTEES OF THE BOARD OF DIRECTORS

The Directors may delegate any of their powers to committees consisting of a Director/Directors or any officers or persons they deem fit. Any committee so formed, or officer or person to whom powers are delegated, shall in the exercise of such powers conform to any regulations or restrictions that may be imposed on them by the Directors from time to time.

As at 31 December 2016, five permanent committees had been established: (i) the Audit Committee; (ii) the Compensation and Nominating Committee; (iii) the Special Standing Committee; (iv) the Operations Committee; and (v) the Investment Committee. During 2016, there were also two temporary committees established to address specific strategic issues. The Board of Directors and committees hold meetings and can also pass written resolutions.

In the year ended 31 December 2016, the Board of Directors held nine meetings.

AUDIT COMMITTEE

In 2016, the members of the Audit Committee were Peter Linneman, Rachel Lavine, Noam Ben-Ozer, Karine Ohana, Simon Radford, Thomas Wernink and Andrew Wignall. The Chairman of the Audit Committee was Peter Linneman.

The Audit Committee undertakes customary functions, predominantly concerned with preparations for the audit of the annual financial statements and compliance therewith, the auditors' activities, audit of the internal control and risk management, and the presentation of the annual financial statements.

The Audit Committee is required to meet at least four times annually before publication of Atrium's annual financial statements and the interim reports. In the year ended 31 December 2016, the Audit Committee held six meetings.

COMPENSATION AND NOMINATING COMMITTEE

In 2016, the members of the Compensation and Nominating Committee were Noam Ben-Ozer, Chaim Katzman, Peter Linneman and Thomas Wernink. The Chairman of the Compensation and Nominating Committee was Noam Ben-Ozer.

The Compensation and Nominating Committee deals with all material aspects of the remuneration of senior executives. The committee is empowered to select, appoint and remove senior executives, other than the Group CEO who is appointed by the Board of Directors, and to take decisions on the award of bonuses, variable compensation components and other such benefits payable to senior executives.

In the year ended 31 December 2016, the Compensation and Nominating Committee held five meetings.

SPECIAL STANDING COMMITTEE

In 2016, the members of the Special Standing Committee were Chaim Katzman, Rachel Lavine and Peter Linneman. The Chairman of the Special Standing Committee was Chaim Katzman.

The principal activity of the Special Standing Committee is to consider and make decisions on behalf of the Board (within the remit of the Committee's €50 million authority, as delegated to it by the Board) on certain business proposals for the Group.

In the year ended 31 December 2016, the Special Standing Committee held four meetings and passed five written resolutions.



OPERATIONS COMMITTEE

During 2016, the members of the Operations Committee were Andrew Wignall and Simon Radford. The Chairman of the Operations Committee was Andrew Wignall.

The principal activity of the Operations Committee is to consider and make decisions on behalf of the Board for the purpose of addressing operational requirements of the Company in Jersey including office and employee matters, treasury functions, day to day sanction of operational needs of the Company and incidental commitments.

In the year ended 31 December 2016, the Operations Committee held eight meetings.

INVESTMENT COMMITTEE

In 2016, the Investment Committee's members were Rachel Levine, Andrew Wignall and Simon Radford.

The Investment Committee was established for the purpose of addressing preliminary matters relating to proposed transactions prior to submission for approval by the Board of Directors or the Special Standing Committee, as appropriate.

In the year ended 31 December 2016, the Investment Committee held four meetings.

All members of the Board of Directors, and all persons in Group executive positions, have been appointed on the basis of their professional and personal qualifications. The Atrium Group maintains an equal opportunities policy for the purposes of recruitment at all levels. As at 31 December 2016, the ages of the members of the Board of Directors ranged from 51 to 71 and the Directors represented five different national backgrounds. Of the eight Directors, two are women, although Atrium does not take any specific measures to promote women to the Board of Directors, or to top Group executive positions, other than on merit.

GROUP EXECUTIVE TEAM

As at 31 December 2016, the Group Executive Team, which has day to day responsibility for Atrium Group operations, was as set out below. Each member of the Group Executive Team is appointed for, and has a mandate throughout, the duration of his/her employment agreement.

Name	Position	Date of birth	Mandate start
Josip Kardun	Group Chief Executive Officer	11.04.1974	30.11.2014 ¹
Liad Barzilai	Group Deputy Chief Executive Officer	25.11.1978	21.12.2016 ¹
Ryan Lee	Group Chief Financial Officer	19.08.1968	01.04.2015
Rolf Rüdiger Dany	Group Chief Operating Officer	28.02.1963	01.10.2014
Geraldine Copeland-Wright	Group General Counsel	25.03.1971	14.06.2013
Ljudmila Popova	Group Head of Assets Management & Investor Relations	03.04.1980	07.10.2013

¹ Liad Barzilai was appointed as Group Deputy Chief Executive Officer on 21 December 2016 and took over the role of Group Chief Executive Officer with effect from 23 February, following Josip Kardun's departure.

JOSIP KARDUN

Group Chief Executive Officer (left the Group on 22 February 2017)

Josip was appointed as Group Chief Executive Officer in December 2014. Prior to joining the Atrium Group, Josip was Chief Investment Officer and Head of Mergers and Acquisitions and Transaction Management Group at European retail property specialists ECE Projektmanagement GmbH & Co KG ("ECE"), where he worked for seven years in a number of senior positions. Prior to ECE, Josip was General Manager at Sierra Management Germany GmbH, Düsseldorf, part of the international shopping centre development and management group Sonae Sierra, with responsibility for leasing activities and centre management.

Josip has a law degree from the Goethe University Frankfurt and sits on the Executive Board of ICSC Europe.

He left the Atrium Group on 22 February 2017.

LIAD BARZILAI

Group Deputy Chief Executive Officer (Group Chief Executive Officer with effect from 23 February 2017)

Liad was appointed as Group Deputy Chief Executive Officer on 21 December 2016 following the Company's announcement that Josip Kardun was leaving the Atrium Group, and took over the role of Group Chief Executive Officer with effect from 23 February 2017.

Liad was previously with the Atrium Group from 2008 until November 2014, latterly in the position of Group Chief Investment Officer responsible for the Group's pipeline of potential acquisition and divestment opportunities, before leaving to take up the role of Chief Investment Officer with Gazit-Globe.

Liad has a B.A. in Business Economics & Management from Guilford Glazer School of Business & Management, Ben-Gurion University and an MBA from Reccanati Business School, Tel Aviv University.

RYAN LEE**Group Chief Financial Officer, responsible for HR and IT**

Ryan was appointed as Group Chief Financial Officer in April 2015. A chartered accountant with 25 years of international financial experience, Ryan joined Atrium Group from Central European Distribution Corporation (CEDC), CEE's largest integrated spirit beverage business, where he spent two years as group Chief Financial Officer.

Prior to joining CEDC Ryan spent over three years as Vice President, Finance at Eldorado. In addition, he previously held various senior and board level financial roles over a nine year period with Japan Tobacco International, including Vice President - Finance, Vice President - Corporate Tax and CFO of Russia. He also spent ten years at Unilever plc and its group subsidiaries in a number of senior financial roles across a number of different territories.

Ryan has a Bachelor's degree in Law and Italian from the University of Wales, Cardiff.

ROLF RÜDIGER DANY**Group Chief Operating Officer, responsible for development**

Rüdiger Dany joined the Atrium Group as Group Chief Operating Officer in October 2014.

He was previously Chief Executive Officer at Auxideico Gestión, a member of the ECE group of companies. He held several senior roles within ECE, including three years as ECE's Managing Director Poland, Czech Republic, Slovakia and Romania. Prior to joining ECE, Rüdiger was Managing Director at Dany Fachhandel GmbH, Germany.

Rüdiger studied retail specialised economics at Lehranstalt des deutschen Textilhandels Nagold, Germany.

THOMAS SCHOUTENS**Group Chief Development Officer (left the Group on 30 September 2016)**

Thomas joined the Atrium Group in February 2010 and was Group Chief Development Officer, with responsibility for overseeing the Group's development activity until September 2016 when the role of Group Chief Development Officer was restructured.

GERALDINE COPELAND-WRIGHT**Group General Counsel and Compliance Officer**

Geraldine joined the Atrium Group in June 2013 as Group General Counsel. Prior to joining the Atrium Group, Geraldine was Regions Senior Legal Advisor to Qatari Diar, the real estate development arm of the Qatar sovereign wealth fund, specializing in international real estate investment and development of large scale, mixed use assets. Previously, Geraldine was European General Counsel and a managing director of Tishman Speyer Properties, a leading global real estate developer, operator and fund manager, where she gained significant experience in European cross-border real estate transactions.

Geraldine graduated from the University of Reading with LLB (Hons) and from the College of Law with First Class Honours in 1993. Geraldine was admitted to the Roll of Solicitors of England and Wales in 1995.

LJUDMILA POPOVA**Group Head of Asset Management & Investor Relations**

Ljudmila joined the Atrium Group in April 2009 as the Group's Financial Analyst working alongside the Group CEO and Group CFO and was initially responsible for valuations. Since then she has had a number of additional responsibilities and currently oversees the Group's asset management function and investor and bondholder relations. Ljudmila also heads the Group's research department.

Prior to joining the Atrium Group, Ljudmila was an equity research analyst at Kempen & Co, a specialist merchant bank in the Netherlands, where she focused on real estate companies with large exposures in Central and Eastern Europe, including Atrium.

Ljudmila has both a Bachelor's and Master's degree in Econometrics from the University of Amsterdam.

COMPENSATION REPORT**DIRECTORS' COMPENSATION**

The Board of Directors has discretion to set annual Director's ordinary remuneration, in their capacity as Directors, up to an aggregate limit of €2 million per annum. If the Board wishes to increase this limit it would require prior shareholder approval by ordinary resolution.

In 2016, non-executive Directors, other than those Directors nominated by Gazit-Globe, were entitled to receive remuneration in two components: a fixed cash remuneration of €65,000 per annum together with meeting attendance fees of €1,500 per meeting and telephonic meeting attendance fees of €1,000 per meeting; and ordinary shares in the Company in the value of €65,000 per annum, which shares are allocated semi-annually and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €130,000. Any Director who acts as Chairman of the Audit Committee or the Compensation and Nominating Committee was also entitled to receive additional remuneration of €25,000 per annum and any member of either committee was entitled to receive additional remuneration of €10,000 per annum. The Chairman of the Operations Committee was entitled to additional remuneration of €20,000 per annum and any member of the Operations Committee, additional remuneration of €15,000 per annum.

A non-executive Director nominated by Gazit-Globe is not entitled to receive director's ordinary remuneration. Consequently, as at the end of the financial year ended 31 December 2016, neither Mr. Katzman as Chairman of the Board nor Mrs. Lavine as Vice Chairman were entitled to Directors' compensation.

The cash component of ordinary remuneration may, at the election of eligible Directors, be taken as ordinary shares in the Company in lieu of all or part of their ordinary cash remuneration. The remuneration payable to Directors accrues from day to day.

In addition, the Board of Directors may award special pay to any Director who holds any executive post or performs any other services which the Directors consider to extend beyond the ordinary duties of a Director, such as participation in committees. Special pay can take the form of fees, commission or other benefits or can be paid in some other way decided by the Board of Directors. Such special pay may either be in addition to or instead of other fees, expenses or other benefits that the Director is entitled to receive. Other than Mr. Katzman and Mrs. Lavine, in the year ended 31 December 2016



special pay awards were made to Mr. Ben-Ozer, Mr. Linneman, Ms. Ohana, Mr. Radford, Mr. Wernink and Mr. Wignall in connection with special committee activity.

In relation to Mr. Katzman, under a consultancy agreement he provides certain consultancy services, including (inter alia) advice on and review of proposed acquisitions, advice on capital markets strategy, advice on the level and content of development activities of the Group and strategic advice on the future direction of the Group. The consultancy agreement had an initial term of one year commencing on 1 August 2008 and continues on a rolling basis, with further extensions of one year unless terminated by either party. The annual fee for 2016 was €550,000.

Mrs. Lavine provides consultancy services to the Group through Paragon Management Company Limited. The consultancy arrangement was for an initial period of 16 months and thereafter is automatically renewed for further periods of 12 months unless terminated by either party. The annual consultancy fee is €475,000 per annum.

The other Directors (in their capacity as Directors) were entitled to an aggregate remuneration in 2016 of €970,000 (2015: €598,000).

OVERVIEW OF REMUNERATION OF THE DIRECTORS IN 2016

Name	Directors Fixed Fees	Directors other fees (including attendance fees)	Consultancy fees	2016 Total	2015 Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Chaim Katzman ¹	-	-	550	550	550
Rachel Lavine ¹	-	-	475	475	455
Noam Ben-Ozer	65	145	-	210	111
Peter Linneman	65	176	-	241	126
Simon Radford	65	152	-	217	86
Thomas Wernink	65	123	-	188	87
Andrew Wignall	65	161	-	226	113
Karine Ohana	65	111	-	176	60
Aharon Soffer ¹	-	-	-	-	15
TOTAL	390	868	1,025	2,283	1,603

¹ Gazit-Globe nominated board member

GROUP EXECUTIVE TEAM COMPENSATION

Under the general compensation policy of Atrium, each member of the Group Executive Team is entitled to a base salary, a performance based annual cash bonus, which in some cases includes a guaranteed amount, and participation in Atrium's Employee Share Option Plan ("ESOP") and long term incentive program.

The annual remuneration paid or payable to each member of the Group Executive Team for the year ended 31 December 2016, including base salary, annual guaranteed bonus, allowances and benefits is set out below:

Name	Annual remuneration for 2016 in €	Annual bonus for 2015 in € (including any minimum guaranteed bonus amounts)
Josip Kardun	918,545 ¹	425,000
Liad Barzilai ²	11,432	-
Ryan Lee	532,540	206,250
Rolf Rüdiger Dany	468,297	225,000
Thomas Schoutens	477,468 ³	55,000
Geraldine Copeland-Wright	406,523	137,500
Ljudmila Popova	267,207	78,000
TOTAL	3,082,012	1,126,750

¹ This amount includes Josip Kardun's full bonus for 2016 in the amount of €355,000

² Liad Barzilai was appointed as Group Deputy Chief Executive Officer on 21 December 2016

³ This amount includes an amount of €248,850 paid to Thomas Schoutens on termination of his employment with the Group in September 2015.

The annual bonus awards for the year ended 31 December 2016 will be determined by the Board in due course based on the Group's overall performance and taking into account the individual's performance in respect of a number of specified elements within each executive's responsibilities and function. The annual guaranteed bonus payable to the Group Executive Team (excluding those that have left the Group) for the financial year ended 31 December 2016, which forms part of the annual bonus award, amounts to €195,000.

As part of his remuneration, Josip Kardun was entitled to an award of shares equal to €400,000 which were to be issued, free of any lock-up period, in four equal tranches on each of the first, second, third and fourth anniversaries of commencement of employment. The first issue of 15,329 ordinary shares was made in February 2015; the second issue in February 2016 for 19,515 ordinary shares; and the third issue in February 2017 for 16,157 ordinary shares, in each case equal to €100,000 on a net of tax basis. Following Mr. Kardun's resignation from the Atrium Group on 22 February 2017, the fourth tranche which would otherwise have been made in February 2018 has lapsed and will not be issued.

For each of the four years following the commencement of his employment in December 2016, Laid Barzilai is entitled to an annual grant of shares in a minimum amount by value of €60,000.



Park House, Volgograd, Russia

EMPLOYEE SHARE OPTION PLAN AND LONG TERM INCENTIVE PROGRAM

The Employee Share Option Plan ("ESOP") provides for the grant of options to key employees, executives, Directors and consultants of Atrium and its subsidiaries. There are currently two plans in operation, the ESOP, as approved by shareholders on 23 May 2013 ("ESOP 2013") and the ESOP, as approved by shareholders on 6 April 2009 ("ESOP 2009") although no further grants may be made under either

plan. The Directors may amend ESOP 2009 and ESOP 2013 as they consider appropriate, but shall not make any amendment that would materially prejudice the interests of existing option holders, except with the consent in writing of 75% of all such option holders.

Options have been granted to and exercised by the Directors and members of the Group Executive Team (including those employees who left the Group in 2016) as follows:

OPTIONS GRANTED AND EXERCISED UNDER ATRIUM'S ESOP 2009 AND ESOP 2013

Name	Grant date	Number of options granted	Exercised in prior years	Vested but unexercised as at 31.12.2016	Option price of unexercised options as of 31.12.2016
Chaim Katzman	21.08.2012	127,119	-	127,119	2.415
Chaim Katzman (second grant)	29.11.2013	200,000	-	150,000	4.38 ¹
Rachel Lavine	09.03.2009	1,500,000	1,500,000	-	N/A
Rachel Lavine (second grant)	16.03.2010 ³	1,000,000	-	1,000,000	2.97
Rachel Lavine (third grant)	29.11.2013 ³	1,600,000 ²	-	533,330	4.38 ¹
Thomas Schoutens	16.03.2010	300,000	300,000	-	N/A
Thomas Schoutens (second grant)	29.11.2013	186,666 ⁴	-	93,332	4.38 ¹
Geraldine Copeland-Wright	01.07.2013	397,163	-	297,873	4.34 ¹
Liad Barzilai	09.03.2009	30,000	30,000	-	N/A
Liad Barzilai (second grant)	20.08.2010	20,000	20,000	-	N/A
Liad Barzilai (third grant)	29.11.2013	133,333 ⁵	-	66,667	4.38 ¹
Ljudmila Popova	01.04.2009	20,000	20,000	-	N/A
Ljudmila Popova (second grant)	20.08.2010	15,000	15,000	-	N/A
Ljudmila Popova (third grant)	29.11.2013	120,000	-	90,000	4.38 ¹

¹ These grants were made under ESOP 2013. No options granted under ESOP 2013 have yet been exercised.

² Out of this amount, 1,066,670 options were cancelled when Mrs. Lavine became Vice Chairman on 1 December 2014.

³ As part of the arrangements for the termination of Mrs Lavine's employment contract and appointment as a consultant, with effect from 1 August 2015, the period for exercise of these options was extended to, in the case of the ESOP 2009 grant, the date seven months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, or in the case of the ESOP 2013 grant, 18 months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, but in either case with a maximum period of ten years from the options' original grant date.

⁴ Out of this amount, 93,334 options were cancelled when Mr. Schoutens left the Group in 2016.

⁵ Out of this amount, 66,666 options were cancelled when Mr. Barzilai left the Group in 2015.

In August 2015, the Compensation and Nominating Committee reviewed the long term incentive program ("LTI") of the Group. The LTI is designed as a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded by reference to mid to long term performance of the Group, aligning the interests of shareholders and key senior executives whilst promoting the long term retention of senior executives. The program operates through the participants being granted a right to the allotment of ordinary shares in the Company which vest after a 3 year period, subject to specific conditions, including continued employment in the

Group. As at 31 December 2016, 4 grants have been made under the LTI each with effect as at 1 June 2015, including to Josip Kardun who has since left the Group and accordingly his grant has lapsed.

The Atrium Group does not operate a pension scheme. Unless provided otherwise, base salaries include compensation in lieu of participation in a pension scheme.

Atrium has in place Directors' and Officers' Insurance in respect of the members of the Board of Directors, the costs of which are borne by Atrium.

DEVIATIONS FROM THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

Atrium's management structure is a one-tier Board of Directors. The Rules of the Austrian Code otherwise applying to the supervisory board and/or the management board in a typical Austrian joint stock corporation will be applied in each case to the Board of Directors. Consequently, in relation to all Rules where the Austrian Code refers to an interaction or cooperation between the supervisory board and the management board in a typical Austrian joint stock corporation, Atrium deviates from such Rules as such function is already fulfilled by the Board of Directors. This applies in relation to the Rules L-9, C-10, L-11, L-14, C-18a, L-23, L-24, L-26a, L-32, L-33, L-34, L-35, C-37, C-38, C-41, C-43, L-60 and C-82a.

In addition, where a company is subject to the company law of a country that is not a member of the EU or EEA and is listed on the Vienna Stock Exchange, as is the case with Atrium (a Jersey registered company with its shares listed on the Vienna Stock Exchange and on the Euronext Amsterdam Stock Exchange), the Austrian Code provides that the L-rules of the Austrian Code are interpreted as C-rules ("Comply or Explain" Rules). Consequently, the following explanations are given in respect of deviations from L- and C-rules:

L-rule 1: Atrium is party to a relationship agreement which grants certain rights (including rights to appoint Directors) to its substantial shareholders. During 2016 the only substantial shareholder for this purpose was Gazit-Globe. For a description of these special rights please refer to part III of the shareholder circular of 17 September 2009 published on Atrium's website www.aere.com.

In addition, Gazit-Globe were granted certain rights under the Articles of Association of the Company. These rights are set out in Articles 24, 25 and 29 of the Articles, which are published on Atrium's website www.aere.com.

L-rule 3: Pursuant to an official statement of the Austrian Takeover Commission of 31 March 2009, the Austrian Takeover Act is not applicable to Atrium as of the date of the official statement. Accordingly, and in particular, the pricing rules regarding a mandatory offer as set forth under section 26 of the Austrian Takeover Act do not apply to Atrium.

There are no mandatory takeover offer provisions under Jersey or Dutch law applicable to Atrium.

Finally, pursuant to the Articles, a mandatory cash offer is required to be made to all Atrium shareholders if any person other than Gazit-Globe (or any person acting in concert) acquires 30% or more of the voting rights or, if already holding between 30% and 50% of the voting rights, acquires additional voting rights. Any such offer must be conditional only upon the offeror having received such acceptances as will give him 50% of the voting rights. The offer must be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the offeror during the offer period and within 12 months prior to its commencement. See Article 42 of the Articles, which are published on Atrium's website: www.aere.com.

L-rule 4: The Articles provide for a notice period of at least 14 days regarding all general meetings, as permitted by Jersey law.

L-rule 8: Atrium is required to comply with Jersey law. Under Jersey law there is no limit on the number of shares that can be repurchased so long as at least one share that is not redeemable or a treasury share remains in issue. Shareholders' approval is required by way of special resolution (66% majority of those voting) to sanction such repurchases. Where shares are purchased off market, they must be purchased pursuant to a contract approved in advance by an ordinary resolution of shareholders (in relation to which the holders of the shares to be purchased do not have the right to vote those shares). Where shares are bought on market, authority can be granted by the shareholders to Atrium to permit it to purchase shares for a period of up to 5 years from the giving of the authority. The Company currently has authority to make market purchases of up to 50 million shares within the limitations imposed by shareholders in the relevant special resolution, which authority is renewed annually at the AGM.

C-rule 12: In 2016, the materials and documents required for the Board of Directors' quarterly meetings were distributed at least 5 days before the respective meeting, which is in compliance with Jersey law and Atrium's internal regulations.

L-rule 13: Atrium's management structure is a one-tier Board of Directors. The Board of Directors bears sole responsibility for managing the Company and as a matter of Jersey law is required to comply with a statutory duty to act honestly, in good faith and in the best interests of the Company which, in the case of solvent companies, is interpreted as the shareholder body as a whole. There is, however, no specific obligation to take into account the interests of the employees and the public good.

C-rule 16: Atrium's management structure is a one-tier Board of Directors. The business of Atrium is managed by the members of the Board of Directors. Other than as disclosed in this Corporate Governance Report and save for the participation in the various committees, there is no specific division of responsibilities among the members of the Board of Directors.

C-rule 18: Atrium's internal audit function is currently outsourced and reports directly to the Audit Committee of the Board of Directors on at least a quarterly basis.

L-rule 25: Atrium requires from its Directors full disclosure regarding their additional professional activities. However, Atrium's Directors are not required to seek Board approval in order to run an enterprise or assume a mandate on the board of a company which is not part of the Atrium Group. Atrium believes that those individuals appointed to serve as members of the Board of Directors are well equipped (in terms of relevant experience and/or expertise) to contribute to the activities of the Board so that any restrictions under this rule would not be in the best interests of Atrium.

C-rule 26: Atrium's Directors may hold more than four board mandates in stock corporations that are not part of the Atrium Group. Atrium is fully aware of the additional mandates held by its Directors and believes that those individuals appointed to serve on the Board are best equipped (in terms of relevant experience and expertise)



to contribute to the activities of the Board, so that any restrictions under this rule would not be in the best interests of Atrium.

C-rule 27: We refer to the explanation given in respect of C-rule 30 below. With the exception of Mr. Katzman and Mrs. Lavine, the compensation payable as ordinary remuneration to the Directors consists of a fixed cash component which, at the election of eligible Directors, may be taken in ordinary shares in the Company in lieu of their ordinary cash remuneration, and a grant of ordinary shares in the Company which vest after two years. In addition the Board of Directors may award special pay to any Director who holds any executive post or performs any other services which the Directors consider to extend beyond the ordinary duties of a Director, such as participation in committees. Special pay can take the form of fees, commission or other benefits or can be paid in some other way decided by the Board of Directors. Such special pay may either be in addition to or instead of other fees, expenses or other benefits that the Director is entitled to receive. However there are no specific performance criteria in place for the award of such special pay.

C-rule 28: Atrium has currently two employee share option plans in operation, ESOP 2009 and ESOP 2013, although no further grants may be made under either plan. Options under both ESOP 2009 and ESOP 2013 were granted unconditionally. Generally, options granted under ESOP 2009 are exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. Options granted under ESOP 2013 are generally exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Subject to the terms of the ESOPs, option holders are entitled to exercise their options upon vesting. Details of share options awarded to Directors and members of the Group Executive Team under ESOP 2009 and ESOP 2013 are provided on page 42.

Non-executive Directors, other than those Directors nominated by Gazit-Globe, received, as part of their ordinary remuneration, ordinary shares in the Company in the value of €65,000 per annum. These shares are allocated semi-annually, in arrears, and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €130,000.

C-rule 30: Other than in relation to meeting attendance fees, Atrium has not established specific performance criteria applied by the Company for granting the Directors variable remuneration, which is assessed on a case by case basis which the Directors consider is in the best interests of Atrium.

L-rule 33: As Atrium's management structure is a one-tier Board of Directors, Directors are appointed by the AGM or its substantial shareholders. The mandate of each Director then in office ends at the AGM following the date of appointment. Provision is made for each Director to

retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected, except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed, or it is expressly resolved not to fill the office being vacated, or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected.

C-rule 38: As regards the appointment of the Directors we refer to the explanation given in respect of L-rule 33 above.

C-rule 39: As set out in the Articles, Atrium has adopted the test of independence set out in the rules of the New York Stock Exchange for the purposes of assessing the independence of its Directors. As at 31 December 2016, six of the seven members of the Audit Committee, three of the four members of the Compensation and Nominating Committee, one of the three members of the Special Standing Committee, all members of the Operations Committee and two of three members of the Investment Committee were independent, as defined in the rules of the New York Stock Exchange. Those individuals appointed to serve as members of Committees are those Directors who are regarded by the Board of Directors as well equipped (including as a consequence of prior experience and/or expertise) to contribute to the deliberations of the Committees and, accordingly, Atrium believes that the current composition of the Committees is in the best interests of Atrium.

C-rule 41: The Compensation and Nominating Committee fulfils the function of both a nominating and remuneration committee.

C-rule 43: In 2016, the Chairman of the Compensation and Nominating Committee was not the same person as the Chairman of the Board of Directors.

C-rule 45: We refer to the explanation in respect of L-rule 25 above.

L-rule 52: Specific measures have not been implemented in relation to the aspect of diversity with respect to the representation of both genders, the age structure and the internationality of the members of the Board of Directors as the Company is of the view that any such specific measures would not be in the best interests of Atrium. Atrium believes that those individuals appointed to serve as members of the Board of Directors are best equipped in terms of relevant experience and/or expertise to fulfil their roles and maintains an equal opportunities policy for the purposes of recruitment and promotion at all levels within the Group. During 2016, of the eight Directors: two were women (including the Vice Chairman); the ages of the Directors ranged from 50 to 71; and the Directors represented five different national backgrounds.

C-rule 53: In accordance with the Articles, at least half of the Directors were independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2016, six of Atrium's eight Directors were independent, in accordance with said rules.

L-rule 56: Atrium applies this rule to its independent Directors only. Atrium believes that non-independent Directors should be allowed to assume more than eight mandates because they may be required by their employers or principals to serve on multiple boards.

C-rule 57: Atrium's Directors may hold more than four board mandates in stock corporations that are not part of the Atrium Group. Atrium is fully aware of the additional mandates held by its Directors and believes that those individuals appointed to serve on the Board are best

equipped (in terms of relevant experience and expertise) to contribute to the activities of the Board, so that any restrictions under this rule would not be in the best interests of Atrium.

C-rule 62: Compliance with the provisions of the Austrian Code was, to date, reviewed internally. External review is planned for future years

THE BOARD OF DIRECTORS



CHAIM KATZMAN
Chairman of the Board



RACHEL LAVINE
Vice-Chairman and Director



PETER LINNEMAN
Director



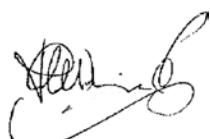
NOAM BEN-OZER
Director



SIMON RADFORD
Director



KARINE OHANA
Director



THOMAS WERNINK
Director



ANDREW WIGNALL
Director



02

ANNUAL FINANCIAL STATEMENTS



Bershka
VAN GRAAF
Carrefour market
Media Markt
C&A
CCC

Lulu Cafe

Lulu Cafe

WKRUK

expressoriental

OH!! SUSHI & GRILL

vision ex

WKRUK

WKRUK

WKRUK

MaxMara

MaxMara

MaxMara

MaxMara

DIRECTORS' REPORT

The Directors submit their report and the audited consolidated financial statements of Atrium European Real Estate Limited ("Atrium" or "the Company") and its subsidiaries (together with Atrium, the "Group") for the year ended 31 December 2016.

INCORPORATION

Atrium was incorporated in Jersey, Channel Islands, on 8 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the ownership, management and operation of commercial real estate in the retail sector. The Group primarily operates in Poland, the Czech Republic, Slovakia, Russia, Hungary and Romania.

RESULTS

The results for the year ended 31 December 2016 are shown in the consolidated statement of profit or loss on page 50.

DIVIDEND

For the year ended 31 December 2016, the Directors approved an annual dividend of €cents 27 per share, which was paid as a capital repayment, in quarterly instalments of €cents 6.75 per share at the end of each calendar quarter. The total dividend paid in the year ended 31 December 2016 amounted to €101.7 million (2015: €101.5 million).

In September 2016, in addition to the aforementioned quarterly dividend, the Board of Directors also approved the payment of a special dividend (paid as a capital repayment) of €cents 14 per share, representing a total amount of €52.7 million. The special dividend reflects the Board's continuing confidence in the Group's prospects and was paid on 30 September 2016.

At its meeting on 15 November 2016, the Company's Board of Directors approved a consistent annual dividend of €cents 27 per share for 2017 (to be paid as a capital repayment) which will likewise be paid in equal quarterly instalments commencing at the end of March 2017 (subject to any legal and regulatory requirements and restrictions of commercial viability).

DIRECTORS

Atrium's Directors who served during the year under review and as of the date of approving these financial statements are listed on page 36 in the Corporate Governance Report.

COMPANY SECRETARY

Aztec Financial Services (Jersey) Limited ("Aztec") is the Company Secretary of Atrium. Atrium has concluded an agreement with Aztec for the provision of company secretarial and administration services. As at 31 December 2016, Aztec held one share in Atrium, see note 2.16 of the financial statements.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards. The Directors have decided to use International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Atrium and of the profit or loss of Atrium for that year. During the preparation of these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that Atrium will continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of Atrium at any time and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of Atrium and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

21 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016 €'000	31 December 2015 €'000
ASSETS			
Non-current assets			
Standing investments	2.4	2,458,760	2,396,951
Developments and land	2.5	292,617	307,845
Property and equipment	2.6	2,209	2,505
		2,753,586	2,707,301
Intangible assets	2.7	3,424	5,064
Equity-accounted investment in joint ventures	2.8	173,169	169,408
Deferred tax assets	2.9	700	1,239
Long term loans	2.10	8,477	13,086
Other assets	2.11	7,260	18,537
		193,030	207,334
Current assets			
Receivables from tenants	2.12	10,467	12,499
Prepayments		3,072	2,965
Other receivables	2.13	33,229	6,185
Income tax receivable		1,319	2,632
Available for sale financial assets	2.14	42,036	-
Assets held for sale	2.15	14,729	119,652
Cash and cash equivalents		103,671	224,368
		208,523	368,301
TOTAL ASSETS		3,155,139	3,282,936
EQUITY AND LIABILITIES			
Equity			
Stated capital	2.16	2,422,587	2,574,836
Capital reserves	2.16	(1,425)	(1,413)
Retained earnings		(385,025)	(442,381)
Currency translation reserve		(77,691)	(96,449)
Currency translation reserve for disposal group held for sale	2.15	(16,396)	(2,622)
Non-controlling interest		-	(845)
		1,942,050	2,031,126
Non-current liabilities			
Long term borrowings	2.17	942,009	1,011,392
Derivatives	2.18	4,704	6,872
Deferred tax liabilities	2.19	76,475	67,511
Long term liabilities from finance leases	2.20	31,233	31,592
Other long term liabilities	2.21	14,474	15,163
		1,068,895	1,132,530
Current liabilities			
Trade and other payables	2.22	31,851	33,246
Accrued expenditure	2.23	42,240	45,360
Short term borrowings	2.17	5,396	1,389
Income tax payable		6,465	4,852
Liabilities held for sale	2.15	3,531	11,878
Provisions	2.24	54,711	22,555
		144,194	119,280
TOTAL EQUITY AND LIABILITIES		3,155,139	3,282,936

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2017 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, Peter Linneman, Chairman of the Audit Committee and Liad Barzilai, Group Chief Executive Officer.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS (FOR THE YEAR ENDED 31 DECEMBER)

	Note	2016 €'000	2015 €'000
Gross rental income	2.25	185,942	202,477
Service charge income	2.26	70,959	73,783
Net property expenses	2.27	(77,256)	(82,919)
Net rental income		179,645	193,341
Net result on disposals		(1,042)	(9,446)
Costs connected with developments		(2,860)	(2,601)
Revaluation of investment properties, net	2.4	40,794	(54,262)
Revaluation of developments and land, net	2.5	(26,243)	(50,403)
Other depreciation, amortisation and impairments	2.28	(7,787)	(3,501)
Administrative expenses	2.29	(72,234)	(52,072)
Share of profit of equity-accounted investments in joint ventures	2.8	12,421	10,114
Net operating profit		122,694	31,170
Interest expenses, net	2.30	(36,025)	(39,670)
Foreign currency loss		(5,326)	(1,669)
Other financial expenses, net	2.31	(8,707)	(20,704)
Profit/(loss) before taxation		72,636	(30,873)
Taxation (charge)/credit for the year	2.32	(14,435)	35,685
Profit after taxation for the year		58,201	4,812
Attributable to:			
Owners of the Company		58,201	4,866
Non-controlling interest		-	(54)
		58,201	4,812
Basic and diluted earnings per share in €cents, attributable to shareholders	2.33		
		15.4	1.3

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (FOR THE YEAR ENDED 31 DECEMBER)

		2016 €'000	2015 €'000
Profit for the year		58,201	4,812
Items that are or may be reclassified to the statement of profit or loss:			
Exchange differences arising on translation of foreign operations		-	916
Movements in hedge reserves (net of deferred tax)		38	2,209
Movements in available for sale reserve		(1,419)	-
Amounts reclassified to profit or loss in respect of cash flow hedges		1,719	2,211
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed of during the period		4,984	9,097
Total comprehensive income for the year		63,523	19,245
Attributable to:			
Owners of the Company		63,523	19,299
Non-controlling interest		-	(54)
		63,523	19,245

CONSOLIDATED CASH FLOW STATEMENT

	2016 €'000	2015 €'000
Cash flows from operating activities		
Profit (loss) before taxation	72,636	(30,873)
Adjustments for:		
Other depreciation, amortisation and impairments	7,787	3,501
Results from listed equity securities, net	(623)	-
Revaluation of standing investments, net	(40,794)	54,262
Revaluation of developments and land, net	26,243	50,403
Foreign exchange loss, net	5,326	1,669
Change in legal provisions, net of amounts paid	32,189	19,404
Share based payment expenses	327	905
Share of profit of equity-accounted investments in joint ventures	(12,421)	(10,114)
Net result on disposals	1,042	9,446
Finance lease interest expense	2,585	3,462
Impairment charge on long term loans granted	1,094	4,256
Net loss from bonds buy back and early repayments of loans	2,905	12,433
Interest expense	36,865	40,679
Interest income	(840)	(1,009)
Operating cash flows before working capital changes	134,321	158,424
(Increase)/decrease in trade, other receivables and prepayments	(309)	2,766
Increase/(decrease) in trade, other payables and accrued expenditure, net	2,174	(1,969)
Cash generated from operations	136,186	159,221
Increase in restricted cash related to legacy legal claims arrangement	(8,461)	-
Interest paid*	(40,417)	(44,824)
Interest received	928	709
Dividend received	8,750	3,784
Corporation taxes paid, net	(3,395)	(5,958)
Net cash generated from operating activities	93,591	112,932
Cash flows from investing activities		
Payments related to investment properties and other assets	(61,999)	(210,198)
Proceeds from the disposal of investment properties	125,522	76,853
Purchase of available for sale listed equity securities, net	(42,913)	-
Increase in restricted cash related to investing activity	(14,224)	-
Proceeds from loans granted	3,619	105
Net cash generated from/(used in) investing activities	10,005	(133,240)
Net cash flow before financing activities	103,596	(20,308)
Cash flows from financing activities		
Proceeds from issuance of share capital	1,496	2,090
Repayment of long term borrowings	(68,653)	(226,066)
Receipt of long term borrowings	-	155,486
Decrease/(Increase) in restricted cash related to financing activity	415	(3,853)
Repayments of finance leases*	(366)	(341)
Dividends paid	(154,422)	(101,532)
Net cash used in financing activities	(221,530)	(174,216)
Net decrease in cash and cash equivalents	(117,934)	(194,524)
Cash and cash equivalents at the beginning of year	224,368	420,544
Cash and cash equivalents classified as held for sale	-	(571)
Effect of exchange rate fluctuations on cash held	(2,763)	(1,081)
Cash and cash equivalents at the end of year	103,671	224,368

*31/12/2015 balances have been reclassified



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Share based payment reserve	Hedging reserve	Available for sale reserve	Retained earnings/ (deficit)	Currency translation reserve	Currency translation reserve for disposal group held for sale	Equity attributable to the owners of the Company	Non-controlling interest	Total equity
Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 1 January 2016	2,574,836	4,153	(5,566)		- (442,381)	(96,449)	(2,622)	2,031,971	(845)	2,031,126
Profit for the year	-	-	-	-	58,201	-	-	58,201	-	58,201
Other comprehensive income/(expense)	-	-	1,757	(1,419)	-	2,362	2,622	5,322	-	5,322
Total comprehensive income/(expenses)	-	-	1,757	(1,419)	58,201	2,362	2,622	63,523	-	63,523
Transactions with owners of the Company										
Share based payment	2.16	-	327	-	-	-	-	-	327	-
Issuance of no par value shares	2.16	2,173	(677)	-	-	-	-	-	1,496	-
Charging the non-controlling interests share in equity deficit of subsidiaries	-	-	-	-	(845)	-	-	(845)	845	-
Dividends	2.16	(154,422)	-	-	-	-	-	(154,422)		(154,422)
Disposal group held for sale	2.15	-	-	-	-	16,396	(16,396)	-	-	-
Balance as at 31 December 2016	2,422,587	3,803	(3,809)	(1,419)	(385,025)	(77,691)	(16,396)	1,942,050		- 1,942,050

	Stated capital	Share based payment reserve	Hedging reserve	Available for sale reserve	Retained earnings/ (deficit)	Currency translation reserve	Currency translation reserve for disposal group held for sale	Equity attributable to the owners of the Company	Non-controlling interest	Total equity
Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 1 January 2015	2,673,166	4,360	(9,986)		- (447,247)	(98,645)	(10,439)	2,111,209	(791)	2,110,418
Profit for the year	-	-	-	-	4,866	-	-	4,866	(54)	4,812
Other comprehensive income/(expense)	-	-	4,420	-	-	(426)	10,439	14,433	-	14,433
Total comprehensive income/(expenses)	-	-	4,420	-	4,866	(426)	10,439	19,299	(54)	19,245
Transactions with owners of the Company										
Share based payment	2.16	-	905	-	-	-	-	-	905	-
Issuance of no par value shares	2.16	3,202	(1,112)	-	-	-	-	-	2,090	-
Dividends	2.16	(101,532)	-	-	-	-	-	(101,532)	-	(101,532)
Disposal group held for sale	2.15	-	-	-	-	2,622	(2,622)	-	-	-
Balance as at 31 December 2015	2,574,836	4,153	(5,566)		- (442,381)	(96,449)	(2,622)	2,031,971	(845)	2,031,126

NOTES TO THE FINANCIAL STATEMENTS

2.1 REPORTING ENTITY

Atrium European Real Estate Limited is a company incorporated and domiciled in Jersey, and whose shares are publicly traded on both the Vienna Stock Exchange and the Euronext Amsterdam Stock Exchange under the ticker ATRS. Its registered office is 11-15 Seaton Place, St. Helier, Jersey, Channel Islands and its business address in Jersey is 4th Floor, Channel House, Green Street, St Helier, Jersey, Channel Islands.

The consolidated financial statements of Atrium as at and for the year ended 31 December 2016 comprise Atrium and its subsidiaries, collectively the "Group".

The principal activities of the Group are the ownership, management and operation of commercial real estate in the retail sector.

The Group primarily operates in Poland, the Czech Republic, Slovakia, Russia, Hungary and Romania.

2.2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU").

The consolidated financial statements have been prepared on a historical cost basis, except for standing investments and developments and land ("investment property"), derivative financial instruments, contingent considerations and available-for-sale ("AFS") financial assets that have been measured at fair value.

These financial statements are presented in Euros ("€"), which is considered by the Board of Directors to be the appropriate presentation currency due to the fact that the majority of the transactions of the Group are denominated in or based on this currency. All financial information is presented in Euros and all values are rounded to the nearest thousand (€'000), unless stated otherwise.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2016

The following new standards and amendments became effective as of 1 January 2016:

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements 2012-2014 Cycle
- Amendments to IAS 1 Disclosure Initiative

Although these new amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group. If a standard or amendment affects the Group, it is described, together with the impact. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NEW STANDARDS, AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BY THE GROUP EARLY

- IFRS 9 Financial Instruments (issued in July 2014, endorsed by the EU). In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted subject to EU endorsement. Except for hedge accounting, retrospective application for all comparable periods is required. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2016, the Group performed a preliminary assessment of the expected impact of IFRS 9 on its consolidated financial statements. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed ongoing analysis. Overall, the Group expects no significant impact on its balance sheet and equity following the adoption of the new standard.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014, endorsed by the EU) and amendments to IFRS 15 (issued in April 2016, not yet endorsed by the EU). In May 2014, the IASB and the FASB issued their joint revenue-recognising standard, IFRS 15 Revenue from Contracts with Customers. IFRS 15 sets out the requirements for recognising revenue and providing disclosures that apply to all contracts with customers, except for contracts that are within the scope of the standards of leases, insurance contracts and financial instruments. The standard replaces IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. In April 2016, the IASB issued amendments to IFRS 15, clarifying some requirements and providing additional transitional relief. The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. IFRS 15 is effective from 1 January 2018 earlier application is permitted.

During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis, and concluded that IFRS 15 is not expected to have a significant impact on the Group's consolidated financial statements. Note that IFRS 15 will not affect the recognition of lease income as this is still dealt with under IAS 17 Leases.

- IFRS 16 Leases (issued in January 2016, not yet endorsed by the EU). In January 2016, the IASB published a new standard, IFRS 16 Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted, subject to EU



endorsement, if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is currently assessing the impact of the new standard.

- ▶ Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued in June 2016, not yet endorsed by the EU). The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted, subject to EU endorsement. The Group is currently assessing the impact of the amendments, if any.

- ▶ IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016, not yet endorsed by the EU). The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency and are effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of the interpretation, if any.
- ▶ Amendments to IAS 40 Transfers of Investment Property (issued on 8 December 2016, not yet endorsed by the EU). The amendments clarify the requirements on transfers to, or from, investment property and are effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of the amendments, if any.
- ▶ The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.
- ▶ Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014, not yet endorsed by the EU). In August 2015 the IASB proposed to defer the effective date indefinitely, with early adoption, subject to EU endorsement, permitted.
 - ▶ Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016, not yet endorsed by the EU). The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption, subject to EU endorsement, permitted.
 - ▶ Amendments to IAS 7 Disclosure Initiative (issued in January 2016, not yet endorsed by the EU). The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption, subject to EU endorsement, permitted.
 - ▶ Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016, not yet endorsed by the EU). The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis when making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are critical judgements that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- ▶ **Acquisition of subsidiaries** – The Group acquires subsidiaries that own real estate. At the time of acquisition, management considers whether each acquisition represents an acquisition of a business or an acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired together with the property. More specifically, the following criteria, which indicate an acquisition of a business, are considered: the number of properties acquired, the extent to which strategic management processes and operational processes are acquired and the complexity of the processes acquired.

When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

- ▶ **Joint arrangements** – The Group is part owner of an investment in which it has a 75% ownership interest. The Group has determined that it does not control the investee and the ownership is shared with the other 25% owner. The investment is a joint arrangement. The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement) classified its interest as a joint venture. Consequently, it accounts for its investments using the equity method.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions and key sources of estimation uncertainty at the end of the reporting period that have a significant effect on the amounts recognised in the financial statements:

- ▶ **Fair value measurements and valuation processes - standing investments and developments and land** are presented at fair value in the statement of financial position. The fair values are determined by independent real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. The Group categorises the standing investments and developments and land fair value as Level 3 within the fair value hierarchy. The significant methods and assumptions used by valuers in estimating the fair values are set out in Note 2.35.
- ▶ **Deferred tax assets** - Deferred tax assets are recognised for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against losses which can be utilised. Significant estimates are required to determine the amount of deferred tax assets that can be recognised on the basis of the likely timing and level of future taxable profits together with future tax planning strategies. Further information is provided in Note 2.9.
- ▶ **Legal proceedings** - The Group regularly monitors developments in on-going legal proceedings to which it is a party. When developments in legal proceedings are noted and at each reporting date, it assesses and determines the need for possible provisions and disclosures in its financial statements. When assessing whether a specific case requires a provision (including the amount), the main factors considered by the Group are: the Group's potential financial exposure, the assessments and recommendations of the Group's external legal advisers regarding the Group's position, the stage of the proceedings and the anticipated amount of time it will take before a final and binding decision is delivered, as well as the Group's past experience of similar cases. For further information, see also Note 2.40.
- ▶ **Taxes** - Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to current tax and/or deferred tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the results of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. For further information, see also Note 2.40.

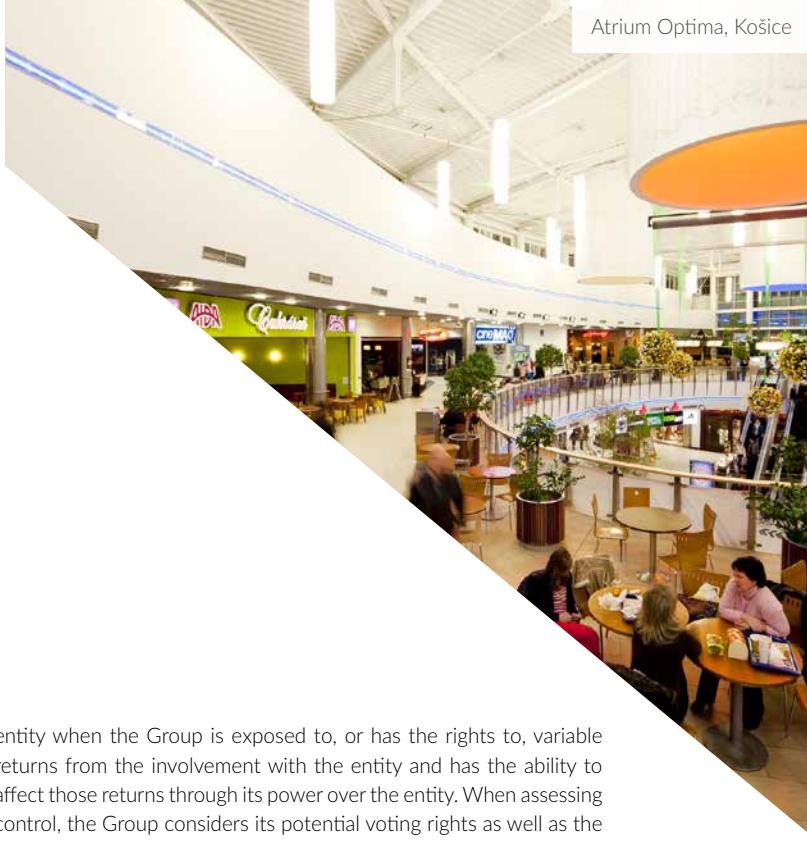
2.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all the periods presented in these consolidated financial statements and have been applied consistently by entities within the Group.

BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled, directly or indirectly, by the Company ("subsidiaries"). The Group controls an



entity when the Group is exposed to, or has the rights to, variable returns from the involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing control, the Group considers its potential voting rights as well as the potential voting rights held by other parties, to determine whether it has power. Those potential voting rights are considered only if the rights are substantive. The Company must have the practical ability to exercise those rights. The consolidation of the financial statements commences on the date on which control is obtained and ends on the date such control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

For the purposes of the consolidation, all inter-company transactions, balances, income and expenses are eliminated.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

LOSS OF CONTROL

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value as at the date the control is lost. Subsequently, that retained interest is accounted for using the equity method if significant influence is retained.

INVESTMENT PROPERTY ACQUISITIONS AND BUSINESS COMBINATIONS

Where investment property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes. Non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date. Directly attributable costs are recognised as part of the acquisition cost.



BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Acquisition-related costs are expensed as incurred and included in administrative expenses.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control for strategic financial and operating decisions.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of the operations of the joint ventures. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value, and then recognises the loss as 'Share of profit (loss) of equity-accounted investments in joint ventures' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

CONSOLIDATION GROUP

The Consolidated financial statements of the Group include the following subsidiaries as at 31 December 2016:

Company name	Country	Ownership
ABERGAVENNY INVESTMENTS LIMITED	Cyprus	70%
ATTILO HOLDINGS LIMITED	Cyprus	100%
BROADVALE HOLDINGS LIMITED	Cyprus	100%
DALSEN SERVICES LIMITED	Cyprus	90%
DANELDEN ENTERPRISES LIMITED	Cyprus	100%
ETHERLAND INVESTMENTS LIMITED	Cyprus	100%
MALL GALLERY 1 LIMITED	Cyprus	63%
MALL GALLERY 2 LIMITED	Cyprus	100%
MD CE HOLDING LIMITED	Cyprus	100%
MD REAL ESTATE MANAGEMENT LIMITED	Cyprus	100%
MD RUSSIA HOLDING LIMITED	Cyprus	100%
MD TIME HOLDING LIMITED	Cyprus	100%
NOKITON INVESTMENTS LIMITED	Cyprus	100%
PATTONGATE TRADING LIMITED	Cyprus	100%
atrium beta czech republic s.r.o.	Czech Republic	100%
atrium delta czech republic s.r.o.	Czech Republic	100%
atrium flóra a.s.	Czech Republic	100%
atrium gamma czech republic s.r.o.	Czech Republic	100%
atrium ostrava czech republic s.r.o.	Czech Republic	100%
atrium palác pardubice s.r.o.	Czech Republic	100%
atrium pankrác s.r.o.	Czech Republic	100%
euromall brno real estate s.r.o.	Czech Republic	100%
manhattan development s.r.o.	Czech Republic	100%
atrium czech real estate management s.r.o. ¹	Czech Republic	100%
veveří centre s.r.o.	Czech Republic	100%
foras holding a/s	Denmark	100%
poloniaco aps	Denmark	100%
alfa - piac kft.	Hungary	100%
atrium alfa hu kft.	Hungary	100%
atrium beta hu kft.	Hungary	100%
magnum hungaria invest kft.	Hungary	100%
manhattan development alfa kft.	Hungary	100%
manhattan development global kft.	Hungary	100%
manhattan development invest kft.	Hungary	100%
manhattan development kft.	Hungary	100%
manhattan development projekt kft.	Hungary	100%
manhattan development property kft.	Hungary	100%
manhattan development tanne kft.	Hungary	100%
manhattan real estate management kft.	Hungary	100%
atrium treasury services limited	Jersey	100%
sia manhattan real estate management (in liquidation)	Latvia	100%



Company name	Country	Ownership
ATRIUM AGROMEX SCSP	Luxembourg	100%
ATRIUM BIAŁA SCSP	Luxembourg	100%
ATRIUM BYDGOSZCZ SCSP	Luxembourg	100%
ATRIUM COPERNICUS SCSP	Luxembourg	100%
ATRIUM DOMINIKAŃSKA SCSP	Luxembourg	100%
ATRIUM KALISZ SCSP	Luxembourg	100%
ATRIUM KOSZALIN 1 SCSP ²	Luxembourg	100%
ATRIUM MOŁO SCSP	Luxembourg	100%
ATRIUM PLEJADA SCSP	Luxembourg	100%
ATRIUM POLAND HOLDING GP SÀRL	Luxembourg	100%
ATRIUM PROMENADA 2 SCSP	Luxembourg	100%
ATRIUM PROMENADA GP SÀRL	Luxembourg	100%
ATRIUM PROMENADA SCSP	Luxembourg	100%
ATRIUM REDUTA SCSP	Luxembourg	100%
ATRIUM TARGÓWEK SCSP	Luxembourg	100%
ATRIUM EUROPE B.V.	Netherlands	100%
ATRIUM EUROPEAN COÖPERATIEF U.A.	Netherlands	100%
ATRIUM GROUP SERVICES B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 1 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 2 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 3 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 4 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 5 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 6 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 7 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 8 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 1 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 2 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 3 B.V. ²	Netherlands	100%
ATRIUM RUSSIAN HOLDING 4 B.V. ²	Netherlands	100%
ATRIUM RUSSIAN HOLDING 5 B.V. ²	Netherlands	100%
ATRIUM POLAND HOLDING B.V. ²	Netherlands	100%
ATRIUM LUX HOLDING B.V. ²	Netherlands	100%
ATRIUM TURKEY B.V.	Netherlands	100%
ATRIUM TURKEY GOETZTEPE B.V.	Netherlands	100%
ATRIUM TURKEY KAHRAMANMARAS B.V.	Netherlands	100%
ATRIUM TURKEY SAMSUN B.V.	Netherlands	100%
A100 ATRIUM POLAND SP. Z O.O. (IN LIQUIDATION)	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. AGROMEX DEVELOPMENT SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. BIAŁA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. BIAŁA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. BYDGOSZCZ SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. BYDGOSZCZ 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. COPERNICUS SP.K	Poland	100%

Company name	Country	Ownership
ATRIUM POLAND 1 SP. Z O.O. COPERNICUS 2 SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. DOMINIKANSKA SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. DOMINIKANSKA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. KALISZ SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. KALISZ 2 SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. KOSZALIN SP.K ³	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. MOLO SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. MOLO 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. PLEJADA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. PLEJADA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. PROMENADA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. PROMENADA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. REDUTA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. REDUTA 2 SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. TARGÓWEK SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. TARGÓWEK 2 SP.K.	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. DOMINIKANSKA HOLDING SP.K ¹	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. REDUTA HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. PLEJADA HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. MOLO HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. BYDGOSZCZ HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. BIALA HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. COPERNICUS HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. PROMENADA HOLDING SP.K ²	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. TARGOWEK HOLDING SP.K ²	Poland	100%
ATRIUM FELICITY SP. Z O.O.	Poland	100%
ATRIUM GALERIA LUBLIN SP. Z O.O.	Poland	100%
ATRIUM GDAŃSK 1 SP. Z O.O.	Poland	100%
ATRIUM JASTRZĘBIE SP. Z O.O.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.	Poland	100%
ATRIUM POLAND 2 SP. Z O.O.	Poland	100%
ATRIUM POLAND 3 SP. Z O.O.	Poland	100%
ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O	Poland	100%
CENTRUM HANDLOWE NEPTUNCITY SP. Z O.O.	Poland	100%
GALERIA NA WYSPIE SP. Z O.O.	Poland	100%
IPOPEMA 77 FIZ	Poland	100%
L.P.H. SP. Z O.O.	Poland	100%
MANHATTAN DEVELOPMENT SP. Z O.O.	Poland	100%
MD POLAND II SP. Z O.O.	Poland	100%
PROJEKT ECHO-35 SP. Z O.O.	Poland	100%
WIOSENNY SP. Z O.O. (IN LIQUIDATION)	Poland	100%
ZIELONY ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O. S.K.A. (IN LIQUIDATION)	Poland	100%
ATRIUM ROMANIA REAL ESTATE MANAGEMENT SRL	Romania	100%
LAND DEVELOPMENT PROJECT SRL	Romania	100%
PROPERTY DEVELOPMENT ONE SRL	Romania	100%



Company name	Country	Ownership
PROPERTY DEVELOPMENT TWO SRL	Romania	100%
OOO BUGRY	Russia	100%
OOO DELTA	Russia	100%
OOO ENGINEERICS	Russia	100%
OOO EVEREST	Russia	100%
OOO LAND DEVELOPMENT ²	Russia	100%
OOO MANHATTAN BRATEEVO	Russia	100%
OOO MANHATTAN DEVELOPMENT	Russia	100%
OOO MANHATTAN REAL ESTATE MANAGEMENT	Russia	100%
OOO MANHATTAN SIGNALNY	Russia	100%
OOO MANHATTAN YEKATERINBURG	Russia	100%
OOO MD TOGLIATTI	Russia	100%
OOO RETAIL TOGLIATTI	Russia	100%
OOO ZVEZDNYI GOROD	Russia	100%
OOO MEGAPOLIS	Russia	100%
OOO NAUTILUS	Russia	100%
OOO PATERA	Russia	100%
MANHATTAN DEVELOPMENT SK S.R.O.	Slovakia	100%
MANHATTAN REAL ESTATE MANAGEMENT SK S.R.O.	Slovakia	100%
PALM CORP S.R.O.	Slovakia	100%
SLOVAK INVESTMENT GROUP S.R.O.	Slovakia	100%
ATRIUM EUROPEAN REAL ESTATE SPAIN S.L.U.	Spain	100%
MANHATTAN GAYRIMENKUL YÖNETİMİ LIMITED SIRKETİ	Turkey	100%
MEL 1 GAYRIMENKUL GELİSTİRME YATIRIM INSAAT VE TİCARET A.Ş.	Turkey	100%
A.KHARKIV 1 LLC	Ukraine	99.9%
A.KHARKIV 2 LLC	Ukraine	99.9%
A.KHARKIV 3 LLC	Ukraine	99.9%
ENGINEERICS UKRAINE LLC	Ukraine	100%
PRIVATE JSC IPODROM	Ukraine	100%
VORONTSOVSKI VEZHI LLC	Ukraine	70%

¹ Companies renamed during 2016

² Companies newly incorporated or purchased 2016

³ Companies converted into limited partnerships in 2016 (sp.k).

FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The currency in which the entity generates rental income is considered the primary driver in determining the functional currency of that entity, but other cash flows are also taken into account.

The Euro has been determined to be the functional currency for the entities comprising the Group, except for certain subsidiaries in the Czech Republic, which use the Czech Koruna ("CZK") as their functional currency.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated to the respective functional currency of Group entities at the foreign exchange rate prevailing as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the foreign exchange rate prevailing as at that date. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates prevailing as at the dates the fair values are determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or profit or loss are also recognised in Other Comprehensive Income or profit or loss, respectively).

FOREIGN OPERATIONS

On consolidation, the assets and liabilities of foreign operations are translated into Euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income.

On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is reclassified to profit or loss. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative foreign currency reserve is attributed to non-controlling interest. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss. If the foreign operation is

a non-wholly owned subsidiary then the relevant proportion of the translation difference is allocated to non-controlling interests. Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are also presented in the statement of comprehensive income and as a separate component of equity until the disposal of the net investment.

INVESTMENT PROPERTIES

The Group investment properties comprise of completed properties ("standing investments") and properties under construction or re-development and land ("developments and land") that are held, or being constructed, to earn rental income or for capital appreciation or both. Property held under a lease is classified as investment property when it is held, or being constructed, to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

All costs directly associated with the development of a property and all subsequent capital expenditure that adds to or replaces part of the property are capitalised. Subsequent capital expenditures are capitalised to the property only if it is probable that the cash outflow will produce future economic benefits and the cost can be measured reliably. The standing investments day-to-day maintenance costs are expensed to the consolidated statement of profit or loss.

The Group capitalises borrowing costs if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use have started and expenditure and borrowing costs are incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. Capitalisation ceases when the project has been completed or abandoned. The capitalisation rate is determined by reference to the actual rate payable on borrowings for the respective development or by the Group's average rate.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss arising from a change in the fair value of investment properties is recognised in the Group's consolidated profit or loss under the caption "Revaluation of standing investment, net" or "Revaluation of developments and land, net".

The fair values of all standing investments, as at 31 December 2016, were determined on the basis of independent external valuations received from Cushman & Wakefield or JLL. The fair values of most of the developments and land, as at 31 December 2016, were determined on the basis of independent external valuations received from Cushman & Wakefield. Approximately 30% (2015: 24%) of the developments and land properties were valued internally. Cushman & Wakefield and JLL are both external, independent, international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details about the investment properties valuation process, see note 2.5 and 2.35.

The commencement of development with a plan or a prior agreement to sell represents a change in use and accordingly the project is transferred from developments and land to inventories. The development's deemed cost shall be its fair value at the date of change in use.



Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

PROPERTY AND EQUIPMENT

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the expected useful life of the assets, which is usually between five and ten years, taking into account the expected residual value at the end of the useful life.

Depreciation is charged on the asset from the date that it is available for use, for the entire useful life of the asset or until the date of its disposal.

INTANGIBLE ASSETS

Intangible assets are defined as identifiable, non-monetary assets without physical substance, which are expected to generate future economic benefits. Intangible assets include assets with an estimated useful life greater than one year and, for the Group, primarily comprise computer software.

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is recorded on a straight line basis over their estimated useful lives. The useful lives of the assets are usually between four and ten years.

Amortisation is charged on an asset from the date it is available for use to the date of its disposal.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

A non-current asset or a group of assets (disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there must be a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification.

Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. On re-classification as held for sale, investment properties that are measured at fair value continue to be measured in this way.

A non-current asset or disposal group classified as held for sale is presented separately within current assets or liabilities in the statement of financial position as assets or liabilities classified as held for sale.

FINANCIAL INSTRUMENTS

Non-derivative financial assets and financial liabilities – Recognition

The Group initially recognises a financial asset or a financial liability in its statement of financial position on the trade date when it becomes a party to the contractual provisions of the instrument.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

FINANCIAL ASSETS – MEASUREMENT AND DERECOGNITION

The Group's financial assets are classified as loans and receivables and available for sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables. This category mainly applies to the Group's receivables from tenants and other receivables and loans granted.

Available for sale financial assets

The Group's available for sale financial assets include listed equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, AFS financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited/debited to the AFS reserve. When available for sale financial assets are derecognized or the investment is determined to be impaired, the gain or loss accumulated in equity is reclassified to profit or loss. Impairment losses are not reversed through profit or loss; fair value increases after impairment are recognised in other comprehensive income. Dividend income is recognized in profit or loss, other financial expenses, net line item, when a right to receive payment is established.

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Financial assets carried at amortised cost, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the

impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Impairment of available for sale financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Objective evidence would include a significant or prolonged decline in the fair value of equity investment below its cost. 'Significant' is evaluated against the original weighted average cost of the investment and 'prolonged' against the period in which the fair value has been below its original weighted average cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the weighted average acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is recycled from Other Comprehensive Income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in Other Comprehensive Income.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NON-DERIVATIVE FINANCIAL LIABILITIES – MEASUREMENT AND DERECOGNITION

The Group's non-derivative financial liabilities are classified as other financial liabilities.

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.



Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

When an element of bonds issued by Atrium is repurchased before maturity, the carrying amount of the bond is allocated between the element that continues to be recognised and the element that is derecognised based on the relative fair values of such elements on the date of repurchase. The difference between (a) the carrying amount allocated to the element derecognised and (b) the consideration paid is recognised as profit or loss on repurchase of bonds in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognised from the exchange. When determining whether an exchange transaction of a debt instrument constitutes material change, the Group takes into consideration quantitative as well as qualitative criteria.

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

The Group holds derivative financial instruments to hedge its interest rate risk exposure. On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% – 125%.

Derivatives are initially recognised at fair value. Any attributable transaction costs are recognised in the consolidated statement of profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecasted transaction is no longer expected to occur, then the balance in equity is reclassified to the consolidated statement of profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with a maturity of three months or less, and other short term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

STATED CAPITAL

The stated capital account consists of the proceeds received and receivable by Atrium from the issue of its ordinary shares, net of direct issue costs.

DIVIDENDS

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. Dividends declared during the period are presented as a reduction in the stated capital of Atrium.

SHARE BASED PAYMENTS ARRANGEMENTS

The grant date fair value of equity-settled share based payments arrangements granted to employees, executives and Directors is generally recognised as an expense, with a corresponding increase in equity, over the period in which the service conditions are satisfied, ending on the date on which the relevant employees, executives and Directors become fully entitled to the award (the "vesting period"). The cumulative expense, recognised for share based payments arrangements at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately be vested.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

LIABILITIES FROM LEASES

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss.

An Operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

RENTAL INCOME

The Group is the lessor in operating leases on standing investments. Rental income from operating leases is recognised on a straight-line basis over the lease term.

SERVICE CHARGES AND EXPENSES RECOVERABLE FROM TENANTS

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the Group acts as principal in this respect.

NET RESULT ON DISPOSAL OF PROPERTIES

The net result on disposal of properties is determined as the difference between the sale proceeds and the carrying value of the property and is recognised in the statement of profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

INTEREST INCOME, INTEREST EXPENSES AND OTHER FINANCIAL INCOME AND EXPENSES

Interest income and expenses are accounted for using the effective interest method.

Other financial income and expenses comprise mainly finance lease interest, net profit or loss from bond buybacks or early repayments of loans and impairment of financial instruments.

TAXATION

GENERAL

The Group is subject to income and capital gains taxes in numerous jurisdictions. The Group recognises liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.

CURRENT INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The taxable profit differs from the net loss or profit as reported in the consolidated statement of profit or loss due to the inclusion or exclusion of income or expense items that are taxable or deductible in different reporting periods or which are not taxable or deductible.

DEFERRED INCOME TAX

Deferred income tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credits or unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss



The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value a rebuttable presumption exists that its carrying amount will be recovered through sale.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the earnings attributed to the owners of the Company by a weighted average of the number of regular shares in circulation throughout the reported period.

In order to calculate diluted earnings per share, the earnings attributed to the regular Company shareholders and the weighted average of the number of shares in circulation are adjusted on the basis of the influence of all potential regular shares originating from employees' options, so long as they lead to dilution relative to the basic profit per share.

SEGMENT REPORTING

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed in order to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

THE GROUP HAS TWO REPORTABLE SEGMENTS:

- the standing investment segment includes all commercial real estate held to generate rental income for the Group; and
- the development segment includes all development activities and activities related to land plots.

The reconciling items mainly include holding activities and other items that relate to activities other than the standing investment segment and the development segment.

The Group's reportable segments are strategic business sectors which carry out different business activities and are managed separately.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reliable basis. The Group evaluates performance of the standing investment segment on the basis of profit or loss from operations before tax excluding foreign exchange gains and losses. The performance of the development segment is evaluated on the basis of expected yield on cost.

Geographical information is based on the geographical locations of the investment properties. The Group operates in the following countries: Poland, the Czech Republic, Slovakia, Russia, Hungary, Romania, Turkey

and during 2016 also in Latvia. In addition, the Group has its holding, management or other companies in Cyprus, Denmark, Luxembourg, the Netherlands, Spain, Ukraine and Jersey.

2.4 STANDING INVESTMENTS

The current portfolio of standing investments consists of 59 properties (2015: 63¹); which comprise 21 properties in Poland (2015: 21¹), 5 properties in the Czech Republic (2015: 7¹), 3 properties in Slovakia (2015: 3), 7 properties in Russia (2015: 7), 22 properties in Hungary (2015: 23), 1 property in Romania (2015: 1).

A roll forward of the total standing investments portfolio is provided in the table below:

Standing investments	31 December 2016 €'000	31 December 2015 €'000
Balance as at 1 January	2,396,951	2,520,439
Additions - technical improvements, extensions	29,545	28,202
Movements - financial leases	469	655
Transfers from developments and land	34,119	31,036
Transfers to developments and land	(28,596)	-
Transfer to assets held for sale	-	(117,467)
Currency translation difference	-	2,778
Revaluation of standing investments	40,343	(54,262)
Disposals	(14,071)	(14,430)
Balance as at 31 December	2,458,760	2,396,951

The primary driver behind the €40.3 million revaluation as at 31 December 2016 across our portfolio was yield compression. In Russia, the improvement in rental income compared to previous periods has resulted in a further positive revaluation.

SIGNIFICANT EVENTS AND TRANSACTIONS:

In February 2016, the Group completed the sale of a portfolio of 10 retail assets located in the Czech Republic with a total lettable area of approximately 86,200 sqm to a private client account managed by Palmer Capital for an asset value of approximately €102.6 million. The net profit resulting from this transaction amounted to €1.5 million.

In June 2016, the Group completed the sale of a portfolio of three retail assets located in Poland with a total lettable area of approximately 15,700 sqm to Pergranso Sp z.o.o. for an asset value of approximately €17.5 million. The net profit resulting from this transaction was immaterial.

Both portfolios were presented as held for sale as at 31 December 2015.

In October 2016, the Group completed the sale of the Atrium Azur shopping centre in Latvia for a value of €12.5 million and in November 2016, an additional small asset located in the Czech Republic was sold.

¹ Excluding 10 assets in the Czech Republic and 3 assets in Poland classified as assets held for sale as at 31 December 2015

The total value of land leases was €30.4 million as at 31 December 2016 (2015: €30.9 million).

In March 2016, the Group completed the first extension of stage 1 of the Atrium Promenada redevelopment project and transferred the value of that extension from developments and land to the standing investments portfolio. Conversely, areas where redevelopment works commenced in Promenada were transferred from standing investments to developments and land. In October 2016, the second extension was completed and treated in the same manner.

In January 2015, the Group completed the sale of a portfolio of 72 small retail assets spread throughout the Czech Republic, for a consideration of CZK1,925 million (approximately €69 million) comprising a cash payment of CZK1,670 million (approximately €60 million) with the balance satisfied through a secured vendor loan to the purchaser. The loss from the transaction amounted to €11.4 million (including non-cash currency translation reserves reclassified from equity to the consolidated statement of profit or loss).

In March 2015, the extension of Atrium Copernicus centre in Toruń, Poland, was opened and transferred from developments and land to the standing investments portfolio.

In October 2015, the Group completed the sale of another five smaller format retail assets in the Czech Republic, for a cash consideration of CZK390 million (approximately €14.0 million). The net profit resulting from this transaction amounted to €1.7 million (including non-cash currency translation reserves reclassified from equity to the consolidated statement of profit or loss).

The yield diversification across the Group's income producing portfolio is stated in the table below:

EPRA NET INITIAL YIELD (NIY)

Standing investments	2016	2015
Poland	6.2%	6.5%
Czech Republic	5.6%	6.5%
Slovakia	7.0%	7.4%
Russia	12.0%	12.3%
Hungary	11.6%	10.5%
Romania	7.8%	7.9%
Latvia	-	8.9%
Weighted average	7.0%	7.3%

For information about the fair value of standing investments, see note 2.35.

FAIR VALUE OF COLLATERAL

Certain assets have been provided as collateral against the 2005 Bonds (maturing in August 2017) and bank loan (maturing in September 2021) held by the Group. The analysis of assets pledged as collateral is as follows:

2016	Book value €'000	No. of assets charged as collateral	Fair value of collateral €'000
Collateralised Bond issued in 2005	3,838	1	24,770
Collateralised bank loans	109,319	1	227,182
Total	113,157	2	251,952

2015	Book value €'000	No. of assets charged as collateral	Fair value of collateral €'000
Collateralised Bond issued in 2005	3,819	2	29,766
Collateralised bank loans	158,530	2	348,115
Total	162,349	4	377,881



2.5 DEVELOPMENTS AND LAND

The current portfolio of developments and land of the Group consists of 20 projects (31 December 2015: 24²).

Developments and land	31 December 2016	31 December 2015
	€'000	€'000
Balance as at 1 January	307,845	365,016
Additions - cost of land and construction	28,008	25,500
Movements - financial leases	253	163
Transfer from standing investments	28,596	-
Transfer to standing investments	(34,119)	(31,036)
Transfer to assets held for sale	(11,798)	(1,553)
Disposals	(267)	(1,022)
Interest capitalised	342	1,077
Currency translation difference	-	103
Revaluation of developments and land	(26,243)	(50,403)
Balance as at 31 December	292,617	307,845

The devaluation of €26.2 million in 2016 is mainly a result of a €12.6 million (2015: €45.1) devaluation in Russia and a €14.9 million devaluation in Turkey (2015: nil). For information about the fair value of developments and land, see note 2.35.



SIGNIFICANT EVENTS AND TRANSACTIONS:

In September 2014, the Group commenced works on the redevelopment project of the Atrium Promenada centre in Warsaw, Poland. Stage one of redevelopment has been completed and stage two is currently underway, together consisting of extensions totalling 21,000 sqm of additional GLA, the remodelling and renovation of a substantial part of the shopping centre and the purchase of an adjacent land plot, to be used for future stages of the redevelopment. The total net incremental costs to complete the redevelopment project were approximately €65 million as at 31 December 2016.

In March 2016, the first extension was completed at which point the total book value of that extension was transferred to the income producing portfolio and in October 2016, the second extension was completed.

In April 2016, works commenced on the initial phase of the Targowek extension, which precedes the construction of the main extension and comprises land assembly, project design and the construction of additional parking spaces. The total net incremental costs to complete the initial phase of the redevelopment project were approximately €4 million as at 31 December 2016.

In April 2016, Atrium signed a framework agreement for the sale of a wholly owned subsidiary which owns two land plots in Pushkino, Russia and subsequently classified the asset as held for sale. For more information see note 2.15.

The average capitalisation rate used for the capitalisation of borrowing costs was 3.7% for the year 2016 (2015: 3.7%).

The total value of land leases was €4.0 million as at 31 December 2016 (2015: €3.7 million).

2.6 PROPERTY AND EQUIPMENT

Property and equipment	31 December 2016 €'000	31 December 2015 €'000
Office equipment	879	911
Other property and equipment	1,330	1,594
Total	2,209	2,505

2.7 INTANGIBLE ASSETS

Intangible assets	31 December 2016 €'000	31 December 2015 €'000
Software	3,369	5,000
Other	55	64
Total	3,424	5,064

² Excluding an asset in Poland classified as assets held for sale as at 31 December 2015

2.8 EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

The following joint ventures are indirectly owned by the Company:

Name of the joint venture	Country of incorporation	Stake in equity of joint venture 31 December 2016	Investment in joint venture 31 December 2016 €'000	Investment in joint venture 31 December 2015 €'000
Pankrac Shopping Centre k.s	Czech Republic	75%	171,957	167,987
EKZ 11 k.s.	Czech Republic	75%	1,212	1,421
Total			173,169	169,408

In January 2015, Atrium signed an agreement to acquire a 75% interest in the Arkády Pankrác shopping centre in Prague, the Czech Republic, for €162 million. Atrium agreed to acquire the stake from Unibail-Rodamco S.E., which owned 75% of the centre in a joint venture with the Otto family. The Otto family continues to own the remaining 25% of the joint venture. The Company completed the acquisition in June 2015.

The transaction was accounted for as the acquisition of an asset that does not constitute a business and, as a result, the Group did not recognise deferred taxes on temporary differences arising on initial recognition.

The Group has determined that joint control exists with the other 25% owner. The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement) classified its interests in the joint arrangement as a joint venture.

At the time of purchase, one of the general partners in the joint venture took out a loan facility from Berlin-Hannoversche Hypothekenbank AG to partly finance its partnership share. As collateral for repayment of this loan, a mortgage was registered over the title to the Asset, as well as a pledge over their percentage of the revenues generated by the asset.

The Group's 75% share in the joint ventures is structured via two entities, namely Pankrac Shopping Centre k.s and EKZ 11 k.s.

Summarised financial information of the joint ventures, Pankrac Shopping Centre k.s and EKZ 11 k.s., based on their IFRS unaudited financial statements updated for adjustments at acquisition and reconciliation with the carrying amount of the investment in the consolidated financial statements, is presented below:

	31 December 2016 €'000	31 December 2015 €'000
Standing investment	229,900	224,700
Cash and cash equivalents	2,823	2,634
Other current assets	113	1,142
Non-current liabilities	(845)	(837)
Current liabilities	(1,099)	(1,762)
Net assets (100%)	230,892	225,877
Group share of net assets (75%)	173,169	169,408
Carrying amount of interest in joint ventures	173,169	169,408
Gross rental income	13,106	6,527
Other items including revaluation	3,455	6,958
Profit of the Joint Ventures (100%)	16,561	13,485
Share of profit of equity-accounted investment in joint ventures (75%)	12,421	10,114
Dividends received by the Group	8,669	3,784

The Group has not incurred any contingent liabilities in relation to its interest in the joint ventures, nor do the joint ventures themselves have any contingent liabilities for which the Group is contingently liable.



2.9 DEFERRED TAX ASSETS

Deferred tax assets 2016	Balance as at 1 January 2016 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Balance as at 31 December 2016 €'000
Deferred tax assets arise from the following temporary differences:			
Investment properties	(3,789)	3,789	-
Other assets	(10)	(25)	(35)
Liabilities and provisions	67	(4)	63
Tax losses carried forward	4,971	(4,299)	672
Total deferred tax assets	1,239	(539)	700

Deferred tax assets 2015	Balance as at 1 January 2015 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Balance as at 31 December 2015 €'000
Deferred tax assets arise from the following temporary differences:			
Investment properties	(747)	(3,042)	(3,789)
Other assets	271	(281)	(10)
Liabilities and provisions	477	(410)	67
Tax losses carried forward	1,085	3,886	4,971
Total deferred tax assets	1,086	153	1,239

2.10 LOANS

Loans	31 December 2016 €'000	31 December 2015 €'000
Loans to third parties	23,036	26,615
Impairment of loans to third parties	(14,227)	(13,141)
Total	8,809	13,474
Amount due within 12 months (included within current assets)	332	388
Amount due after more than 12 months	8,477	13,086

An unsecured loan to a third party which had a book value of €3.0 million (2015: €4.0 million) as at 31 December 2016, and a variable interest of 3 month EURIBOR plus 150 basis points per annum continued to be impaired to reflect the estimated recoverable amount.

A secured vendor loan in the amount of CZK255 million (approximately €9.0 million) was granted to the purchaser of a portfolio of 72 assets in the Czech Republic in January 2015. The loan is in Czech Koruna and bears 6% interest. €4.2 million of the principal was repaid during 2016. See also note 2.4.

The loans are stated at their estimated recoverable amount, which is not significantly different from their fair value.

2.11 OTHER ASSETS

Other assets	31 December 2016 €'000	31 December 2015 €'000
VAT receivables	4,788	11,643
Restricted cash in banks	2,003	6,261
Other	469	633
Total	7,260	18,537

The Group held cash of €2.0 million (31 December 2015: €6.3 million) restricted as security for loans and tenants' deposits.

Long term VAT receivables arise primarily from the development of investment property in Turkey. In 2016, the Group impaired the long term VAT by €5.0 million to their recoverable amount. The impairment was recognised in the statement of profit or loss line item other depreciation, amortization and impairments, see also note 2.28.

2.12 RECEIVABLES FROM TENANTS

Receivables from tenants 2016	Gross €'000	Allowances for impaired balances €'000	Net €'000
Receivables aging:			
Due within term	5,602	-	5,602
Overdue 0-30 days	4,353	(869)	3,484
Overdue 31-90 days	1,254	(377)	877
Overdue 91-180 days	881	(583)	298
Overdue 181-360 days	1,452	(1,355)	97
Overdue 361 days and more	11,238	(11,129)	109
Total	24,780	(14,313)	10,467

Receivables from tenants 2015	Gross €'000	Allowances for impaired balances €'000	Net €'000
Receivables aging:			
Due within term	6,958	(172)	6,786
Overdue 0-30 days	3,402	(528)	2,874
Overdue 31-90 days	2,247	(650)	1,597
Overdue 91-180 days	2,330	(1,253)	1,077
Overdue 181-360 days	2,311	(2,175)	136
Overdue 361 days and more	9,471	(9,442)	29
Total	26,719	(14,220)	12,499

The description of collateral held as security in relation to tenants is provided in note 2.38 under credit risk.

Allowances for bad debts are calculated on the basis of management's knowledge of the tenants, the business and the market.

The table below provides a reconciliation of changes in allowances during the year:

Allowances for bad debts	31 December 2016	31 December 2015
	€'000	€'000
At 1 January	(14,220)	(13,926)
Release	1,787	2,001
Addition	(1,880)	(2,295)
At 31 December	(14,313)	(14,220)

2.13 OTHER RECEIVABLES

Other receivables	31 December 2016	31 December 2015
	€'000	€'000
VAT receivables	3,554	2,198
Restricted cash in banks	26,942	847
Others	2,733	3,140
Total	33,229	6,185

The Group held cash of €26.9 million (31 December 2015: €0.9 million) restricted as security for the compensation arrangement (see note 2.40), bonds, loans, tenants' deposits and an acquisition (which has since completed) of a land plot related to one of our redevelopments.

2.14 AVAILABLE FOR SALE FINANCIAL ASSETS

The Group's available for sale financial assets include a diversified portfolio of listed equity securities with less than 1% total holding in each individual investment. The available for sale financial assets are carried at fair value, the fair value is based on quoted prices (unadjusted) in active markets (Level 1 within the fair value hierarchy). As of 31 December 2016 the available for sale financial assets total balance amounted to €42.0 million.



2.15 ASSETS AND LIABILITIES HELD FOR SALE

As at 31 December 2016, the assets and liabilities held for sale included two land plots in Russia, with a total value of €11.8 million, one of which is located in the Moscow region and valued at €10.8 million. Foreign currency translation reserves, amounting to €16.4 million, were also presented as held for sale.

As at 31 December 2015, the assets and liabilities held for sale included a portfolio of ten retail assets in the Czech Republic with a total lettable area of approximately 86,200 sqm, sold in February 2016 for a value of approximately €102.6 million, and a portfolio of three assets in Poland sold in June 2016.

The major classes of assets and liabilities of subsidiaries which are presented as held for sale at the end of the reporting period are as follows:

	31 December 2016 €'000	31 December 2015 €'000
Non-current assets		
Standing investments	-	117,467
Developments and land	11,798	1,553
Other assets	239	-
Current assets	2,692	632
Assets held for sale	14,729	119,652
Non-current liabilities		
Long term liabilities from financial leases	689	687
Other non-current liabilities	-	10,687
Current liabilities	2,842	504
Liabilities held for sale	3,531	11,878
Net assets directly associated with disposal group	11,198	107,774
Amounts included in accumulated other comprehensive income:		
Foreign currency translation reserve	(16,396)	(2,622)
Reserve of disposal group classified as held for sale	(16,396)	(2,622)

2.16 STATED CAPITAL AND RESERVES

As at 31 December 2016, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2016, the total number of ordinary shares issued was 376,745,499 (2015: 376,174,317 shares), of which 376,734,423 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 11,075 ordinary shares were registered in the name of individual shareholders and one ordinary share in the name of Aztec Financial Services (Jersey) Limited.

Changes in the stated capital account during the year 2016 were as follows:

- ▶ Issue of shares to satisfy the exercise of options of €2.1 million (2015: €3.1 million);
- ▶ Issue of shares as part of the CEO's remuneration €0.1 million (2015: €0.1 million);
- ▶ Dividend payments of €154.4 million (2015: €101.5 million).

For the year 2016, the Company's Board of Directors approved an annual dividend of at least €cents 27 per share which was paid as a capital repayment, in equal quarterly instalments of €cents 6.75 per share at the end of each calendar quarter.

In September 2016, in addition to the aforementioned quarterly dividend, the Board of Directors also approved the payment of a special dividend (also paid as a capital repayment) of €cents 14 per share, representing a total amount of €52.7 million which was paid on 30 September 2016.

In November 2016, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2017, which is consistent with the 2016 dividend. This likewise will be paid as a capital repayment, in quarterly instalments of €cents 6.75 per share at the end of each calendar quarter, commencing at the end of March 2017 (subject to any legal and regulatory requirements and restrictions of commercial viability).

The Board adopted a Restricted Share Plan on 16 May 2011 (the "Plan") following the approval of the shareholders on 18 May 2010 to allow the Directors to elect to take ordinary shares in lieu of directors' remuneration. Directors are given the opportunity to opt in semi-annual option periods, being the four-week free-dealing periods following the announcement of each of the Company's half year and full year results. The strike price for the ordinary shares to be issued pursuant to any option notice (being the average market price over the 30 preceding dealing days) is notified to Directors at the start of each option period. Atrium retains the discretion (subject to the approval of the Board) to refuse to satisfy an option notice in certain circumstances. No Director made such election in 2016 and 2015.

SHARE BASED PAYMENTS RESERVE

A. DETAILS OF THE COMPANY'S EMPLOYEE SHARE BASED COMPENSATION

- In 2009, the shareholders approved and Atrium established an Employee Share Option Plan ("ESOP 2009"), under which the Board of Directors could grant share options to key employees. Each option is exercised by the issue of a new ordinary share in Atrium to the option holder. The exercise price was determined by the Board, being not less than Atrium's share price on the dealing day immediately preceding the date of grant, or averaged over the 30 dealing days immediately preceding the date of grant. Options are generally exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. In the event that the Company distributes a cash dividend, the exercise price of the options is decreased by the amount of the dividend per share. Unexercised options carry no voting rights. As from 23 May 2013, no further grants may be made under ESOP 2009.
- On 23 May 2013, the shareholders approved and Atrium established a further Employee Share Option Plan ("ESOP 2013"), under which the Board of Directors or Compensation and Nominating Committee can grant share options to key employees, executive directors or consultants. The exercise price on grant of options was the average market value over the 30 dealing days immediately preceding the

date of grant unless otherwise determined by the Board of Directors. Options are generally exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Unexercised options carry neither rights to dividends nor voting rights. As from 14 November 2016, no further grants may be made under ESOP 2013.

- In accordance with his employment contract, Josip Kardun, formerly Group CEO, was entitled to an award of shares equal to €300,000. Those shares were issued without restrictions on the first, second and third anniversary of the commencement of his employment. The share price at grant was €4.10.
- In August 2015, the Compensation and Nominating Committee designed a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded with shares dependent on the long term performance of the Company ("LTI"). The participants are granted a right to the allotment of ordinary shares in the Company which vest after a three year period in one instalment and are subject to the following conditions: (1) 40% of the grant shall be issued only if the total return on the Share Price during the vesting period is at least 12.5% per annum, taking the dividend into account (2) 40% of the grant shall be issued only if the NAV has increased during the vesting period by at least 3.0% per annum, taking special dividends into account, only (3) 20% of the grant shall be issued so long as the Participant is still an active employee of the Group at the vesting date.

The following table shows the movement in options granted under ESOP 2009:

	2016		2015	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	1,855,460	3.21	2,534,293	3.45
Exercised *	(551,667)	2.71	(638,833)	3.26
Forfeited	(66,668)	3.51	(40,000)	3.86
As at 31 December	1,237,125	2.98	1,855,460	3.21

* The weighted average share price of options exercised in 2016 was €3.84 as at the date of exercising the options (2015: €4.31)

As of 31 December 2016 and 2015 all outstanding options under ESOP 2009 are vested and exercisable.

The following table shows the movement in options granted under ESOP 2013:

	2016		2015	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	2,210,164	4.36	2,429,835	4.35
Forfeited	(93,333)	4.38	(219,671)	4.28
As at 31 December	2,116,831	4.36	2,210,164	4.36

As of 31 December 2016 the number of options vested and exercisable under ESOP 2013 amounted to 1,799,207 (2015: 1,845,876).

The following table shows the movement in the allotment of shares granted to the former CEO:

	2016 Number of allotted shares	2015 Number of allotted shares
As at 1 January	73,260	97,680
Issued	(24,420)	(24,420)
As at 31 December	48,840	73,260

The following table shows the movement in rights for the allotment of shares granted under LTI:

	2016 Number of rights
As at 1 January	-
Granted	400,000
As at 31 December	400,000



B. DETAILS OF THE COMPANY'S DIRECTORS SHARE BASED COMPENSATION

- In August 2015 the Compensation and Nominating Committee approved revisions to the remuneration of the non-executive Directors, effective as of 1 July 2015, which entitled them to receive an allocation of ordinary shares in the Company in the value of €65,000 per annum which vest after two years. Shares issued to a non-executive Director as part of their remuneration will be subject after vesting to restrictions on their disposal such that following any disposal, the remaining shareholding of such Director must have an aggregate value of at least €130,000.

The following table shows the movement in rights for the allotment of shares granted under the Directors share plan:

2016	
	Number of rights
As at 1 January	-
Granted	103,392
As at 31 December	103,392

C. The expenses recognised in the consolidated statement of profit or loss in 2016 and 2015 amounted to €0.3 million and €0.9 million respectively for share based compensations.

D. Information that was used to calculate the fair value of the LTIs granted in 2015 with a condition of at least 12.5% per annum return on the Share Price during the period:

LTI	
Grant	1 July 2015
Valuation model	Black-Scholes model
Standard deviation	22.81%
Risk- free interest rate	0.083%
Estimated duration	3 years
Share price at the date of grant	4.12
Fair value per unit (in €)	0.71

HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. See also note 2.18.

AVAILABLE FOR SALE RESERVE

The available for sale reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired. See also note 2.14

2.17 BORROWINGS

Borrowings	31 December 2016 €'000	31 December 2015 €'000
Bonds	838,086	854,251
Bank loan	109,319	158,530
Total	947,405	1,012,781

The borrowings are repayable as follows:

Borrowings total	31 December 2016 €'000	31 December 2015 €'000
Due within one year	5,396	1,389
Due in second year	1,739	53,203
Due within third to fifth year inclusive	438,919	353,280
Due after five years	501,351	604,909
Total	947,405	1,012,781

BONDS

During the year, Atrium repurchased bonds issued in 2013 and due in 2020 with a nominal value of €15.1 million and bonds issued in 2014 and due in 2022 with a nominal value of €1.4 million.

In May 2015, Atrium issued €150.0 million 3.625% notes due in October 2022 which were consolidated and form a single series with the €350.0 million 3.625% bonds due in October 2022 and issued by Atrium in October 2014. The issue price was 106.395% of the principal amount reflecting a yield of 2.9%. The cash proceeds amounted to €159.6 million including €3.0 million accrued interest.

During 2015, Atrium repurchased bonds issued in 2005 and due in 2017, with a nominal value of €81.0 million. The net loss resulting from the bond buybacks was €7.9 million. The nominal amount of the remaining notes is €3.9 million. The level of collateral pledged in support of the reduced outstanding principal amount of the notes was revised so that real estate assets valued at €24.8 million as at 31 December 2016 (31 December 2015: €29.8 million) were provided as collateral.

In August 2015, €31 million of the Group's 2005 Bonds reached their maturity date and were repaid.

The bonds issued in 2013 to 2015 are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40%; and the consolidated coverage ratio shall not be less than 1.5. The bonds issued in 2013 are also subject to a fourth covenant: the ratio of unsecured consolidated assets to unsecured consolidated debt shall not be less than 150%. All covenants were met throughout the year.

2016

Bond/Issue year	Currency	Interest rate	Average maturity	Maturity	Book value	Fair value	Effective interest rate
					€'000	€'000	
Atrium European Real Estate Limited 2005	EUR	4.0%*	0.6	2017	3,838	3,917	4.4%
Atrium European Real Estate Limited 2013	EUR	4.0%	3.4	2020	332,895	360,525	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	5.9	2022	501,353	535,177	3.5%
Total/Weighted average		3.8%	4.8		838,086	899,619	3.8%

* 10Y swap rate, floor 4%

2015

Bond/Issue year	Currency	Interest rate	Average maturity	Maturity	Book value	Fair value	Effective interest rate
					€'000	€'000	
Atrium European Real Estate Limited 2005	EUR	4.0%*	1.6	2017	3,819	3,991	4.4%
Atrium European Real Estate Limited 2013	EUR	4.0%	4.4	2020	347,201	372,405	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	6.9	2022	503,231	515,458	3.5%
Total/Weighted average		3.8%	5.8		854,251	891,854	3.8%

* 10Y swap rate, floor 4%

Collateral	Fair value of pledged investment properties	Fair value of pledged investment properties
	31 December 2016	31 December 2015
	€'000	€'000
Bond 2005	24,770	29,766

LOANS

In March 2016, the Group completed the voluntary repayment of a bank loan in Poland from Berlin-Hannoversche Hypothekenbank AG for a total amount of €49.5 million including accrued interest and breakage costs.

In May 2015, the Group completed the voluntary repayment of a bank loan in Poland from Berlin-Hannoversche Hypoteken AG for a total amount of €105.3 million including accrued interest, the repayment of a hedging instrument and breakage costs.

The one remaining loan as at 31 December 2016 is subject to various financial covenants including Loan to Value ("LTV") and Debt Service Coverage Ratio ("DSCR"), all of which were met throughout the year.



2016

Lender	Currency	Interest rate	Average maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Berlin-Hannoversche Hypothekenbank AG	EUR	4.1%*	4.8	2021	109,319	108,991	4.3%

2015

Lender	Currency	Interest rate	Average maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Berlin-Hannoversche Hypothekenbank AG	EUR	3.1%	1.9	2017	48,052	49,546	3.6%
Berlin-Hannoversche Hypothekenbank AG	EUR	4.1%*	5.8	2021	110,478	110,071	4.3%
Total/Average		3.8%	4.6		158,530	159,617	4.0%

* Hedged interest rates

Collateral	Fair value of pledged investment properties	Fair value of pledged investment properties	31 December 2016 €'000	31 December 2015 €'000
	€'000	€'000		
Berlin-Hannoversche Hypothekenbank AG	227,182	348,115		
Ceska sporitelna a.s. (mortgaged under finance lease)	465	619		
Total	227,647	348,734		

REVOLVING CREDIT FACILITY

In October 2015, the Group signed a five-year unsecured revolving credit facility for a total of €125 million at 3 month Euribor +1.5% which comprises €100 million of new credit and an existing €25 million facility (obtained in 2014) which was extended. The facility was provided by a syndicate of ING Bank N.V., Citibank N.A. and HSBC Bank plc. In November 2016, the Group signed a €25 million increase of the unsecured revolving credit facility. Following this transaction, Atrium has undrawn revolving credit facilities of €175 million.

For information about the fair value of loans and bonds, see note 2.35.

2.18 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSSs") during 2011 in connection with two bank loans secured over properties acquired at that time. These swaps replaced floating interest rates with fixed interest rates. The swaps are cash flow hedges designed to reduce the Group's cash flow volatility due to variable interest rates on the bank loans. The IRSs are measured at fair value using the discounted future cash flow method.

Following the voluntary repayment of the bank loan in Poland during May 2015 (see note 2.17), the Group also repaid the related interest rate swap, amounting to €2.7 million.

The remaining interest rate swap has quarterly coupons. The floating rate on the IRS is the three month Euribor and the fixed rate is 2.17%.

As at 31 December 2016, this remaining IRS was in a liability position and had a fair value of €4.7 million (2015: €6.9 million liability).

The fair value measurement of the IRS is derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are the three-month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly (i.e. as prices) or indirectly (i.e. from prices). Therefore, this IRS is classified as a Level 2 fair value measurement under IFRS 13.

For information about the fair value of the derivatives, see note 2.35.

2.19 DEFERRED TAX LIABILITIES

Deferred tax liabilities 2016	Balance as at 1 January 2016 €'000	Deferred tax credit/ (charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income* €'000	Balance as at 31 December 2016 €'000
----------------------------------	--	---	---	--

Deferred tax liabilities arise from the following temporary differences:

Investment properties	(78,027)	(11,098)	-	(89,125)
Other assets	2,364	691	-	3,055
Liabilities and provisions	4,808	(723)	(412)	3,673
Tax losses carried forward	3,384	2,563	-	5,947
Other	(40)	15	-	(25)
Total deferred tax liabilities	(67,511)	(8,551)	(412)	(76,475)

* An amount of €0.4 million relates to the deferred tax charge on hedging instruments.

During 2015, the Group finalised the implementation of a new holding structure in Poland for a number of its Polish assets. Under such structure, the income generated by these assets was taxable at the level of a Polish closed-end investment fund ("FIZ"), which was exempt from Corporate Income Tax (including capital gains). Consequently, during 2015 and up to the third quarter of 2016, the group released the deferred tax liability related to these assets, in the total amount of €70.9 million.

On 29 November 2016 an act amending the Polish Corporate Income Tax Law was published in the official Journals of Law, limiting the corporate income tax exemption for revenues generated by FIZ. The amendment enters into force 1 January 2017. As a result, in the fourth quarter of 2016, the group recognised €17 million of deferred tax expenses.

Deferred tax liabilities 2015	Balance as at 1 January 2015 €'000	Deferred tax credit/ (charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income* €'000	Deferred tax liabilities classified as held for sale €'000	Balance as at 31 December 2015 €'000
----------------------------------	--	--	--	---	--

Deferred tax liabilities arise from the following temporary differences:

Investment properties	(173,944)	85,023	-	10,894	(78,027)
Other assets	1,992	372	-	-	2,364
Liabilities and provisions	19,202	(13,210)	(1,130)	(54)	4,808
Tax losses carried forward	31,779	(28,136)	-	(259)	3,384
Other	16	(56)	-	-	(40)
Total deferred tax liabilities	(120,955)	43,993	(1,130)	10,581	(67,511)

* An amount of €1.1 million relates to the deferred tax charge on hedging instruments.



2.20 LIABILITIES FROM FINANCIAL LEASES

The liabilities from financial leases as at 31 December 2016 consisted of liabilities related to long term land leases in Poland, the Czech Republic, Slovakia and Russia. Lease payments are due as follows:

Liabilities from financial leases	31 December	31 December	31 December	31 December
	2016	2016	2015	2015
	Net present value €'000	Undiscounted lease payments €'000	Net present value €'000	Undiscounted lease payments €'000
Due within one year	2,388	2,469	2,722	2,914
Due within two to five years	8,621	11,254	9,238	12,811
Due after five years	22,612	157,435	22,354	159,337
Total	33,621	171,158	34,314	175,062
Amount due within 12 months	2,388	2,469	2,722	2,914
Amount due after more than 12 months	31,233	168,689	31,592	172,148

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has one material lease arrangement; Atrium Promenada, in Poland, with a net present value ("NPV") of €13.9 million (2015: €14.1 million).

2.21 OTHER LONG TERM LIABILITIES

Other long term liabilities of €14.5 million (2015: €15.2 million) principally comprise long term deposits from tenants amounting to €14.1 million (2015: €15.1 million).

2.22 TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2016 €'000	31 December 2015 €'000
Short term deposits from tenants	7,604	8,832
Deferred revenue	9,597	8,847
Payables connected with development/construction	2,140	3,021
Short term liabilities from leasing	2,388	2,722
VAT payables	3,365	2,561
Payables for utilities	861	1,298
Payables for other services	549	940
Payables for repairs and maintenance	171	178
Other	3,965	3,713
Other taxes and fees payables	1,211	1,134
Total	31,851	33,246

2.23 ACCRUED EXPENDITURE

Accrued expenditure	31 December 2016 €'000	31 December 2015 €'000
Utilities	1,994	1,506
Consultancy and audit services	2,913	4,130
Construction services	8,127	10,936
Interest	13,268	13,685
Employee compensation	3,967	4,399
Taxes	663	43
Maintenance	1,253	1,277
Other	10,055	9,384
Total	42,240	45,360

2.24 PROVISIONS

Provisions	Legacy legal provision €'000	Other legal provision €'000	Total €'000
Balance as at 1 January 2016	21,000	1,555	22,555
Foreign currency changes	-	(33)	(33)
Additions of provision in the period, net	38,245	44	38,289
Amounts paid during the period	(5,725)	(375)	(6,100)
Balance as at 31 December 2016	53,520	1,191	54,711
Of which			
Current portion	53,520	1,191	54,711
Non-current portion	-	-	-
Total provisions	53,520	1,191	54,711

For more information, see notes 2.40 and 2.41

2.25 GROSS RENTAL INCOME

Gross rental income ("GRI") includes rental income from the lease of investment properties, and from advertising areas, communication equipment and other sources.

GRI by country is as follows:

Country	Year ended		Year ended	
	31 December 2016	% of total GRI	31 December 2015	% of total GRI
	€'000		€'000	
Poland	102,062	54.9%	103,410	51.1%
Czech Republic	20,604	11.1%	30,195	14.9%
Slovakia	11,753	6.3%	11,297	5.6%
Russia	35,834	19.3%	42,136	20.8%
Hungary	7,641	4.1%	7,492	3.7%
Romania	6,690	3.6%	6,392	3.2%
Latvia	1,358	0.7%	1,555	0.7%
Total	185,942	100.0%	202,477	100.0%

2.26 SERVICE CHARGE INCOME

Service charge income of €71.0 million (2015: €73.8 million) represents income from services re-invoiced to tenants and results mainly from re-invoiced utilities, marketing, repairs and maintenance and is recorded on a gross basis. Expenses to be re-invoiced to tenants are presented under net property expenses together with other operating costs that are not re-invoiced to tenants.

2.27 NET PROPERTY EXPENSES

	Year ended 31 December	
	2016	2015
	€'000	€'000
Utilities	(26,416)	(28,113)
Security, cleaning and other facility related costs	(10,579)	(10,839)
Real estate tax	(10,183)	(11,341)
Repairs and maintenance	(8,651)	(9,723)
Direct employment costs	(9,210)	(9,092)
Marketing and other consulting	(7,933)	(8,297)
Office related expenses	(492)	(525)
Creation of allowances and written off receivables from tenants	(1,880)	(2,295)
Other	(1,912)	(2,694)
Total	(77,256)	(82,919)

2.28 OTHER DEPRECIATION, AMORTISATION AND IMPAIRMENTS

	Year ended 31 December	
	2016	2015
	€'000	€'000
Impairments	(5,000)	(496)
Other depreciation and amortisation	(2,787)	(3,005)
Total	(7,787)	(3,501)

2.29 ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2016	2015
	€'000	€'000
Legal fees	(1,505)	(2,196)
Legacy legal matters (see notes 2.40 and 2.41)	(45,213)	(25,259)
Employee costs	(10,884)	(11,654)
Consultancy and other advisory fees	(5,108)	(3,399)
Audit, audit related and review fees	(1,406)	(1,488)
Expenses related to directors	(2,993)	(1,886)
Share based payments	(327)	(865)
Communication and IT	(1,081)	(1,187)
Office costs	(1,162)	(988)
Marketing costs	(808)	(646)
Travel expenses	(601)	(720)
Other	(1,146)	(1,784)
Total	(72,234)	(52,072)

The Group does not have any significant defined benefit pension plans.

2.30 INTEREST EXPENSES, NET

	Year ended 31 December	
	2016	2015
	€'000	€'000
Interest income	840	1,009
Interest expense	(36,865)	(40,679)
Total	(36,025)	(39,670)

Interest income of €0.8 million (2015: €1.0 million) consists mainly of interest on the loans provided to a third party.

The Group's interest expense of €36.9 million (2015: €40.7 million) consists of finance expense on bank loans of €5.2 million (2015: €8.6 million) and on bonds of €32.0 million (2015: €33.1 million). Finance expenses in the amount of €0.3 million (2015: €1.0 million) were capitalised to the development projects, see note 2.5.



2.31 OTHER FINANCIAL EXPENSES, NET

Other financial income and expenses	Year ended 31 December	
	2016 €'000	2015 €'000
Net loss from bond buy backs	(1,421)	(7,940)
Early loan repayment	(1,484)	(4,493)
Impairment of financial instruments	(1,094)	(4,256)
Dividend income from available for sale financial assets, net	636	-
Interest on financial leases	(2,585)	(3,462)
Forward transactions result	(1,153)	-
Other financial expenses, net	(1,606)	(553)
Total	(8,707)	(20,704)

2.32 TAXATION (CHARGE)/CREDIT FOR THE YEAR

Taxation charge for the year	Year ended 31 December	
	2016 €'000	2015 €'000
Corporate income tax current year	(2,182)	(1,486)
Deferred tax credit/(charge)	(9,099)	43,563
Adjustments to corporate income tax previous years	(3,154)	(6,392)
Income tax credited/(charged) to the statement of profit or loss	(14,435)	35,685
Income tax on hedging instruments charged to comprehensive income	(412)	(518)

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions.

For details on the 2016 changes in Polish Corporate Income Tax law and the impact on the group, see note 2.19

Effective tax rate

A reconciliation between the current year income tax charge and the accounting profit before tax is shown below:

	2016 €'000	2016 %	2015 €'000	2015 %
Profit (loss) before taxation	72,636		(30,873)	
Income tax (charge)/credit using the weighted average applicable tax rates	(10,354)	14.25%	10,225	33.12%
Tax effect of non-taxable income/(non-deductible expenses)	(918)		(2,693)	
Tax effect of losses previously not recognised	1,840		934	
Deferred tax asset not recognised	(3,348)		(23,678)	
Tax adjustment of previous years	(3,154)		(6,392)	
Effect of changes in tax rates	(4,366)		59,998	
Other	5,865		(2,709)	
Tax (charge)/credit	(14,435)		35,685	
Effective tax rate		19.87%		127.6%

Unrecognised deferred tax assets and liabilities:

As at 31 December 2016, deferred tax liabilities of €61.5 million (2015: €62.7 million) on temporary differences at the time of initial recognition arising from investment property transactions treated as an asset acquisition had not been recognised in accordance with the initial recognition exemption in IAS 12, Income taxes.

The Group has not recognised deferred tax assets of €120.8 million (2015: €113.3 million) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. These unrecognised deferred tax assets arose primarily from the negative revaluation of investment properties and the de-recognition of deferred tax assets related to certain Russian subsidiaries. The tax losses expire over a number of years, in accordance with local tax legislation, commencing in 2017.

Unrecognised deferred tax assets

Country	31 December 2016 €'000	31 December 2015 €'000
Poland	31,804	32,520
Czech Republic	1,797	1,192
Russia	66,748	62,606
Hungary	1,182	1,187
Romania	6,172	6,645
Latvia	8	939
Turkey	9,338	5,937
Others	3,764	2,296
Total	120,813	113,322

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	2016	2015
Poland	19.0%	19.0%
Czech Republic	19.0%	19.0%
Slovakia	22.0% ⁴	22.0%
Russia	20.0%	20.0%
Hungary	10.0% ⁴	10.0%
Romania	16.0%	16.0%
Latvia	15.0%	15.0%
Turkey	20.0%	20.0%
Cyprus	12.5%	12.5%
Denmark	22% ¹	23.5% ¹
Jersey	0.0%	0.0%
Netherlands	25.0% ²	25.0% ²
Sweden	22.0%	22.0%
Spain	25.0% ³	28.0% ³
Ukraine	18.0%	18.0%

¹ The rate decreased from 23.5% to 22 % on 1 January 2016.

² As at 1 January 2011, the rate applying to taxable profits exceeding €0.2 million has been reduced from 25.5% to 25%. Below this amount a 20% tax rate is applicable to taxable profit.

³ The rate decreased from 28% to 25 % on 1 January 2016.

⁴ The rate in Hungary and Slovakia decreased from 10% to 9% and from 22% to 21%, respectively on 1 January 2017.

2.33 EARNINGS PER SHARE

The following table sets forth the computation of earnings per share:

Earnings per share	Year ended 31 December 2016	2015
Profit for the year attributable to the owners of the Company for basic and diluted earnings per share in (€'000)	58,201	4,866
Weighted average number of ordinary shares used in the calculation of basic earnings per share	376,498,377	376,005,016
Adjustments		
Dilutive options	687,701	486,444
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	377,186,078	376,491,460
Basic and diluted earnings per share in €cents	15.4	1.3

The following securities were not included in the diluted earnings per share calculation as the effect would have been anti-dilutive:

Number of shares if exercised	Year ended 31 December 2016	2015
Options	2,116,831	2,210,164



2.34 SEGMENT REPORTING

Reportable segments For the year ended 31 December 2016	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	195,772	-	(9,830)	185,942
Service charge income	72,936	-	(1,977)	70,959
Net property expenses	(79,906)	-	2,650	(77,256)
Net rental income	188,802	-	(9,157)	179,645
Net result on disposals	818	(1,860)	-	(1,042)
Costs connected with developments	-	(2,860)	-	(2,860)
Revaluation of investment properties	44,223	(26,243)	(3,429)	14,551
Other depreciation, amortisation and impairments	(2,488)	(5,000)	(299)	(7,787)
Administrative expenses	(12,230)	(718)	(59,286)	(72,234)
Share of profit of equity-accounted investment in joint ventures	-	-	12,421	12,421
Net operating profit/(loss)	219,125	(36,681)	(59,750)	122,694
Interest expenses, net	(31,723)	(2,244)	(2,058)	(36,025)
Foreign currency differences	(2,953)	(1,573)	(800)	(5,326)
Other financial expenses	(6,370)	(311)	(2,026)	(8,707)
Profit/(loss) before taxation for the year	178,079	(40,809)	(64,634)	72,636
Taxation credit/(charge) for the year	(12,909)	(199)	(1,327)	(14,435)
Profit/(loss) after taxation for the year	165,170	(41,008)	(65,961)	58,201
Investment properties	2,631,185	* 304,415	**(172,425)	2,763,175
Additions to investment properties	30,014	28,603	-	58,617
Segment assets	2,676,864	326,826	***151,449	3,155,139
Segment liabilities	1,040,638	92,089	80,362	1,213,089

* Including €11.8 million classified as held for sale as at 31 December 2016

** Adjusted for our 75% share of investment property held in a joint venture

***The amount mainly relates to cash and cash equivalents and available for sale financial assets



Reportable segments in 2015 For the year ended 31 December 2015	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	207,372	-	(4,895)	202,477
Service charge income	74,989	-	(1,206)	73,783
Net properties expenses	(84,444)	-	1,525	(82,919)
Net rental income	197,917	-	(4,576)	193,341
Net result on disposals	(9,706)	260	-	(9,446)
Costs connected with developments	-	(2,601)	-	(2,601)
Revaluation of investment properties, net	(48,678)	(50,403)	(5,584)	(104,665)
Other depreciation, amortisation and impairments	(2,252)	(886)	(363)	(3,501)
Administrative expenses	(11,674)	(599)	(39,799)	(52,072)
Share of profit of equity-accounted investment in joint ventures	-	-	10,114	10,114
Net operating profit/(loss)	125,607	(54,229)	(40,208)	31,170
Interest expenses, net	(31,499)	(926)	(7,245)	(39,670)
Foreign currency differences	(1,295)	(1,367)	993	(1,669)
Other financial income/(expenses)	(15,570)	(140)	(4,994)	(20,704)
Profit/ (loss) before taxation of the year	77,243	(56,662)	(51,454)	(30,873)
Taxation credit/(charge) for the year	36,137	346	(798)	35,685
Profit/(loss) after taxation for the year	113,380	(56,316)	(52,252)	4,812
Investment properties	*2,682,943	** 309,398	***(168,525)	2,823,816
Additions to investment properties	28,857	26,740	-	55,597
Segment assets	2,735,896	322,824	****224,216	3,282,936
Segment liabilities	1,030,132	59,974	161,704	1,251,810

* Including €117.5 million classified as held for sale as at 31 December 2015

** Including €1.6 million classified as held for sale as at 31 December 2015

*** Adjusted for our 75% share of investment property held by a joint venture

**** The amount mainly relates to cash and cash equivalents



GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2016

For the year ended 31 December 2016	POLAND				CZECH REPUBLIC			
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	102,062	-	-	102,062	30,434	-	(9,830)	20,604
Service charge income	36,414	-	-	36,414	9,694	-	(1,977)	7,717
Net property expenses	(37,319)	-	-	(37,319)	(11,066)	-	2,650	(8,416)
Net rental income	101,157	-	-	101,157	29,062	-	(9,157)	19,905
Net result on disposals	(114)	-	-	(114)	346	-	-	346
Costs connected with developments	-	(409)	-	(409)	-	-	-	-
Revaluation of investment properties, net	14,344	(832)	-	13,512	13,308	2,142	(3,429)	12,021
Other depreciation, amortisation and impairments	(1,395)	-	-	(1,395)	(130)	-	-	(130)
Administrative expenses	(7,140)	(540)	(1,187)	(8,867)	(2,076)	(6)	(625)	(2,707)
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	12,421	12,421
Net operating profit/ (loss)	106,852	(1,781)	(1,187)	103,884	40,510	2,136	(790)	41,856
Interest expenses, net	(16,613)	(760)	-	(17,373)	(14,074)	(14)	-	(14,088)
Foreign currency differences	(1,157)	38	1	(1,118)	(121)	-	(13)	(134)
Other financial income/ (expenses)	(4,185)	(133)	(6)	(4,324)	(524)	(1)	(24)	(549)
Profit/(loss) before taxation	84,897	(2,636)	(1,192)	81,069	25,791	2,121	(827)	27,085
Taxation credit/(charge) for the year	(6,955)	(10)	(1)	(6,966)	(3,948)	-	(59)	(4,007)
Profit/(loss) after taxation for the year	77,942	(2,646)	(1,193)	74,103	21,843	2,121	(886)	23,078
Investment properties	1,529,463	146,409	-	1,675,872	512,998	6,241	*(172,425)	346,814
Additions to investment properties	12,077	27,231	-	39,308	4,269	112	-	4,381
Segment assets	1,551,222	160,738	3,380	1,715,340	523,494	6,241	(663)	529,072
Segment liabilities	543,859	46,789	27	590,675	387,104	377	(1,458)	386,023

* Adjusted for our 75% share of investment property held by a joint venture

For the year ended 31 December 2016	SLOVAKIA				RUSSIA				Total €'000
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Gross rental income	11,753	-	-	11,753	35,834	-	-	35,834	
Service charge income	5,536	-	-	5,536	15,167	-	-	15,167	
Net property expenses	(5,676)	-	-	(5,676)	(17,795)	-	-	(17,795)	
Net rental income	11,613	-	-	11,613	33,206	-	-	33,206	
Net result on disposals	-	-	-	-	-	(1,860)	-	(1,860)	
Costs connected with developments	-	-	-	-	-	(489)	-	(489)	
Revaluation of investment properties, net	6,601	-	-	6,601	7,880	(12,597)	-	(4,717)	
Other depreciation, amortisation and impairments	(61)	-	-	(61)	(793)	-	-	(793)	
Administrative expenses	(857)	-	(28)	(885)	(1,274)	(84)	(219)	(1,577)	
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	-	-	
Net operating profit/ (loss)	17,296	-	(28)	17,268	39,019	(15,030)	(219)	23,770	
Interest expenses, net	(340)	-	-	(340)	(497)	(769)	-	(1,266)	
Foreign currency differences	9	-	(1)	8	(1,719)	15	32	(1,672)	
Other financial income/ (expenses)	(38)	-	(1)	(39)	(1,556)	(142)	(127)	(1,825)	
Profit/(loss) before taxation	16,927	-	(30)	16,897	35,247	(15,926)	(314)	19,007	
Taxation credit/(charge) for the year	(2,156)	-	(72)	(2,228)	(394)	(181)	1	(574)	
Profit/(loss) after taxation for the year	14,771	-	(102)	14,669	34,853	(16,107)	(313)	18,433	
Investment properties	163,625	-	-	163,625	284,344	42,658	-	327,002	
Additions to investment properties	8,928	-	-	8,928	2,427	-	-	2,427	
Segment assets	165,833	-	390	166,223	292,583	45,888	2,676	341,147	
Segment liabilities	35,335	-	-	35,335	63,682	25,157	-	88,839	



For the year ended 31 December 2016	HUNGARY				ROMANIA				Total €'000
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Gross rental income	7,641	-	-	7,641	6,690	-	-	-	6,690
Service charge income	2,883	-	-	2,883	2,241	-	-	-	2,241
Net property expenses	(3,883)	-	-	(3,883)	(2,768)	-	-	-	(2,768)
Net rental income	6,641	-	-	6,641	6,163	-	-	-	6,163
Net result on disposals	25	-	-	25	-	-	-	-	-
Costs connected with developments	-	-	-	-	-	(209)	-	-	(209)
Revaluation of investment properties, net	(3,875)	-	-	(3,875)	5,432	(64)	-	-	5,368
Other depreciation, amortisation and impairments	(100)	-	-	(100)	(9)	-	-	-	(9)
Administrative expenses	(321)	-	(166)	(487)	(522)	(42)	(33)	(597)	
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	-	-	-
Net operating profit/ (loss)	2,370	-	(166)	2,204	11,064	(315)	(33)	10,716	
Interest expenses, net	(48)	-	2	(46)	(111)	(190)	-	-	(301)
Foreign currency differences	34	-	4	38	2	(1)	2	3	
Other financial income/ (expenses)	(51)	-	(7)	(58)	(10)	(11)	(1)	(22)	
Profit/(loss) before taxation	2,305	-	(167)	2,138	10,945	(517)	(32)	10,396	
Taxation credit/(charge) for the year	2,223	-	(2)	2,221	(1,578)	-	-	-	(1,578)
Profit/(loss) after taxation for the year	4,528	-	(169)	4,359	9,367	(517)	(32)	8,818	
Investment properties	61,165	-	-	61,165	79,590	8,736	-	-	88,326
Additions to investment properties	555	-	-	555	1,758	1,260	-	-	3,018
Segment assets	63,376	-	230	63,606	80,356	8,847	195	89,398	
Segment liabilities	5,389	-	-	5,389	5,269	5,303	65	10,637	

For the year ended 31 December 2016	LATVIA				OTHER COUNTRIES			
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	1,358	-	-	1,358	-	-	-	-
Service charge income	1,001	-	-	1,001	-	-	-	-
Net property expenses	(1,399)	-	-	(1,399)	-	-	-	-
Net rental income	960	-	-	960	-	-	-	-
Net result on disposals	561	-	-	561	-	-	-	-
Costs connected with developments	-	-	-	-	-	(343)	-	(343)
Revaluation of investment properties, net	533	-	-	533	-	(14,892)	-	(14,892)
Other depreciation, amortisation and impairments					-	(5,000)	(1)	(5,001)
Administrative expenses	(40)	-	-	(40)	-	(46)	(305)	(351)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	2,014	-	-	2,014	-	(20,281)	(306)	(20,587)
Interest expenses, net	(40)	-	-	(40)	-	(511)	-	(511)
Foreign currency differences	(1)	-	-	(1)	-	(1,625)	(11)	(1,636)
Other financial income/(expenses)	(6)	-	-	(6)	-	(24)	(13)	(37)
Profit/(loss) before taxation	1,967	-	-	1,967	-	(22,441)	(330)	(22,771)
Taxation credit/(charge) for the year	(101)	-	-	(101)	-	(8)	(7)	(15)
Profit/(loss) after taxation for the year	1,866	-	-	1,866	-	(22,449)	(337)	(22,786)
Investment properties	-	-	-	-	-	100,371	-	100,371
Additions to investment properties	-	-	-	-	-	-	-	-
Segment assets	-	-	-	-	-	105,112	179	105,291
Segment liabilities	-	-	-	-	-	14,463	1,475	15,938



For the year ended 31 December 2016	Standing investment segment	RECONCILING		
		Development segment	Reconciling item	Total
		€'000	€'000	€'000
Gross rental income	-	-	-	-
Service charge income	-	-	-	-
Net property expenses	-	-	-	-
Net rental income	-	-	-	-
Net result on disposals	-	-	-	-
Costs connected with developments	-	(1,410)	-	(1,410)
Revaluation of investment properties, net	-	-	-	-
Other depreciation, amortisation and impairments	-	-	(298)	(298)
Administrative expenses	-	-	(56,723)	(56,723)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-
Net operating loss	-	(1,410)	(57,021)	(58,431)
Interest expense, net	-	-	(2,060)	(2,060)
Foreign currency differences	-	-	(814)	(814)
Other financial income/(expenses)	-	-	(1,847)	(1,847)
Loss before taxation	-	(1,410)	(61,742)	(63,152)
Taxation credit/(charge) for the year	-	-	(1,187)	(1,187)
Loss after taxation for the year	-	(1,410)	(62,929)	(64,339)
Investment properties	-	-	-	-
Additions to investment properties	-	-	-	-
Segment assets	-	-	145,062	145,062
Segment liabilities	-	-	80,253	80,253

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2015

For the year ended 31 December 2015	POLAND				CZECH REPUBLIC				Total
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Gross rental income	103,410	-	-	103,410	35,090	-	(4,895)	30,195	
Service charge income	37,161	-	-	37,161	9,821	-	(1,206)	8,615	
Net property expenses	(39,120)	-	-	(39,120)	(11,753)	-	1,525	(10,228)	
Net rental income	101,451	-	-	101,451	33,158	-	(4,576)	28,582	
Net result on disposals	-	-	-	-	(9,706)	-	-	(9,706)	
Costs connected with developments	-	(569)	-	(569)	-	-	-	-	
Revaluation of investment properties, net	27,222	(4,452)	-	22,770	22,697	(286)	(5,584)	16,827	
Other depreciation, amortisation and impairments	(1,310)	-	-	(1,310)	131	-	-	131	
Administrative expenses	(5,960)	(368)	(1,066)	(7,394)	(2,647)	(6)	(609)	(3,262)	
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	10,114	10,114	
Net operating profit/ (loss)	121,403	(5,389)	(1,066)	114,948	43,633	(292)	(655)	42,686	
Interest expenses, net	(17,430)	(147)	-	(17,577)	(13,319)	(13)	-	(13,332)	
Foreign currency differences	(772)	39	29	(704)	(131)	-	7	(124)	
Other financial income/ (expenses)	(10,660)	(137)	(128)	(10,925)	(3,145)	-	-	(3,145)	
Profit/(loss) before taxation	92,541	(5,634)	(1,165)	85,742	27,038	(305)	(648)	26,085	
Taxation credit/(charge) for the year	58,816	346	(16)	59,146	(7,305)	-	278	(7,027)	
Profit/(loss) after taxation for the year	151,357	(5,288)	(1,181)	144,888	19,733	(305)	(370)	19,058	
Investment properties	1,514,061	125,672	-	1,639,733	597,796	3,987	(168,525)*	433,258	
Additions to investment properties	17,941	24,846	-	42,787	4,289	242	-	4,531	
Segment assets	1,535,998	126,934	2,868	1,665,800	612,394	3,987	(1,095)	615,286	
Segment liabilities	522,645	17,863	52	540,560	401,800	377	(1,950)	400,227	

* Adjusted for our 75% share of investment property held by a joint venture



For the year ended 31 December 2015	SLOVAKIA				RUSSIA			
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	11,297	-	-	11,297	42,136	-	-	42,136
Service charge income	5,556	-	-	5,556	16,174	-	-	16,174
Net property expenses	(5,581)	-	-	(5,581)	(19,566)	-	-	(19,566)
Net rental income	11,272	-	-	11,272	38,744	-	-	38,744
Net result on disposals	-	-	-	-	-	193	-	193
Costs connected with developments	-	-	-	-	-	(502)	-	(502)
Revaluation of investment properties, net	2,315	-	-	2,315	(98,314)	(45,065)	-	(143,379)
Other depreciation, amortisation and impairments	(121)	-	-	(121)	(821)	-	-	(821)
Administrative expenses	(801)	-	(1)	(802)	(1,459)	(165)	(190)	(1,814)
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/ (loss)	12,665	-	(1)	12,664	(61,850)	(45,539)	(190)	(107,579)
Interest expenses, net	(153)	-	-	(153)	(414)	(69)	-	(483)
Foreign currency differences	(5)	-	(1)	(6)	(331)	37	62	(232)
Other financial income/ (expenses)	(81)	-	(2)	(83)	(1,564)	(1)	(45)	(1,610)
Profit/(loss) before taxation	12,426	-	(4)	12,422	(64,159)	(45,572)	(173)	(109,904)
Taxation credit/(charge) for the year	(2,190)	-	(58)	(2,248)	(13,311)	-	8	(13,303)
Profit/(loss) after taxation for the year	10,236	-	(62)	10,174	(77,470)	(45,572)	(165)	(123,207)
Investment properties	148,096	-	-	148,096	275,286	55,551	-	330,837
Additions to investment properties	1,281	-	-	1,281	4,254	1,542	-	5,796
Segment assets	150,169	-	231	150,400	285,958	56,063	3,346	345,367
Segment liabilities	26,302	-	-	26,302	66,012	21,955	5	87,972

For the year ended 31 December 2015	HUNGARY				ROMANIA				Total €'000
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Gross rental income	7,492	-	-	7,492	6,392	-	-	-	6,392
Service charge income	2,851	-	-	2,851	2,112	-	-	-	2,112
Net property expenses	(3,949)	-	-	(3,949)	(2,678)	-	-	-	(2,678)
Net rental income	6,394	-	-	6,394	5,826	-	-	-	5,826
Net result on disposals	-	-	-	-	-	-	-	-	-
Costs connected with developments	-	-	-	-	-	-	(83)	-	(83)
Revaluation of investment properties, net	(4,620)	-	-	(4,620)	89	(600)	-	-	(511)
Other depreciation, amortisation and impairments	(109)	-	-	(109)	(22)	-	-	-	(22)
Administrative expenses	(306)	-	(173)	(479)	(517)	(28)	(19)	-	(564)
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	-	-	-
Net operating profit/ (loss)	1,359	-	(173)	1,186	5,376	(711)	(19)	4,646	
Interest expenses, net	(40)	-	4	(36)	(101)	(186)	-	-	(287)
Foreign currency differences	(16)	-	(1)	(17)	(37)	(4)	6	-	(35)
Other financial income/br/> (expenses)	(50)	-	(6)	(56)	(48)	(2)	(1)	-	(51)
Profit/(loss) before taxation	1,253	-	(176)	1,077	5,190	(903)	(14)	4,273	
Taxation credit/(charge) for the year	(2)	-	(32)	(34)	129	-	-	-	129
Profit/(loss) after taxation for the year	1,251	-	(208)	1,043	5,319	(903)	(14)	4,402	
Investment properties	64,810	-	-	64,810	71,030	8,910	-	-	79,940
Additions to investment properties	805	-	-	805	241	110	-	-	351
Segment assets	66,859	-	465	67,324	72,285	9,207	222	-	81,714
Segment liabilities	7,909	-	-	7,909	3,799	5,301	64	-	9,164



For the year ended 31 December 2015	LATVIA				OTHER COUNTRIES				Total €'000
	Standing investment segment	Development segment	Reconciling item	Total	Standing investment segment	Development segment	Reconciling item	Total	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Gross rental income	1,555	-	-	1,555	-	-	-	-	-
Service charge income	1,314	-	-	1,314	-	-	-	-	-
Net property expenses	(1,797)	-	-	(1,797)	-	-	-	-	-
Net rental income	1,072	-	-	1,072	-	-	-	-	-
Net result on disposals	-	-	-	-	-	67	-	67	
Costs connected with developments	-	-	-	-	-	(309)	-	(309)	
Revaluation of investment properties, net	1,933	-	-	1,933	-	-	-	-	
Other depreciation, amortisation and impairments	-	-	-	-	-	(886)	-	(886)	
Administrative expenses	16	-	1	17	-	(32)	(292)	(324)	
Share of profit of equity- accounted investment in joint ventures	-	-	-	-	-	-	-	-	
Net operating profit/ (loss)	3,021	-	1	3,022	-	(1,160)	(292)	(1,452)	
Interest expenses, net	(42)	-	-	(42)	-	(511)	-	(511)	
Foreign currency differences	(3)	-	(2)	(5)	-	(1,439)	(30)	(1,469)	
Other financial income/ (expenses)	(22)	-	-	(22)	-	-	(9)	(9)	
Profit/(loss) before taxation	2,954	-	(1)	2,953	-	(3,110)	(331)	(3,441)	
Taxation credit/(charge) for the year	-	-	-	-	-	-	-	-	
Profit/(loss) after taxation for the year	2,954	-	(1)	2,953	-	(3,110)	(331)	(3,441)	
Investment properties	11,864	-	-	11,864	-	115,291	-	115,291	
Additions to investment properties	46	-	-	46	-	-	-	-	
Segment assets	12,233	-	38	12,271	-	126,633	134	126,767	
Segment liabilities	1,665	-	43	1,708	-	14,478	1,096	15,574	

For the year ended 31 December 2015	Standing investment segment €'000	RECONCILING		
		Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	-	-	-	-
Service charge income	-	-	-	-
Net property expenses	-	-	-	-
Net rental income	-	-	-	-
Net result on disposals	-	-	-	-
Costs connected with developments	-	(1,138)	-	(1,138)
Revaluation of investment properties, net	-	-	-	-
Other depreciation, amortisation and impairments	-	-	(363)	(363)
Administrative expenses	-	-	(37,450)	(37,450)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-
Net operating loss	-	(1,138)	(37,813)	(38,951)
Interest expenses, net	-	-	(7,249)	(7,249)
Foreign currency differences	-	-	923	923
Other financial income/(expenses)	-	-	(4,803)	(4,803)
Loss before taxation	-	(1,138)	(48,942)	(50,080)
Taxation charge for the year	-	-	(978)	(978)
Loss after taxation for the year	-	(1,138)	(49,920)	(51,058)
Investment properties	-	-	-	-
Additions to investment properties	-	-	-	-
Segment assets	-	-	218,007	218,007
Segment liabilities	-	-	162,394	162,394



Focus Mall, Bydgoszcz

2.35 FAIR VALUE

Fair value measurements recognised in the consolidated statement of financial position are categorised using the fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

The following table shows the assets and liabilities of the Group which are presented at fair value in the statement of financial position as at 31 December 2016, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2016 €'000
Standing investments	2.4				
Poland		-	-	1,529,463	1,529,463
Czech Republic		-	-	340,573	340,573
Slovakia		-	-	163,625	163,625
Russia		-	-	284,344	284,344
Hungary		-	-	61,165	61,165
Romania		-	-	79,590	79,590
Total standing investments				2,458,760	2,458,760
Developments and land	2.5				
Poland		-	-	146,397	146,397
Russia		-	-	30,860	30,860
Turkey		-	-	100,385	100,385
Others		-	-	14,975	14,975
Total developments and land				292,617	292,617
Assets and liabilities, net of disposal group held for sale	2.15	-	11,798	-	11,798
Available for sale	2.14	42,036	-	-	42,036
Financial liabilities measured at fair value					
Interest rate swaps used for hedging	2.18	-	4,704	-	4,704

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2016.

The following table shows the assets and liabilities of the Group which are presented at fair value in the statement of financial position as at 31 December 2015, including their levels in the fair value hierarchy:

	Note	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2015 €'000
Standing investments	2.4			
Poland			1,498,095	1,498,095
Czech Republic			327,770	327,770
Slovakia			148,096	148,096
Russia			275,286	275,286
Hungary			64,810	64,810
Romania			71,030	71,030
Latvia			11,864	11,864
Total standing investments		2,396,951		2,396,951
Developments and land	2.5			
Poland			124,119	124,119
Russia			55,551	55,551
Turkey			115,277	115,277
Others			12,898	12,898
Total developments and land		307,845		307,845
Assets and liabilities, net of disposal group held for sale	2.15	107,774	-	107,774
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	2.18	6,872	-	6,872

There were no transfers of assets or liabilities between Level 2 and Level 3 during 2015.



Investment properties measured at level 3 fair value:

	2016		2015	
	Standing investments €'000	Developments and land €'000	Standing investments €'000	Developments and land €'000
Balance as at 1 January	2,396,951	307,845	2,520,439	365,016
Losses included in the Statement of profit or loss				
Revaluation of investment properties	40,343	(26,243)	(54,262)	(50,403)
Additions and Disposals				
New Properties	-	-	-	-
Construction, technical improvements and extensions	29,545	28,008	28,202	25,500
Disposals	(14,071)	(267)	(14,430)	(1,022)
Other movements				
Movements in financial leases	469	253	655	163
Interest capitalised	-	342	-	1,077
Currency translation difference	-	-	2,778	103
Transfers from developments and land to standing investments	34,119	(34,119)	31,036	(31,036)
Transfers to developments and land from standing investments	(28,596)	28,596	-	-
Transfer to assets held for sale	-	(11,798)	(117,467)	(1,553)
Balance as at 31 December	2,458,760	292,617	2,396,951	307,845

A description of the Investment Properties' valuation process:

The policies and procedures for standing investments and developments and land valuations, and the appointment of external independent valuation companies, are approved by the Audit Committee of the Board of Directors.

The criteria for selecting the valuation companies include recognised professional qualifications, reputation and recent experience in the respective locations and categories of the properties being valued. A rotation of the different locations among the valuation companies is performed on a periodic basis.

External valuations of the majority of the Group's standing investment properties are performed on a quarterly basis at each interim reporting date using a desktop approach. A full update of a valuation of an asset is performed only if material changes in net annual rental income occurred during the period or when deemed necessary by management.

For interim reporting purposes, the valuations of developments and land properties are examined internally by the Company's internal valuation team in order to verify that there have been no significant changes to the underlying assumptions. When considered necessary, external valuations are obtained to validate and support the carrying values of developments and land.

At the year-end, all standing investments properties and the majority of developments and land are valued by external valuation companies.

The majority of the significant unobservable inputs are provided by the Company's external, independent, international valuers and reflect current market assessments, while taking into account each property's unique characteristics.

The values of the investment properties are determined on the basis of the valuations received from the external valuation companies and the internal valuations.

The valuation results of the investment properties are presented to the Audit Committee of the Board of Directors. This includes a discussion of any changes to the significant assumptions used in the valuations, significant changes (or, lack of changes if such are expected) in the valuations and the current economic situation of the market where the properties are located.

The valuation techniques used in measuring the fair value of the Group's assets and liabilities which are presented at fair values in the statement of financial position as at 31 December 2016:

Standing investments:

The fair value of standing investments is determined using a Discounted Cash Flow model. The Discounted Cash Flow model considers the present value of the net cash flow to be generated from the properties, taking into account the aggregate of the net annual rental income. The expected net cash flows are capitalised using a net yield which reflects the risks inherent in the net cash flows. The yield estimation is derived from the market and considers, among other factors, the country in which the property is located and the risk assessment of the asset. The Group categorises the standing investments fair value as Level 3 within the fair value hierarchy.

The following table shows the significant unobservable inputs used in the fair value measurement of standing investments for the Discounted Cash Flow method:

Significant unobservable inputs 2016	Range	Weighted average
Estimated rental value ³ ("ERV")	€1-€186 per sqm per month	€13 per sqm, per month
Equivalent yield	5.5%-14.8%	7.2%

Inter-relationship between key unobservable inputs and fair value measurements:

2016	Estimated change	Estimated total fair value following the change
	€ in millions	€ in millions
Increase of 5% in ERV ¹	121.4	2,580.2
Decrease of 5% in ERV ¹	(121.4)	2,337.3
Increase of 25bp in equivalent yield ²	(86.3)	2,372.4
Decrease of 25bp in equivalent yield ³	93.2	2,551.9

¹ The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value

² The distribution of the estimated decrease (in € millions): Poland-57.4, Czech Republic-14.0, Slovakia-5.5, Russia-5.4, Hungary-1.6, Romania-2.4

³ The distribution of the estimated increase (in € millions): Poland 62.3, Czech Republic 15.2, Slovakia 5.9, Russia 5.6, Hungary 1.7, Romania 2.5

Significant unobservable inputs	Range	Weighted average
2015		

Estimated rental value ³ ("ERV")	€1-€178 per sqm per month	€13 per sqm, per month
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Equivalent yield	5.6%-14.4%	7.4%
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Inter-relationship between key unobservable inputs and fair value measurements:

2015	Estimated change	Estimated total fair value following the change
	€ in millions	€ in millions
Increase of 5% in ERV ¹	119.1	2,532.3
Decrease of 5% in ERV ¹	(119.1)	2,294.1
Increase of 25bp in equivalent yield ²	(82.0)	2,331.2
Decrease of 25bp in equivalent yield ³	88.3	2,501.5

¹ The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value

² The distribution of the estimated decrease (in € millions): Poland-55.4, Czech Republic-12.7, Slovakia-4.8, Russia-5.2, Hungary-1.6, Romania-2.0 and Latvia-0.3

³ The distribution of the estimated increase (in € millions): Poland 59.8, Czech Republic 13.8, Slovakia 5.2, Russia 5.4, Hungary 1.7, Romania 2.1 and Latvia 0.3

The economic situation in Russia, and its impact on the valuation of the Group's Russian properties, was an area of significant judgement in the financial statements with high levels of estimation uncertainty in the yield development and expected levels of rental income going forward.

Development and land:

The fair value of 33% of developments and land (31 December 2015: 29%) was determined using the Comparable method. The Comparable valuation method is based on the sales (offering and listing) prices of similar properties that have recently been transacted in the open market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the valued property on the basis of elements of comparison, such as location, land ownership risk, size of the plot and zoning etc. Such adjustments are not considered to be observable market inputs.

³ The amount at which a property could be leased on the valuation date by a willing lessor to a willing lessee on appropriate lease terms in an arm's length transaction.



The following table shows the significant unobservable input used in the fair value measurement of developments and land for the Comparable method:

Significant unobservable input 2016	Range	Weighted average
Price ¹	€21-€77 per sqm	€49 per sqm

¹ Two outlying prices of €591 and €412 per sqm of land are excluded from the range.

Inter-relationship between key unobservable inputs and fair value measurements:

2016	Estimated change	Estimated total fair value following the change	
		€ in millions	€ in millions
Increase of 5% in price ¹	4.6		99.8
Decrease of 5% in price ¹	(4.6)		90.5

¹ The effect of the increase (decrease) in price on the estimated fair value of each country is approximately pro rata their fair value

Significant unobservable input 2015	Range	Weighted average
Price ¹	€20-€224 per sqm	€53 per sqm

¹ An outlier price of €615 per sqm of land is excluded from the range.

Inter-relationship between key unobservable inputs and fair value measurements:

2015	Estimated change	Estimated total fair value following the change	
		€ in millions	€ in millions
Increase of 5% in price ¹	4.4		93.8
Decrease of 5% in price ¹	(4.4)		85.1

¹ The effect of the increase (decrease) in price on the estimated fair value of each country is approximately pro rata their fair value

The fair value of the remaining 67% of developments and land (31 December 2015: 71%) was determined using the Residual value method. The Residual value method uses the present value of the market value expected to be achieved in the future from the standing investment once it is developed less estimated cost to completion. The rental levels are set at the current market levels capitalised at the net yield which reflects the risks inherent in the net cash flows.

The following table shows the significant unobservable inputs used in the fair value measurement of developments and land for the Residual valuation method:

Significant unobservable inputs 2016	Range	Weighted average
ERV	€13.7-€17.6 per sqm, per month	€16.6 per sqm, per month
Equivalent yield	6.5%-8.0%	7.6%
Construction costs	€748-€1,427 per sqm GLA	€1,047 per sqm GLA

Inter-relationship between key unobservable inputs and fair value measurements:

2016	Estimated change	Estimated total fair value following the change	
		€ in millions	€ in millions
Increase of 5% in ERV ¹	13.8		211.3
Decrease of 5% in ERV ¹	(12.6)		184.9
Increase of 25bp in equivalent yield ²	(7.8)		189.7
Decrease of 25bp in equivalent yield ³	9.5		207.0
Increase of 5% in expected construction costs ⁴	(13.7)		183.8
Decrease of 5% in expected construction costs ⁵	14.9		212.4

¹ The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value

² The distribution of the estimated decrease (in € million): Poland-3.8, Turkey-4.0

³ The distribution of the estimated increase (in € million): Poland 5.3, Turkey 4.2

⁴ The distribution of the estimated decrease (in € million): Poland-5.3, Turkey-5.7, Others-2.7

⁵ The distribution of the estimated increase (in € million): Poland 6.5, Turkey 5.7, Others 2.7

Significant unobservable inputs 2015	Range	Weighted average
ERV	€3.8-€17.8 per sqm, per month	€15.7 per sqm, per month
Equivalent yield	6.5%-9.4%	7.4%
Construction costs	€352-€1,655 per sqm GLA	€1,455 per sqm GLA

Inter-relationship between key unobservable inputs and fair value measurements:

2015	Estimated change	Estimated total fair value following the change
	€ in millions	€ in millions
Increase of 5% in ERV ¹	28.4	248.4
Decrease of 5% in ERV ¹	(27.2)	192.7
Increase of 25bp in equivalent yield ²	(17.0)	203.0
Decrease of 25bp in equivalent yield ³	19.4	239.3
Increase of 5% in expected construction costs ⁴	(24.7)	195.3
Decrease of 5% in expected construction costs ⁵	25.9	245.9

¹ The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value

² The distribution of the estimated decrease (in € million): Poland-10.2, Turkey-4.6, Others-2.2

³ The distribution of the estimated increase (in € million): Poland 12.2, Turkey 4.9, Others 2.3

⁴ The distribution of the estimated decrease (in € million): Poland-12.9, Turkey-5.6, Others-6.2

⁵ The distribution of the estimated increase (in € million): Poland 14.1, Turkey 5.6, Others 6.2

The following table shows the assets and liabilities of the Group which are not presented at fair value in the statement of financial position as at 31 December 2016, including their levels in the fair value hierarchy:

	Level	2016		2016	
		Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	838,086	899,619	854,251	891,854
Bank loans	2	109,319	108,991	158,530	159,617
Total		947,405	1,008,610	1,012,781	1,051,471

The fair values of loans and bonds were determined by an external appraiser using discounted cash flow models, zero-cost derivative strategies for fixing the future values of market variables and option pricing models of the Black-Scholes type.

Fair values have been determined with reference to market inputs, the most significant of which are:

- Quoted EUR yield curve;
- Quoted CZK yield curve;
- Volatility of EUR swap rates;
- Spot exchange rates CZK/EUR; and
- Fair values of effected market transactions.

Fair value measurements used for bonds and loans are categorised within Level 2 of the fair value hierarchy.

Assets and liabilities, net of disposal group held for sale

At 31 December 2016, the disposal group was stated at fair value. The Group categorises the fair value of the assets and liabilities held for sale as Level 2 within the fair value hierarchy based on the sale agreements signed by the Group and third parties. For additional information see note 2.15.

Available for sale financial assets

For additional details on the available for sale financial assets see note 2.14.

Interest rate swaps used for hedging

The swaps are cash flow hedges designed to reduce the Group's cash flow exposure to variable interest rates on certain borrowings. The swaps are presented at fair value. The Group categorises fair value swaps as Level 2 within the fair value hierarchy. The inputs used to determine the future cash flows are the 3 month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly (i.e. as prices) or indirectly (i.e. from prices).



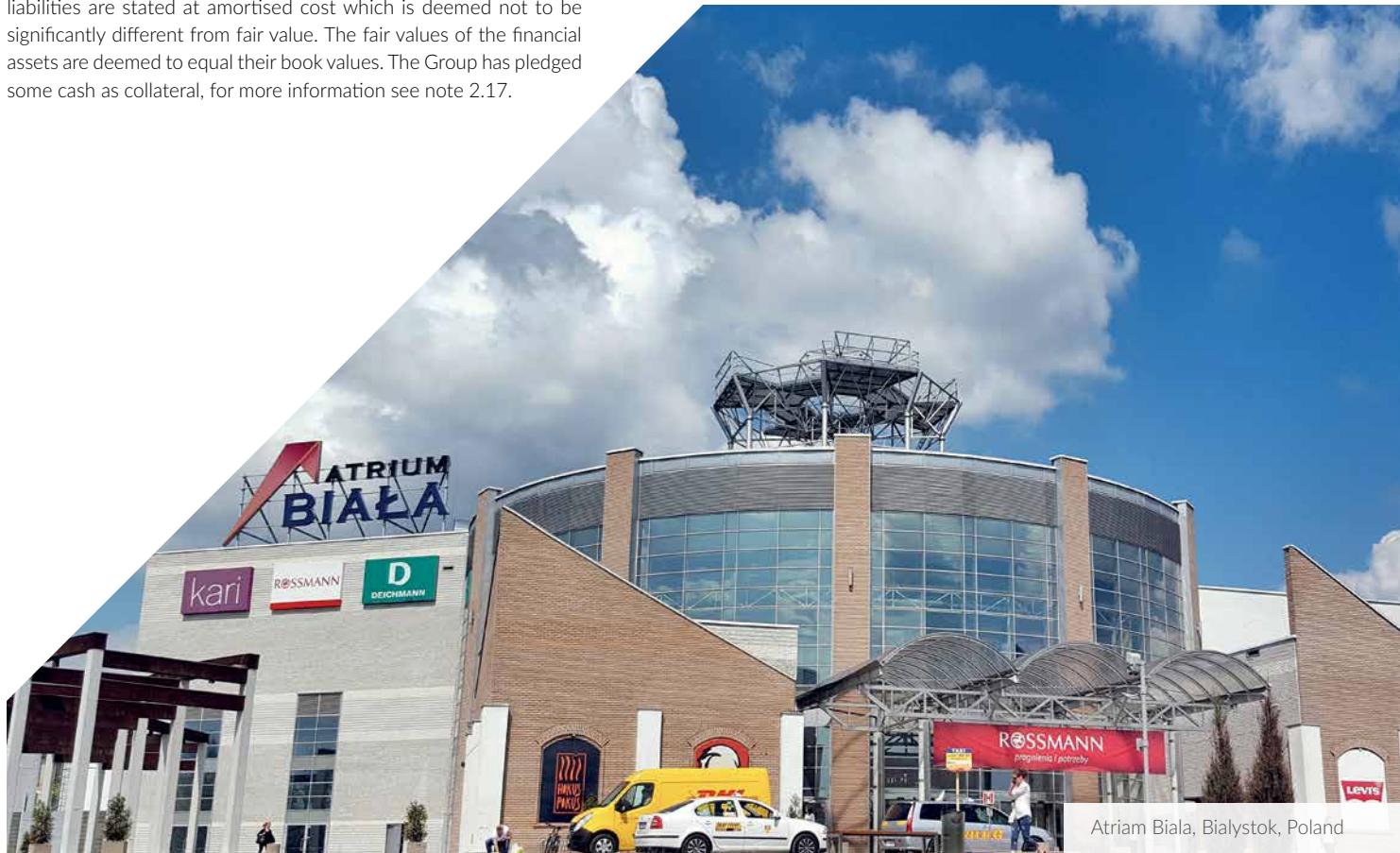
2.36 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

2016	Carrying amount €'000	Loans and receivables €'000	Available for sale financial assets €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets					
Long term loans	8,477	8,477	-	-	-
Other assets	2,003	2,003	-	-	-
Receivables from tenants	10,467	10,467	-	-	-
Other receivables	29,626	29,626	-	-	-
Cash and cash equivalents	103,671	103,671	-	-	-
Available for sale	42,036	-	42,036	-	-
Assets held for sale	2,680	2,680	-	-	-
Total financial assets	198,960	156,924	42,036	-	-
Financial liabilities					
Long term borrowings	942,009	-	-	942,009	-
Derivatives	4,704	-	-	-	4,704
Long term liabilities from leases	31,233	-	-	31,233	-
Other long term liabilities	14,474	-	-	14,474	-
Trade and other payables	17,726	-	-	17,726	-
Accrued expenditure	42,240	-	-	42,240	-
Short term borrowings	5,396	-	-	5,396	-
Liabilities held for sale	3,531	-	-	3,531	-
Total financial liabilities	1,061,313	-	-	1,056,609	4,704

2015	Carrying amount	Loans and receivables	Financial liabilities at amortised cost	Financial liabilities at fair value
	€'000	€'000	€'000	€'000
Financial assets				
Long term loans	13,086	13,086	-	-
Other assets	6,261	6,261	-	-
Receivables from tenants	12,499	12,499	-	-
Other receivables	3,589	3,589	-	-
Cash and cash equivalents	224,368	224,368	-	-
Assets held for sale	617	617	-	-
Total financial assets	260,420	260,420	-	-
Financial liabilities				
Long term borrowings	1,011,392	-	1,011,392	-
Derivatives	6,872	-	-	6,872
Long term liabilities from leases	31,592	-	31,592	-
Other long term liabilities	15,163	-	15,163	-
Trade and other payables	20,704	-	20,704	-
Accrued expenditure	45,360	-	45,360	-
Short term borrowings	1,389	-	1,389	-
Liabilities held for sale	919	-	919	-
Total financial liabilities	1,133,391	-	1,126,519	6,872

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.17 and 2.35. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The fair values of the financial assets are deemed to equal their book values. The Group has pledged some cash as collateral, for more information see note 2.17.



Atrium Biala, Bialystok, Poland

2.37 CAPITAL MANAGEMENT

The Group manages its capital to provide stability and reduce risk while generating a solid return over the long term to shareholders through improving the capital structure and efficiency of the Group's balance sheet. The Group's capital strategy remains unchanged from 2015.

The capital structure of the Group consists of borrowings (as detailed in note 2.17), cash and cash equivalents and the equity.

The capital structure of the Group is reviewed regularly. As part of this review, the cost of capital and the risks associated with each class of capital are considered. Based on the Board of Directors' decision, the Group manages its capital structure mainly by dividend distributions, debt raising and debt repayments.

Atrium's corporate credit rating by S&P and Fitch is BBB-.

For information about loans and bond covenants see note 2.17 and for information about the capital structure of the Group see note 2.16.

Furthermore, the Group holds collateral from tenants which would reduce the financial impact on the Group in the event of default. The collateral is represented by deposits from tenants and covers rents of one to three months. In 2016, the Group had secured long term deposits from tenants amounting to €14.1 million (2015: €15.1 million) and short term deposits amounting to €7.6 million (2015: €8.8 million) and secured bank guarantees.

The table in note 2.12 provides an ageing analysis of receivables from tenants and an overview of the allowances made for doubtful balances.

The credit of the exposure Group arising from the financial assets, as disclosed in note 2.36, represents the maximum credit exposure due to financial assets.

To spread the risk connected to the potential insolvency of financial institutions, the Group deposits cash balances at various international banking institutions. Before a deposit is made, a review of the credit ratings of the banking institutions is undertaken and only banks with credit ratings of an investment grade or better are selected by the Board of Directors.

Liquidity risk

Liquidity within the Group is managed by appropriate liquidity planning and through an adequate financing structure.

The Group's liquidity requirements arise primarily from the need to fund its redevelopment projects, property acquisitions and other capital expenditures, debt servicing costs, property management services and operating expenses. To date, these have been funded through a combination of equity funding, bonds, proceeds from disposal of assets and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges).

Liquid funds, comprising cash and cash equivalents amounted to €103.7 million as at 31 December 2016 (2015: €224.4 million). The total net liquid funds calculated as cash and cash equivalents less short term borrowings amounted to €98.3 million (2015: €223.0 million).

2.38 RISK MANAGEMENT

The objective of the Group is to manage, invest and operate commercial real estate in Central and Eastern Europe, South Eastern Europe and Russia in order to increase their intrinsic value. The Group has always applied a prudent funding strategy.

The risk exposures of the Group are periodically assessed and reported to the Board of Directors and Board meetings are held at least quarterly.

Development risk

Since 2004, the Group has been active in property development. From 2015 this focus has been on redevelopments and extensions. The Group is therefore exposed to certain development risks.

Development risks relate to the construction of investment properties. The main risks are commercial, financial, technical and procedural. Examples of commercial and financial risks are letting risks and risks connected with foreign exchange rate fluctuations. To mitigate commercial and financial risks, before any project is started a detailed analysis of the market conditions is performed and the situation is monitored during the whole construction process. Technical risks include, for example, design risks, construction risks and environmental risks. Procedural and technical risks are also mitigated by a primary detailed analysis. Furthermore, the Group uses external professionals to deal with procedural actions, project design, project management, construction and other associated matters.

Credit risk

Credit risk is defined as unforeseen losses on financial assets if counterparties should default.

The creditworthiness of tenants is closely monitored by a regular review of accounts receivable. Rents from tenants are generally payable in advance.

Atrium attempts to minimise the concentration of credit risk by spreading the exposure over a large number of counterparties.

The credit risk exposure is comprised of normal course of business transactions with third parties.

The following tables analyse the Group's financial liabilities, including interest payments, based on maturity:

The amounts disclosed in the table are the contractual undiscounted cash flows.

2016	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives*	965,377	1,130,244	41,712	37,780	534,090	516,662
Other liabilities**	95,936	233,476	50,310	7,509	16,106	159,551
Total	1,061,313	1,363,720	92,022	45,289	550,196	676,213

2015	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives*	1,033,338	1,238,973	40,181	91,736	465,908	641,148
Other liabilities**	100,053	240,801	53,490	6,400	19,083	161,828
Total	1,133,391	1,479,774	93,671	98,136	484,991	802,976

* Borrowings include accrued interest.

** Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables, liabilities held for sale and accrued expenditure.

Market risk

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and interest rate risk.

The Group's strategy for managing market risk is driven by the Group's investment objective which is managing and administering the existing property portfolio and identifying potentially attractive new investments in the market, conducting due diligence for acquisitions and managing all the stages of the acquisition process. The Group's market risk is managed on a daily basis in accordance with the policies and procedures in place.

The Group's overall market performance is monitored on a monthly basis.

Information about the key unobservable inputs used in fair value measurement is disclosed in note 2.35.

Price risk

The Group's investment properties are valued at fair value. These fair values are influenced by the turbulence in the global markets as well as the limited amount of publicly available and up to date data relating to the real estate markets in the countries in which the Group operates. The Group is therefore exposed to price risks resulting from movements in the Group's asset values that could change significantly during subsequent periods, see also note 2.35. At present, it is not possible to assess with accuracy the extent of such changes.

Currency risk

The Group is exposed to a currency risk on cash balances that are denominated in foreign currencies.

To eliminate the risk of transactions in foreign currencies, the Group attempts to match its income with its expense in the same currency, thus reducing the currency risk.

The Group is mainly financed in Euro. The rents payable to the Group under the various lease agreements with tenants are mainly denominated in Euro. However, the income of most tenants is denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of turnover, can be affected by fluctuations in the Euro, the currency in which rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly, a weakening of the local currency against the Euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in these rents becoming unsustainable for the tenants concerned, leading to the respective tenants demanding discounts or even defaulting. This could consequently lead to a decrease in current and estimated rental income and a devaluation of the relevant properties.



The following tables set out the exposure to foreign currency risk and net exposure to foreign currencies of the Group's financial assets and liabilities:

2016	Financial assets	Financial liabilities	Net exposure
	€'000	€'000	€'000
CZK	9,664	(2,770)	6,894
HUF	2,054	(1,474)	580
PLN	33,964	(50,634)	(16,670)
RON	595	(492)	103
RUB	3,798	(7,559)	(3,761)
TRY	7	-	7
Other	28	(257)	(229)

2015	Financial assets	Financial liabilities	Net exposure
	€'000	€'000	€'000
CZK	13,227	(4,443)	8,784
HUF	1,681	(1,456)	225
PLN	18,037	(50,504)	(32,467)
RON	1,068	(448)	620
RUB	6,693	(8,376)	(1,683)
TRY	8	(6)	2
Other	436	(411)	25

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2016 and 31 December 2015 would have increased/(decreased) the profit in the statement of profit or loss. This analysis assumes that all other variables remain constant. The recording and measurement of foreign currency results is undertaken in accordance with the principles outlined in standard IAS 21.

The table below does not take into account potential gains and losses on investment properties measured at fair value which are sensitive to foreign exchange fluctuations (e.g. rents in Russia denominated in USD) nor does it take into account the impact on any other non-financial assets or liabilities.

	2016 Gain/(Loss) €'000	2015 Gain/(Loss) €'000
CZK	689	878
HUF	58	23
PLN	(1,667)	(3,247)
RON	10	62
RUB	(377)	(168)
TRY	-	-
Other	(23)	-

Interest rate risk

The majority of financial instruments bear interest on a fixed interest basis. The interest rate risks associated with the Group's financial instruments bearing variable interest rates are mainly hedged by making use of financial derivatives (interest rate swaps), see also note 2.35. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2016, there were no value movements due to interest rate risk fluctuations in 2016. The interest rate risk was, therefore, reduced to the impact on the statement of profit or loss of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates was €3.8 million as at 31 December 2016 (2015: €3.8million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2016, almost all of the Group's borrowings were at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

Numerous general economic factors cause interest rates to fluctuate. In addition, interest rates are highly sensitive to a government's monetary policy, domestic and international economic and political conditions, the situation in the financial markets and inflation rates. Interest rates on real estate loans are also affected by other factors specific to real estate finance and equity markets, such as changes in real estate values and overall liquidity in the real estate debt and equity markets.

Increases in interest rates could adversely affect the Group's ability to finance or refinance additional borrowings, as the availability of financing and refinancing proceeds may be reduced to the extent that income from properties fails to increase sufficiently to maintain debt service coverage.

Sensitivity Analysis

The Group seeks to safeguard its results and cash flow against interest rate fluctuations by using financial derivatives (interest rate swaps) to hedge financial instruments bearing variable interest rates.

Risks related to emerging and developing markets

The Group operates in emerging and developing markets in the CEE and Russia. All the countries which the Group operates in are rated above investment grade, with the exception of S&P's sub-investment grade rating of Russia. The latter is subject to greater legal, economic, fiscal and political risks than the former and is subject to rapid and sometimes unpredictable changes.

The legal systems of emerging and developing countries are still evolving, which may result in the passing of new laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of laws and regulations. In some cases laws may be enacted with retrospective effects and the application of international legal frameworks and treaties reinterpreted. For example, in November 2016 an amendment to the Polish Corporate Income Tax Law was published limiting the current corporate income tax exemption for revenues generated by a Polish closed-end investment fund, see also note 2.19. Furthermore, the taxation and fiscal systems in emerging and developing markets are less well-established, compared to those in more developed economies. The lack of established jurisprudence and case law may result in unclear, inconsistent regulations, decrees and explanations of the taxation laws and/or views on interpretation.

In addition, these markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic, and social status quo of the Group's markets. Changes in economic, political and fiscal situations in one emerging or developing market country may have a negative related or unrelated consequential impact on the economic, political and fiscal situation in other emerging or developing market countries.

Any of the above matters, alone or in combination, could have a material and adverse effect on the Group's financial position and results from operations.

The Group aims to mitigate the above risks by having experienced local management teams in the different countries in which the Group operates, making use of external local experts and specialists; adopting a proactive asset management approach and strict due diligence processes prior to the acquisitions of new assets.

2.39 TRANSACTIONS WITH RELATED PARTIES

- During 2016, Gazit-Globe indirectly purchased a total of 17,577,183 additional shares in the Company, or approximately 4.7% of the entire issued share capital. Consequently, Gazit-Globe directly or indirectly holds a total of 224,258,735 shares in Atrium, comprising 59.5% of the issued shares and voting rights in the Company. Transactions between Atrium and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.
- Except as described in the following paragraphs, the directors have not entered into any transactions with Atrium and its subsidiaries, do not own shares in Atrium and have not invested in any debt issued by the Group.

A Chaim Katzman, Director and Chairman of the Board of Directors, together with family members held directly 255,000 shares in Atrium as at 31 December 2016 and as at 31 December 2015. In total, Mr. Katzman, together with family members, through his holdings in Norstar Holdings Inc and Gazit-Globe, held directly and indirectly approximately 9.1% (2015: 9.6%) of Atrium's total shares as at 31 December 2016.

Based on a consultancy agreement with the Group, Mr. Katzman, Chairman of the Board, was entitled to consultancy fees of €550,000 in 2016 (2015: €550,000) and expenses as permitted under the agreement. As from 1 January 2017 the annual consultancy fee will increase to €750,000, payable in four equal quarterly instalments.

Atrium has paid flight and travel expenses of €1.0 million (2015: €0.3 million) to MGN Icarus Inc, a subsidiary of Gazit-Globe. Such travel expenses were at arm's length and were incurred by the Chairman of the Board and other executives for property tours and other business activities.

B Rachel Levine, Director and Vice Chairman of the Board, held 484,308 shares in Atrium as at 31 December 2016 and as at 31 December 2015.

In addition, Mrs. Levine holds one million options granted pursuant to 2009 ESOP in March 2010 and 533,333 options granted pursuant to 2013 ESOP in November 2013.

Based on a consultancy agreement with the Group, Mrs. Levine was entitled to consultancy fees of €475,000 in 2016 (2015: €197,917) and expenses as permitted under the agreement.

C As at 31 December 2016 and 31 December 2015, the following directors' shareholding in Atrium was: Thomas Wernink 10,000 shares, Peter Linneman 31,291 shares and Simon Radford 11,065 shares.

D Noam Ben-Ozer, Director, held 29,000 shares in Atrium as at 31 December 2015 and 39,000 as at 31 December 2016.

E The aggregate annual remuneration paid or payable to the Directors for the year ended 31 December 2016 was €2.3 million (2015: €1.6 million), of which total remuneration of the non-executive Directors arising from their directors' contracts amounted to €1.3 million for the year 2016 (2015: €0.6 million). Please see the breakdown on page 40.



- ▶ Except as described in the following paragraphs, the Group Executive team have not entered into any transactions with Atrium and its subsidiaries

A. In December 2016 the Group announced that Josip Kardun, Chief Executive Officer of the Atrium Group, had resigned from his role to pursue other business interests. The role of Group CEO was taken by Liad Barzilai with effect from 23 February 2017.

B. In September 2016, and as per agreement, Thomas Schoutens, Group Chief Development Officer left the Atrium Group.

C. The aggregate annual remuneration paid or payable to the Group Executive Team for the year ended 31 December 2016, including base salaries, annual guaranteed bonuses, allowances and benefits was €3.1 million (2015: €3.3 million). In addition, the share based payment expenses for the Group Executive Team amounted to €0.3 million (2015: €0.3 million).

- ▶ Gazit-Globe reimbursed Atrium for audit and SOX expenses of €0.6 million which were paid by Atrium (2015: €0.6 million for audit costs).
- ▶ Atrium has a contract with Aztec Financial Services (Jersey) Limited for the provision of administration and company secretarial services under which it paid fees amounting to €0.2 million in 2016 (2015: €0.06 million). Aztec Financial Services (Jersey) Limited is part of Aztec Group where Simon Radford was a Director and shareholder until March 2016.

2.40 CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of Atrium announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria. In 2012, following an investigation, the Jersey Financial Services Commission reconfirmed its conclusions that the ADC Purchases involved no breach of the Jersey Companies (Jersey) Law and that its investigation had concluded without any finding of wrong doing.

Atrium is, however, involved in certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 21 March 2017, the latest practicable date prior to authorisation of this report, the aggregate amount claimed in 1,377 separate proceedings to which Atrium was then a party in this regard was approximately €68 million.

In January 2016, the Company announced the resolution of a declaratory lawsuit which was filed against the Company by a Dutch foundation (or stichting) in the Netherlands in October 2015, involving the same subject matter as the claims currently the subject of the proceedings in Austria, and the establishment of an arrangement to create a compensation fund through which to resolve the Austrian proceedings as well as submissions by individuals to join pending criminal proceedings referred to below. The period for participation in the arrangement with the Dutch stichting was extended twice, each time for 3 months, and expired on 15 October 2016 and has resulted in total approved compensation payments to date of approximately €8.6 million (of which the Company bears 50 per cent) in respect of some 1,325 individual submissions, with approximately €2.8 million (of which the Company bears 50 per cent) in respect of some 325 of submissions still being processed.

Because the Company believes it is important to support reasonable efforts to help bring final resolution to these longstanding issues, in addition to the arrangement with the Dutch stichting, the Company has continued to explore other possible arrangements as a means

to put legacy issues behind it and so address a source of significant demands on management time and associated legal fees and costs, which are detrimental to its shareholders. To that end, representatives of the Company have from time to time engaged in discussions with various parties to the Austrian proceedings to explore the possibility of resolving certain claims and potential claims. On 21 March 2017, the Company's Board of Directors approved an Agreement (and certain related exhibits) with AdvoFin Prozessfinanzierung AG ("AdvoFin") and Salburg Rechtsanwalts GmbH ("Salburg") which establishes a mechanism by which AdvoFin and Salburg clients who are ADC investors who brought claims or made submissions to join pending criminal proceedings referred to below can resolve their claims and potential claims against the Company. The maximum payment by Atrium under the Agreement with AdvoFin and Salburg in the event that all eligible AdvoFin and Salburg clients opted to participate would be €44 million. The actual level of participation and compensation will be determined over time. For those who choose to push forward with litigation against the Company tied to these legacy issues, the Company has confirmed that it rejects the claims against it and that it will continue to defend itself vigorously in all proceedings.

Based on current knowledge and management assessment in respect of the actual outcome of claims to date in the Austrian proceedings, the terms of and methodologies adopted in the compensation arrangements with the Dutch stichting and with AdvoFin and Salburg, the expected cost and implications of implementing those arrangements, a total provision of €53.5 million has been estimated by the Company. Certain further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets', has not been disclosed on the grounds that to do so could be expected to seriously prejudice the resolution of these issues, in particular certain details of the calculation of the total provision and the related assumptions.

The criminal investigations pending against Mr. Julius Meinl and others relating to events that occurred in 2007 and earlier are ongoing. In connection with this, law firms representing various Atrium investors, who had invested at the time of these events, have alleged that Atrium is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor directed Atrium to reply to the allegations and started criminal investigation proceedings against Atrium based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into force in 2006, is applicable to Atrium. In any event, Atrium believes a finding of liability on its part would be inappropriate and, accordingly, intends to actively defend itself.

There is continuing uncertainty in the various economies and jurisdictions in which the Group has its operations and assets. These uncertainties relate to the general economic and geopolitical environment in such regions and to changes or threatened changes in the legal, regulatory and fiscal frameworks, the interpretation thereof and the approach to enforcement which may include actions affecting title to the Group's property or land.

Certain Russian subsidiaries within the Atrium Group are involved in legal and administrative proceedings involving the Russian tax authorities. These proceedings create an uncertainty around tax policies in matters previously regarded as established but which are now subject to revised interpretation by the Russian tax authorities. During tax audits there have been disagreements over aspects of expenses deductions, the overall impact of which could be significant. The Company cannot reliably estimate the potential amount of any additional taxation and associated costs. See also note 2.38, risks related to emerging and developing markets section.

2.41 SUBSEQUENT EVENTS

- As mentioned in note 2.39, related party transactions, in February 2017 Josip Kardun left the Group and the role of Group CEO was assumed by Liad Barzilai.
- On 21 March 2017, the Board of Directors approved an agreement with AdvoFin Prozessfinanzierung AG and Salburg Rechtsanwalts GmbH to resolve the vast majority of the Austrian legacy litigation. The related provision has been increased by approximately €32 million.



0.3

ATRIUM'S
STANDALONE
FINANCIAL
REPORT





Atrium Copernicus, Torun, Poland

ATRIUM'S STANDALONE FINANCIAL REPORT

3.1 BASIS OF ATRIUM'S STANDALONE FINANCIAL REPORT

The significant accounting policies of Atrium are the same as those of the Group as described in note 2.3 except for that mentioned below.

The financial assets of Atrium are classified into the following categories:

- Loans and receivables; and
- Available for sale financial assets.

Financial investments in subsidiaries represent Atrium's investment in subsidiaries and are, therefore eliminated in the consolidated financial statements. These financial investments are classified as available for sale financial assets stated at cost less impairment, which approximate their fair value, as they are not quoted in an active market. They are recognised and derecognised on the date of the transaction with any resulting gain or loss recognised in the statement of profit or loss.

Statement of Financial Position of Atrium European Real Estate Limited

	Note	31 DECEMBER 2016 €'000	31 DECEMBER 2015 €'000
Assets			
Non-current assets			
Financial investments in subsidiaries	3.2	2,616	4,000
Loans and receivables	3.3	2,795,413	3,005,006
Other assets		459	4,626
		2,798,488	3,013,632
Current assets			
Other receivables	3.4	13,104	1,911
Available for sale financial assets	3.5	42,036	-
Cash and cash equivalents		78,283	196,497
		133,423	198,408
Total assets		2,931,911	3,212,040
Equity and liabilities			
Equity			
Stated capital		2,422,587	2,574,836
Other reserves		2,384	4,153
Retained Earnings		(481,328)	(262,701)
Total equity		1,943,643	2,316,288
Liabilities			
Non-current liabilities			
Bonds	3.6	834,248	854,251
		834,248	854,251
Current liabilities			
Bonds	3.6	3,838	-
Other payables	3.7	78,833	991
Accrued expenditure	3.8	17,829	19,510
Provisions	3.9	53,520	21,000
		154,020	41,501
Total liabilities		988,268	895,752
Total equity and liabilities		2,931,911	3,212,040

Statement of Profit or Loss of Atrium European Real Estate Limited for the year ended 31 December

	Note	2016 €'000	2015 €'000	2015 €'000
Administrative expenses	3.10	(52,228)		(32,518)
Write off of assets	3.3	(89,436)		-
Impairment of assets	3.11	(166,301)		(519,171)
Net operating loss		(307,965)		(551,689)
Interest income	3.12	290,701		269,367
Interest expense	3.12	(37,367)		(33,113)
Other financial income/(expense)	3.13	(163,996)		95,379
Total net financial income		89,338		331,633
Loss before and after taxation for the year		(218,627)		(220,056)

Statement of Other Comprehensive Income of Atrium European Real Estate Limited for the year ended 31 December

	Note	2016 €'000	2015 €'000	2015 €'000
Loss for the year			(218,627)	(220,056)
Items that are or may be reclassified to the statement of profit or loss:				
Movements in available for sale reserve				
Movements in available for sale reserve	3.5	(1,419)		-
Movements in hedge reserve		(1,719)		-
Amounts reclassified to profit or loss in respect of cash flow hedges	3.14	1,719		-
Total comprehensive loss for the year		(220,046)		(220,056)

Statement of Changes in Equity of Atrium European Real Estate Limited

	Stated capital Notew	Share based payments reserve €'000	Available for sale reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2016	2,574,836	4,153	-	(262,701)	2,316,288
Loss for the year	-	-	-	(218,627)	(218,627)
Other comprehensive expense (note 3.5)	-	-	(1,419)	-	(1,419)
Total comprehensive expense	-	-	(1,419)	(218,627)	(220,046)
Transactions with owners of the Company					
Share based payment	-	327	-	-	327
Issuance of no par value shares	2,173	(677)	-	-	1,496
Dividends*	(154,422)	-	-	-	(154,422)
Balance as at 31 December 2016	2,422,587	3,803	(1,419)	(481,328)	1,943,643

* See note 2.16 for the consolidated financial statements

	Stated capital Note	Share based payments reserve €'000	Available for sale reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2015	2,673,166	4,360	-	(42,645)	2,634,881
Loss for the year	-	-	-	(220,056)	(220,056)
Other comprehensive expense	-	-	-	-	-
Total comprehensive expense	-	-	-	(220,056)	(220,056)
Transactions with owners of the Company					
Share based payment	-	905	-	-	905
Issuance of no par value shares	3,202	(1,112)	-	-	2,090
Dividends*	(101,532)	-	-	-	(101,532)
Balance as at 31 December 2015	2,574,836	4,153	-	(262,701)	2,316,288

* See note 2.16 for the consolidated financial statements



3.2 FINANCIAL INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership		Carrying amount	
			2016 %	2015 %	2016 €'000	2015 €'000
Broadvale Holdings Limited	Cyprus	Holding company	100%	100%	3	3
Mall Gallery I Limited	Cyprus	Holding company	63%	63%	46,515	46,515
Mall Gallery II Limited	Cyprus	Holding company	100%	100%	30,228	30,228
Atrium European Cooperatief U.A.	Netherlands	Holding company	6.82%	6.82%	9,350	9,054
Atrium Czech Real Estate Management, s.r.o.	Czech Republic	Management company	100%	100%	1,756	1,756
Manhattan Real Estate Management Kft.	Hungary	Management company	100%	100%	911	911
Atrium Treasury Services Ltd.	Jersey	Holding company	100%	100%	4,000	4,000
SIA Manhattan Real Estate Management	Latvia	Management company	100%	100%	3	3
Atrium Poland Real Estate Management Sp. z o.o.	Poland	Management company	100%	100%	4,423	4,423
Atrium Romania Real Estate Management SRL	Romania	Management company	100%	100%	255	255
OOO Manhattan Real Estate Management	Russia	Management company	100%	100%	2,542	1,320
Manhattan Real Estate Management SK s.r.o.	Slovakia	Management company	100%	100%	211	211
Manhattan Gayrimenkul Yönetimi Limited Sirketi	Turkey	Management company	100%	100%	4	4
Total gross value					100,201	98,683
Accumulated impairment loss					(97,585)	(94,683)
Total net value					2,616	4,000

3.3 LOANS AND RECEIVABLES

	2016 €'000	2015 €'000
Loans to third parties	17,227	17,133
Accumulated impairment of amounts due from third parties	(14,227)	(13,133)
Amounts due from subsidiary undertakings	3,806,779	3,955,125
Accumulated impairment of amounts due from subsidiaries undertakings	(1,014,366)	(954,119)
Total	2,795,413	3,005,006

Loans and receivables are tested for impairment on an annual basis or whenever there is an indication for impairment. The recoverable amount of amounts due from subsidiaries undertakings was assessed on the basis of the net assets of the relevant subsidiaries. In 2016 the Company recorded, to the statement of profit or loss, €163.8 million (2015: €515.9 million) of impairment losses related to amounts due from subsidiaries undertakings.

In 2016 the Company wrote-off €89.4 million (2015: nil) of amounts due from subsidiaries undertakings, as there are no realistic prospects for future recovery. In addition, the Company waived €172.1 million (2015: nil) of amounts due from subsidiaries undertakings.

3.4 OTHER RECEIVABLES

	2016 €'000	2015 €'000
Restricted cash*	12,465	-
Other receivables	639	1,911
Total	13,104	1,911

* The Company held cash of €8.5 million restricted as security for the Stichting compensation arrangement (see note 2.40 for the Group's consolidated financial statements) and €4.0 million restricted as security for the 2015 bonds (see note 3.7).

3.5 AVAILABLE FOR SALE FINANCIAL ASSETS

The Company's available for sale financial assets include a diversified portfolio of listed equity securities with less than 1% total holding in individual investment. The available for sale financial assets are carried at fair value, based on quoted prices (unadjusted) in active markets (Level 1 within the fair value hierarchy). As of 31 December 2016, available for sale financial assets balance amounted to €42.0 million.

3.6 BONDS

2016	Currency	Interest rate	Average maturity	Maturity	Book value	Fair value	Effective interest rate
Bond/Issue year					€'000	€'000	
Atrium European Real Estate Limited 2005	EUR	4.0%*	0.6	2017	3,838	3,917	4.4%
Atrium European Real Estate Limited 2013	EUR	4.0%	3.4	2020	332,895	360,525	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	5.9	2022	501,353	535,177	3.5%
Total/Average		3.8%	4.8		838,086	899,619	3.8%

* 10Y swap rate, floor 4%

2015	Currency	Interest rate	Average maturity	Maturity	Book value	Fair value	Effective interest rate
Bond/Issue year					€'000	€'000	
Atrium European Real Estate Limited 2005	EUR	4.0%*	1.6	2017	3,819	3,991	4.4%
Atrium European Real Estate Limited 2013	EUR	4.0%	4.4	2020	347,201	372,405	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	6.9	2022	503,231	515,458	3.5%
Total/Average		3.8%	5.8		854,251	891,854	3.8%

* 10Y swap rate, floor 4%

For information about the fair value of loans and bonds, see note 2.35 for the Group's consolidated financial statements.

Outstanding bonds net of transaction costs as at year end totalled €838.1 million (2015: €854.3 million). Out of which €3.8 million, due in 2017, are presented as short term liabilities and €834.3 million, due in 2020 and 2022, are presented as long term liabilities.

During 2016, Atrium repurchased bonds issued in 2013 and due in 2020 with a nominal value of €15.1 million and bonds issued in 2014 and due in 2022 with a nominal value of €1.4 million. The net loss resulting from the bond buybacks was €1.4 million.

During 2015, Atrium repurchased bonds issued in 2005 and due in 2017, with a nominal value of €81.0 million. The net loss resulting from the bond buybacks was €7.9 million. The nominal amount of the remaining notes is €3.9 million. The level of collateral pledged in support of the reduced outstanding principal amount of the notes was revised so that real estate assets valued at 31 December 2016 at €24.8 million (31 December 2015: €29.8 million) were provided as collateral.

In August 2015, €31 million of the Group's 2005 Bonds reached their maturity date and were repaid.

In May 2015, Atrium issued €150.0 million 3.625% notes due in October 2022 which were consolidated and form a single series with the €350.0 million 3.625% bonds due in October 2022 and issued by Atrium in October 2014. The issue price was 106.395% of the principal amount reflecting a yield of 2.9%. The cash proceeds amounted to €159.6 million including €3.0 million accrued interest.

The bonds issued in 2013 to 2015 are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40%; and the consolidated coverage ratio shall not be less than 1.5. The bonds issued in 2013 are also subject to a fourth covenant: the ratio of unsecured consolidated assets to unsecured consolidated debt shall not be less than 150%. All covenants were met throughout the year.

Revolving credit facility

In October 2015, the Company signed a five-year unsecured revolving credit facility for a total of €125 million at 3 month Euribor +1.5% which comprises €100 million of new credit and an existing €25 million facility (obtained in 2014) which was extended. The facility was provided by a syndicate of ING Bank N.V., Citibank N.A. and HSBC Bank plc. In November 2016, the Group signed a €25 million increase of the unsecured revolving credit facility. Following this transaction, Atrium has undrawn revolving credit facilities of €175 million.

3.7 OTHER PAYABLES

	2016	2015
	€'000	€'000
Payables to a related party*	76,062	-
Other payables	2,771	991
Total	78,833	991

* Amount payable to Company's indirect subsidiary and bears an annual interest rate of 5%.

3.8 ACCRUED EXPENDITURE

	2016	2015
	€'000	€'000
Accrued interest	13,260	13,685
Accrued consultancy and audit fees	3,993	5,224
Other accrued expenditure	576	601
Total	17,829	19,510



3.9 PROVISIONS

	2016 €'000	2015 €'000
Legacy legal provision		
Balance as at 1 January	21,000	1,200
Additional provision in the period	38,245	20,046
Amounts paid during the period	(5,725)	(246)
Balance as at 31 December	53,520	21,000
Of which Current portion	53,520	21,000
Non-current portion	-	-
Total provisions	53,520	21,000

For additional details see notes 2.24 and 2.40 for the Group's consolidated financial statements.

3.10 ADMINISTRATIVE EXPENSES

	2016 €'000	2015 €'000
Consultancy and other fees	(1,972)	(4,493)
Directors' fees and expenses	(2,238)	(1,523)
Legal fees	(600)	(1,094)
Legacy legal matters	(6,969)	(5,213)
Legacy legal - provision	(38,245)	(20,046)
Audit fees	(865)	(755)
Other expenses	(1,339)	(1,394)
Total	(52,228)	(32,518)

3.11 IMPAIRMENT OF ASSETS

The impairment of assets for the year 2016 amounted to €166.3 million (2015: €519.2 million) and comprised of net impairment loss on amounts due from subsidiaries undertakings of €163.7 million (2015: net impairment loss of €515.8 million) and net impairment loss on financial investments of €2.5 million (2015: net impairment loss €3.2 million).

3.12 INTEREST INCOME AND INTEREST EXPENSE

	2016 €'000	2015 €'000
Interest income		
From loans to subsidiaries undertaking	290,606	269,011
From deposits, loans to third parties and other	95	356
Total	290,701	269,367
Interest expense		
Interest on bonds	(31,997)	(33,113)
Interest on a loan from related party*	(5,175)	-
Other interest expense	(195)	-
Total	(37,367)	(33,113)

* Interest charges on payables to Company's indirect subsidiary at an annual interest rate of 5%, see also note 3.7.

3.13 OTHER FINANCIAL (EXPENSES)/INCOME, NET

	2016 €'000	2015 €'000
Impairment on third party loan (see note 3.3)	(1,094)	(4,256)
Forward transactions results	(2,100)	-
Bond buy back costs (see note 3.6)	(1,422)	(7,940)
Dividend income	3,500	-
Loss from waivers of loans to subsidiaries	(172,086)	-
Foreign exchange gains, net	9,807	108,186
Other financial income/(expenses), net	(601)	(611)
Total	(163,996)	95,379

Foreign currency exchange losses and gains arise largely from foreign currency loans provided to subsidiaries. The foreign exchange gain in 2016 is primarily derived from the loans to subsidiaries denominated in US Dollar €11.8 million (2015: foreign exchange gain €52.4 million), offset by a loss on the loans to subsidiaries denominated in Polish Zlotys €2.8 million (2015- foreign exchange loss €3.8 million). For a breakdown of the Company financial assets and liabilities per currency see note 3.16.

3.14 TAXATION

With effect from 1 January 2009, Jersey implemented a tax regime which imposes a general corporate income tax rate of 0%, while applying a 10% rate to certain regulated financial services companies and a 20% rate to utilities and income from Jersey land (i.e. rents and development profits). Jersey registered companies are treated as resident for tax purposes and are subject to a 0% or 10% standard income tax rate, as applicable. Atrium is not a regulated financial services company and therefore has a tax status as liable to Jersey income tax at 0%.

3.15 CATEGORIES OF FINANCIAL INSTRUMENTS

Atrium distinguishes the following categories of financial instruments

2016	Carrying amount	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost
	€'000	€'000	€'000	€'000
Financial assets				
Financial investments	2,616	-	2,616	-
Long term loans and receivables	2,795,413	2,795,413	-	-
Other assets	12,534	12,534	-	-
Other receivables	42,036	-	42,036	-
Cash and cash equivalents	78,283	78,283	-	-
Total financial assets	2,930,882	2,886,230	44,652	-
Financial liabilities				
Long term borrowings	838,086	-	-	838,086
Other payables	78,833	-	-	78,833
Accrued expenditure	17,829	-	-	17,829
Total financial liabilities	934,748	-	-	934,748

2015	Carrying amount	Loans and receivables	Available for sale financial assets	Financial liabilities at amortised cost
	€'000	€'000	€'000	€'000
Financial assets				
Financial investments	4,000	-	4,000	-
Long term loans and receivables	3,005,006	3,005,006	-	-
Other assets	4,626	4,626	-	-
Other receivables	1,321	1,321	-	-
Cash and cash equivalents	196,497	196,497	-	-
Total financial assets	3,211,450	3,207,450	4,000	-
Financial liabilities				
Long term borrowings	854,251	-	-	854,251
Other payables	991	-	-	991
Accrued expenditure	19,510	-	-	19,510
Total financial liabilities	874,752	-	-	874,752

The fair values of bonds presented under long term and short term borrowings are stated in note 3.6. The fair values of financial assets and remaining financial liabilities approximate their book values. Financial liabilities are stated at amortised cost.

Financial assets subject to credit risk are represented principally by cash balances, financial investments, loans and receivables which mainly comprise the amounts due from subsidiary undertakings within the Group.

3.16 RISK MANAGEMENT

The risk management processes of Atrium are the same as those of the Group, described in note 2.38 for the Group's consolidated financial statements except as stated below.

To spread the risk connected to the potential insolvency of financial institutions, Atrium deposits cash balances at various international banking institutions. Before a deposit is made, a review of the credit ratings of the banking institutions is undertaken and only banks with credit ratings of an investment grade or better are selected.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In 2016, the carrying value of investments decreased mainly due to impairments relating to subsidiary undertakings as a result of a decrease in the fair value of those companies. The amounts due from subsidiary undertakings were impaired as disclosed in note 3.11. As intercompany transactions and balances are eliminated in the consolidated financial statements, they only represent a credit risk exposure on Atrium's level. To mitigate the other credit risk arising from financial instruments - loans to third parties, historical data of counterparties from the

Atrium's principal financial assets are cash and cash equivalents, other receivables, loans and receivables and available for sale financial investments. The maximum exposure of Atrium to credit risk is the carrying amount of each class of financial assets. See also note 3.15.



business relationship are used, in particular data in relation to payment behaviour. Allowances for receivables are recorded in respect of the level of recognised risks, are individually tailored to each borrower and are calculated on the basis of management knowledge of the business and the market.

The credit risk exposure is comprised of normal course of business transactions with third parties, associates and its subsidiaries.

2016	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and accrued interest	851,345	999,577	35,476	31,472	415,967	516,662
Other liabilities	83,403	83,403	83,403	-	-	-
Total	934,748	1,082,980	118,879	31,472	415,967	516,662

2015	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and accrued interest	867,936	1,051,033	32,279	36,129	446,375	536,250
Other liabilities	6,816	6,816	6,816	-	-	-
Total	874,752	1,057,849	39,095	36,129	446,375	536,250

Other liabilities comprise accrued expenditures and other payables but exclude provisions and accrued interest on bonds.

Currency risk

Atrium is financed in Euros. Atrium's main exposure to currency risk arises from financial instruments representing intercompany transactions within the Group. Atrium currently has 18% of net financial instruments denominated in EUR (2015: 63%), 4% in USD (2015: 3%), 66% in PLN (2015: 20%), and 12% in other currencies (2015: 14%).

The following table sets out Atrium's total exposure to foreign currency risk and the net exposure to foreign currencies of its financial assets and liabilities:

2016	Financial assets	Financial liabilities	Net exposure
	€'000	€'000	€'000
CZK	189,564	-	189,564
HUF	46,670	-	46,670
PLN	1,315,220	-	1,315,220
USD	82,400	-	82,400

Liquidity risk

The Company's liquid financial instruments comprise of cash and cash equivalents at the amount of €78 million (2015: €196 million) and listed equity securities at the amount of €42 million (2015: nil).

The table below analyses Atrium's financial liabilities including accrued interest payments based on maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

2015	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and accrued interest	867,936	1,051,033	32,279	36,129	446,375	536,250
Other liabilities	6,816	6,816	6,816	-	-	-
Total	874,752	1,057,849	39,095	36,129	446,375	536,250

2015	Financial assets	Financial liabilities	Net exposure
	€'000	€'000	€'000
CZK	276,072	-	276,072
HUF	49,850	-	49,850
PLN	457,431	-	457,431
USD	81,058	-	81,058

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2016 and 31 December 2015 would have decrease the profit in the statement of profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Atrium's sensitivity analysis of strengthening Euro against foreign currency

	2016 (Loss) €'000	2015 (Loss) €'000
CZK	(18,956)	(27,607)
HUF	(4,667)	(4,985)
PLN	(131,522)	(45,743)
USD	(8,240)	(8,106)

A 10 percentage point weakening of the Euro against the above currencies at 31 December 2016 and 31 December 2015 would increase the profit by approximately the same amounts.

3.17 CONTINGENCIES AND SUBSEQUENT EVENTS

Contingencies and subsequent events are the same as those of the Group and are disclosed in notes 2.40 and 2.41.



04

INDEPENDENT AUDITOR'S REPORT





Atrium Koszalin, Koszalin, Poland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM EUROPEAN REAL ESTATE LIMITED

We have audited the Group and Parent Company financial statements (the 'Annual Financial Statements') of Atrium European Real Estate Limited for the year ended 31 December 2016 which comprise the Consolidated and Parent Company Statements of Financial Positions, the Consolidated and Parent Company Statements of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as endorsed by the EU.

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Report set out on page 48, the directors are responsible for the preparation of the Annual Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Annual Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Annual Financial Statements sufficient to give reasonable assurance that the Annual Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an

assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Annual Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON ANNUAL FINANCIAL STATEMENTS

In our opinion:

- The Annual Financial Statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2016 and of the Group's and Parent Company's profit for the year then ended;
- the Group Annual Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU; and
- the Parent Company Statement of Financial Position, Statement of Profit or Loss and related notes have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU as applied in accordance with the provisions of the Companies (Jersey) Law 1991; and
- the Annual Financial Statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS: GROUP MANAGEMENT REPORT AND COMMENT ON THE DECLARATION OF THE PARENT COMPANY'S MANAGEMENT ACCORDING TO PARA 82 BORSEG

Pursuant to statutory provisions, the Group Management Report is to be audited as to whether it is consistent with the Group Annual Financial Statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the Group Management Report is consistent with the Group Annual Financial Statements.

In our opinion, the Group Management Report is consistent with the Group Annual Financial Statements.

The Group Management Report for the year ended 31 December 2016 includes the declaration of the Parent Company's management according to para 82 (4) fig 3 BorseG.

Steven Hunt

for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditors
37 Esplanade
St Helier
Jersey
JE4 8WQ

21 March 2017

Notes:

- The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 21 March 2017. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 21 March 2017 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.



05

DIRECTORS, GROUP
EXECUTIVE TEAM,
PROFESSIONAL
ADVISORS AND
PRINCIPAL
LOCATIONS



ATRIUM

FELICITY

RTV EURO

CROP

ROSSMA

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22

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VEIS

Atrium Felicity, Lublin

DIRECTORS

Chaim Katzman
Rachel Lavine
Noam Ben-Ozer
Peter Linneman
Karine Ohana
Simon Radford
Thomas Wernink
Andrew Wignall

GROUP EXECUTIVE TEAM

Josip Kardun
Group CEO (until 22/02/2017)
Liad Barzilai
Group CEO (from 23/02/2017)
Rolf Rüdiger Dany
Group COO
Ryan Lee
Group CFO
Geraldine Copeland-Wright
Group GC
Ljudmila Popova
Group Head of Asset Management & Investor Relations

ADMINISTRATOR AND REGISTRAR

Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
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Jersey
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INDEPENDENT AUDITORS

KPMG Channel Islands Limited
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 8WQ

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REGISTERED OFFICE

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BUSINESS ADDRESS

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St Helier
Jersey
JE2 4UH

PRINCIPAL LOCATIONS

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Atrium Czech Real Estate Management s.r.o.
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Bécsi út 154, HU-1032
Budapest
The Netherlands
Atrium Group Services B.V.
World Trade Center, C tower, Strawinskylaan 941,
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Poland
Atrium Poland Real Estate Management Sp. z o.o.
Al. Jerozolimskie 148, PL-02-326
Warsaw
Romania
Atrium Romania Real Estate Management SRL
Auchan Mall Office, Et.1, Office 2
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Bucharest
Russia
OOO Manhattan Real Estate Management
JAVAD Business Centre, The Triumph Palace
Chapaevskiy pereulok, Building 3, RU-125057
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digital baby LUXTORE
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multiStore
eco Style
...
OPEN STYLE



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perfect me
OPEN STYLE

atrium
PROMENADA

pinkenin

PLATICO

MODDO

...
OPEN STYLE