ATRIUM
European Real Estate

ANNUAL FINANCIAL REPORT 2019

LEADER IN CENTRAL EUROPEAN SHOPPING CENTRES

CHAIRMAN'S STATEMENT

Dear Shareholders

2019 has been another successful year for Atrium both for the ongoing operational and financial performance of the business, as well as the continuing successful execution of our strategy to reposition our portfolio to ensure that it delivers sustainable quality income growth over the long term in a rapidly evolving retail environment.

Looking towards the future and the corporate strategic review announced at the end of last year:

The clear objective is to ensure that Atrium is well placed to capitalise on opportunities arising from structural changes in consumer behaviour and the positive trends towards urbanisation in Warsaw and Prague, underpinned by strong demographics and the macro economic environment. Against this backdrop we aim to continue growing long term sustainable income returns for our shareholders, whilst at the same time reducing longer term risk from the portfolio.

A. **The first pillar of this strategy is to continue the Company's asset rotation program with the goal of concentrating further on high quality assets in the capital cities of Warsaw and Prague.** As we have said before, we have a strong conviction that large modern dominant retail centres in well-connected high density urban areas which act as a destination both to fulfil the retail needs and provide experiences to the communities that they serve, have an important role to play in the retail landscape of the future.

B. Building on this and looking to leverage our well-established operating platforms in these two capital cities, **the second element is to expand our investment strategy into the residential for rent asset class.**

   We believe that the strong macroeconomic fundamentals and urbanisation trends that are supportive of our retail strategy are even more acute for residential. In Warsaw in particular, there is a lack of good quality modern product to satisfy the rising levels of demand from a growing and increasingly discerning middle class. This absence of institutional products and the fact that Warsaw's private rental market is highly fragmented offers a significant opportunity to invest in an attractive risk-return profile at yields which are significantly higher than in Germany and other western European markets.

C. Whereas in the past our focus was on continually reviewing our existing operating assets to examine ways to improve and extend the retail and leisure elements, we will now also assess opportunities to complement our redevelopment pipeline with mixed use ecosystems, utilising existing "air" and "zoning" rights to add other asset classes to them. **The third element, the densification of the portfolio** might include building residential and / or, in certain cases, offices above or adjacent to existing properties.

In conclusion, and reflecting the changes outlined above, we have set out a new mission with the following distinct goals:

- Continued rotation of the retail portfolio into prime dominant assets in urban capitals
- Redevelopment of our prime retail assets will be extended to leverage their densification potential to create a self-sustained ecosystem
- Diversification into modern, purpose built residential for rent assets in our core geographies, by leveraging our platform and local know-how with the potential for longer term value creation and sustainability
- Deliver first class retail and residential destinations for our customers and consumers
- Be a responsible landlord and employer that makes a valuable contribution to the local communities in which we operate and minimises the environmental impact of its assets
- Provide sustainable income growth to our shareholders

As usual, I would like to sign off by saying thank you, both personally and on behalf of the Board, to our executive team and all our staff for their hard work and commitment during the year. Their continued efforts give us great confidence in the future of the business. Finally, a thank you to our shareholders, bondholders and other stakeholders and advisors for their continued support.

Sincerely,

Chaim Katzman

GROUP CHIEF EXECUTIVE'S STATEMENT

"THE STRONG EXECUTION OF THE ASSET PORTFOLIO ROTATION STRATEGY INTO PRIME DOMINANT ASSETS IN URBAN LOCATIONS WHICH CONTINUED IN 2019, LED TO ANOTHER YEAR OF SOLID OPERATIONAL RESULTS."

2019 RESULTS

Our income figures continue to reflect the benefits of our focus on higher quality assets in prime urban locations, which are delivering stronger and more sustainable income. This is most clearly reflected in our like for like net rental income which increased by 2.4% for Poland and the Czech Republic[1].

Throughout the year, the attention of management was firmly focused on the ongoing day to day operations of the business. Over 1,000 leases were signed during the year, in line with previous passing rent and 2.8% above ERV, an indication of the ongoing appeal of our well-located centres to retail and leisure operators. To this end, we were also able sustain our strong occupancy level at 97%, with the average lease duration maintained at 5.3 years. Together with the fact that lease maturities between 2020 and 2024 are well spread, we have a high degree of visibility regarding the cash flows in the coming years.

While our EBITDA decreased slightly by 1.7% to €153.4 million, primarily due to timings in our asset rotation programmes, our EBITDA margin remained stable at 87%, which is very pleasing. Company adjusted EPRA earnings decreased by 4.3% to €106 million due to disposals and higher debt levels.

Overall, profit after tax increased by 39.3% to €84.4 million compared to €60.6 million in 2018. The main drivers were the decrease in finance expenses (mainly a debt refinancing cost in 2018), a lower tax cost, and a €7.0 million higher profit from disposals.

STRATEGY EXECUTION IN 2019

In achieving these results, our offering to our local catchments is carefully tailored and our asset management teams have been diversifying our tenant mix so that our centres offer a range of both retail and experience, including leisure, entertainment and community activities. These are directed towards consumers who are increasingly choosing to allocate both their disposable income and their time to destination locations. For example, at Arkady Pankrac in Prague we are undergoing a

1 Excluding assets which the Group entered into an agreement to sell in December 2019

re-tenanting and refurbishment of the centre touching 75% of the leases. This initiative enhances the gastronomic and food court experience and adapts the fashion mix to cater for the predominantly local office-based consumers that frequent the centre. Simply put we are placing our centres at the heart of the community and catchments that they serve.

It is well recognised that the retail market has been in a state of evolution over the last number of years, as permanent structural changes, driven by the rise of ecommerce and shifts in consumer behaviour, make themselves felt. Our portfolio strategy, the focus of our efforts during the last five years, has been executed in direct response to these shifts, delivering a more resilient, more focused (both geographically and by asset quality), collection of properties that meet the wants and needs of their local catchments and are positioned to benefit from strong micro economics and urbanisation trends to produce sustainable income growth over the longer term.

Portfolio rotation

At a portfolio level, in 2019 we completed over €350 million of disposals towards this end, while the Group also acquired Kings Cross in Warsaw for €43 million, where we have identified potential value accretive future redevelopment opportunities. This activity has resulted in a portfolio that comprises 26 assets, down from 34 at the start of the year, but crucially with a higher average property value of €101 million and an increased average asset size of 31,100 sqm. This compares to €17 million and 8,900 sqm, respectively in 2014, showing just how far we have come as a business in the last few years. As a reminder over the last 5 years we have disposed of approximately €800 million of assets, representing over 100 assets and exited 3 countries.

Redevelopments of our assets

Redevelopments of assets have also made a significant contribution to portfolio enhancement, and we plan to invest around €400 million in our pipeline, with €161 million already deployed as at 31 December 2019. Having delivered 20,000 sqm of new GLA in 2018 in our prime shopping centers in Warsaw, our plan will add in phases up to a further 50,000 sqm of GLA by the end of 2023, consisting largely of ongoing extension works in our assets in Warsaw and Prague.

OUR APPROACH TO ESG

We are highly aware of the growing degree of attention which is rightly being directed towards environmental, social and governance (ESG) matters. Atrium formalised its approach to ESG in 2014 and has had an unwavering commitment to its ESG policies since then, managing and minimizing the environmental impact of our operations, focusing on 'Our Customers, Our Places and Our People'. Atrium is proud to announce that together with the Annual Report which includes the 2019 Sustainability Report that we have also launched a Green Financing Framework which has been approved by a Second Party Opinion and which we will integrate into the Company's sustainability targets. More information is available on the Company's website.

2020 AND FORWARD CORPORATE STRATEGY REVIEW

Complementary to this, over the coming months we will be looking how we can best execute an evolved strategy, building further on what we have already achieved. In the first instance, this will involve exploring all of the options that are available for us to implement our plans, including possible partnerships and joint ventures, as we seek to grow our expertise and accelerate our asset diversification into the residential for rent sector.

We will be working towards creating a portfolio of 5,000 units mainly in Warsaw in the coming years. It is an exciting prospect for all of us here at Atrium and for the future of the Group. We look forward to updating our shareholders during the course of the year as we begin to tap into the opportunities that our markets, expertise and portfolio present us with.

Credit is due to all our colleagues across the Group without whom we wouldn't be able to achieve such positive results. Atrium is in a strong position to continue the evolution of our strategy against a positive market backdrop, as we enter the new decade we are moving towards another exciting period for the Company.

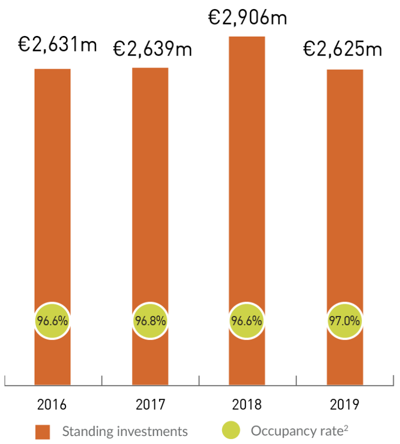
Sincerely,

Liad Barzilai

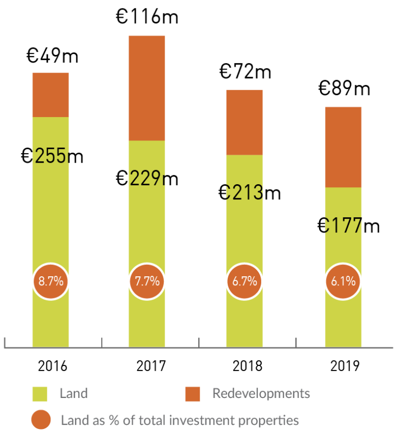
RESULTS HIGHLIGHTS

STANDING INVESTMENTS[1]

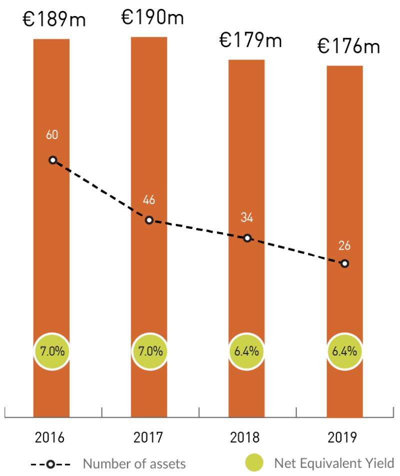
TOWARDS HIGH QUALITY PORTFOLIO



REDEVELOPMENTS AND LAND[3]

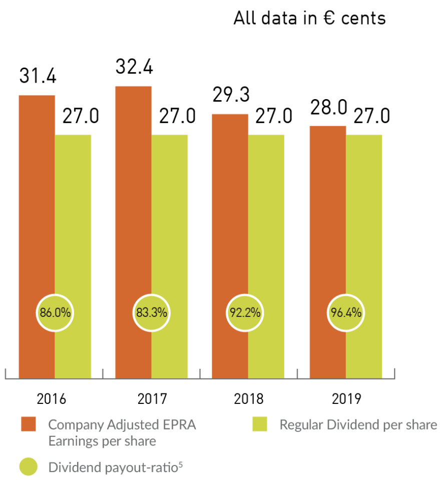


NET RENTAL INCOME[4]



COMPANY ADJUSTED EPRA EARNINGS AND REGULAR DIVIDEND PER SHARE

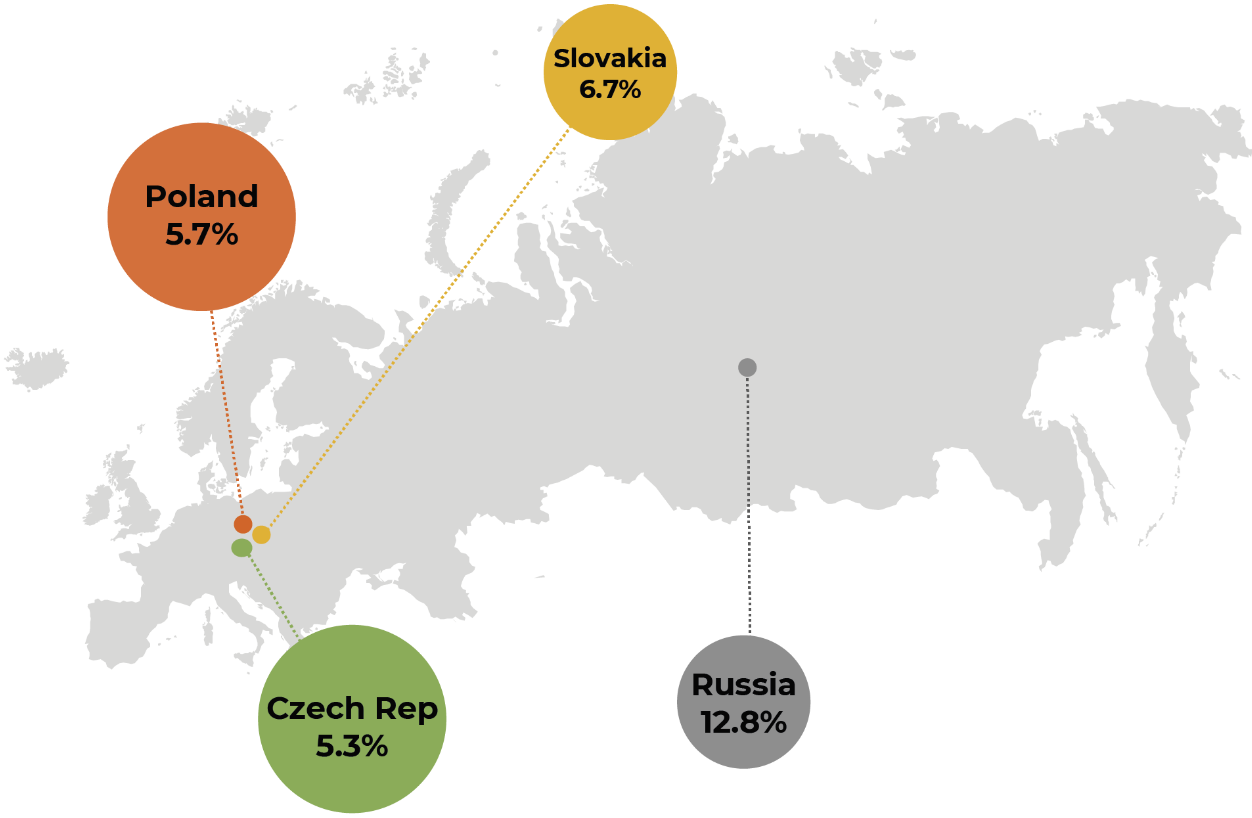
IMPACT OF PORTFOLIO PHASING



1 Including a 75% stake in assets held in Joint Ventures and excluding €74.2 million classified as held for sale as at 31 December 2019
2 The Occupancy rate, shown above, is defined as 100% less EPRA vacancy
3 Including €29.1 million classified as held for sale as at 31 December 2018
4 Including a 75% stake in assets held in Joint Ventures
5 Excluding special dividends

OUR BUSINESS

STANDING INVESTMENT PORTFOLIO SPREAD AND NET EQUIVALENT YIELD



€2.6bn	€1.7bn	€0.5bn	€0.1bn	€0.3bn
standing investment portfolio[1]	Poland	Czech	Slovakia	Russia
	€1bn 5 assets Warsaw	€0.4bn 2 assets Prague		

1: Including a 75% stake in assets held in Joint Ventures and excluding €74.2 million classified as held for sale as at 31 December 2019.

KEY PERFORMANCE INDICATORS

KEY FIGURES OF THE GROUP	Unit	2019	2018	Change %/ppt
OPERATIONAL FIGURES				
EPRA like-for-like net rental income excl. Russia and assets held for sale	€'000	56,392	55,096	2.4%
EPRA like-for-like net rental income excl. Russia	€'000	59,949	58,867	1.8%
EPRA like-for-like net rental income	€'000	81,701	80,782	1.1%
Net rental income	€'000	176,448	178,947	(1.4%)
Operating margin	%	94.2	96.4	(2.2%)
EBITDA[1]	€'000	153,572	156,405	(1.8%)
EPRA Costs ratio (including direct vacancy costs)	%	19.5	16.8	2.7%
Company adjusted EPRA earnings	€'000	106,016	110,751	(4.3%)
FINANCIAL FIGURES				
Profit after taxation for the year	€'000	84,426	60,627	39.3%
Cash and cash equivalents	€'000	126,851	38,493	229.5%
Net cash generated from operating activities	€'000	95,304	57,773	65.0%
Total assets	€'000	3,204,347	3,293,336	(2.7%)
Equity	€'000	1,766,014	1,793,049	(1.5%)
Borrowings	€'000	1,186,756	1,249,038	(5.0%)
LTV (net)[2]	%	35.1	37.9	(2.8%)
PORTFOLIO FIGURES				
Number of standing investment assets[2]	Number	26	34	
Standing investments at fair value[2]	€'000	2,625,423	2,905,858	(9.7%)
Net equivalent yield (weighted average)[2]	%	6.4	6.4	-
Occupancy rate[3]	%	97.0	96.6	0.4%
Redevelopments at fair value	€'000	89,180	71,946	24.0%
Land at fair value[4]	€'000	176,913	183,483	(3.6%)
Revaluation of standing investments	€'000	(1,725)	17,895	
Revaluation of redevelopments and land	€'000	(8,058)	(19,244)	
PER SHARE FIGURES				
IFRS Earnings per share	€cents	22.3	16.1	38.5%
Company adjusted EPRA earnings per share	€cents	28.0	29.3	(4.3%)
Dividend per share[5]	€	0.27	0.41	(34.1%)
Dividend pay-out ratio[5]	%	96.4	92.2	4.2%
IFRS NAV per share	€	4.67	4.75	(1.7%)
EPRA NAV per share	€	4.96	5.03	(1.4%)
Share price end of year	€	3.45	3.23	6.8%

1 Excluding revaluation, disposals, impairments, corporate fees and other costs (includes the transaction costs in relation with the recommended cash acquisition by Gazit Globe Ltd. and costs in relation with the takeover of Atrium Dominikanska management contract).
2 Excluding assets held for sale representing 5 assets in Poland and 1 asset in Slovakia as at 31 December 2019
3 The above Occupancy rate is defined as 100% less EPRA vacancy excluding assets held for sale representing 5 assets in Poland and 1 asset in Slovakia as at 31 December 2019
4 Excluding land held for sale in Poland as at 31 December 2018
5 Excluding special dividend of €cents 14 per share paid in 2018

The key performance indicators include a 75% stake in assets held in Joint Ventures.

CONTENTS

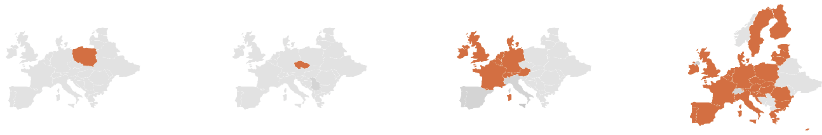
01

GROUP MANAGEMENT REPORT


MENADA
CINEMA CITY
Pizza Hut
KFC
CINEMA CITY
W KINACH
OTWARTE W NIEDZIELE

OPERATING ACTIVITIES

OUR MARKETS - CE AS AN OPPORTUNITY



	Poland		Czech		Western Europe		EU Average	
	2019 F	2020 F	2019 F	2020 F	2019 F	2020 F	2019 F	2020 F
GDP growth	4.0%	3.1%	2.5%	2.6%	1.2%	1.4%	1.1%	1.2%
Retail spend growth	4.7%	4.2%	4.5%	3.6%	2.4%	1.9%	1.5%	2.0%
Unemployment	3.8%	3.8%	2.2%	2.3%	4.6%	4.6%	6.3%	6.1%
Inflation	3.3%	3.5%	2.3%	2.0%	1.5%	1.6%	1.2%	1.3%

There have been tentative signs recently that the euro-zone economy has stabilised, reducing the threat to Central Europe of a continued deterioration in external demand. In Germany, a significant contributor to the region, full year 2019 GDP growth suggests that in Q4 the country barely avoided a contraction.

The GDP growth for our key markets for 2019 remains strong showing Poland and the Czech Republic growth of 4.0% and 2.5% respectively, against a background of low unemployment and strong retail sales. With continuing low growth numbers in the major EU markets, an effect on the net trade with CE markets is imminent and is already reflected in forecasts for Polish GDP growth which have dropped from 4.0% in 2019 to 3.1% in 2020.

Warsaw is Poland's most affluent city, driven by outstanding demographic fundamentals, higher salaries (31% higher) and lower rates of unemployment (1.3% vs. 3.8%) in comparison to national averages. In the Czech Republic, over 25% of national GDP is created in Prague. It has the lowest unemployment rate in the country, which at 2.2% is also one of the lowest rates in Europe.

At 4.0%, Polish GDP growth has been one of the top three performers and was mainly driven by expanding domestic consumption and a rebound in inward investment. In the course of the past 20 years, Poland's GDP has grown over 350%. The performance in our markets is even more impressive given that, since the start of 2018, it has coincided with a sharp slowdown in the euro-zone economy.

Russia, whilst at the lower end of growth, pulled back from the edge of recession to deliver 1.1% growth. During the year, the Ruble strengthened by 12% YOY, alongside measured easing of the interest rates as inflation fell faster than expected.

Poland's retail market is growing at a stable pace, showing an increase of 4% annually over the 5 past years, bringing total new retail supply for 2019 to over 400,000 sqm. In the Czech Republic, PMR announced that less than 50,000 sqm of shopping centre space was activated in 2019. Existing malls are being repositioned and upgraded, notably by enhancements to the gastronomic and entertainment offer, remodelling their interiors and exteriors. Omni-channel has also become an important part of mall strategies.

Secondary retail assets across all markets have been facing continuing pressure over recent years as investor sentiment moved toward prime assets in prime locations where return is viewed as more secure. In today's environment however we now see pressures expanding into UK, Spain and Germany where recent valuations have reflected yield expansion in these previously dominant markets. A combination of the strength of the CE economy, growing purchasing power in the region and comparatively low online retail penetration has generally allowed turnovers to remain stable or show growth in dominant centres. This in turn has supported stable yields, although there is an anticipation the trend to follow that of western europe in the short to medium term.

E-commerce in Poland accounted for 7.7% of all retail sales in the country and 2.3% of Poland's GDP. Data from e-commerce Foundation shows that the industry was worth 9.31 billion euros in 2018 and is expected to have increased by 25% to 11.6 billion euros in 2019.

After the Czech Republic's GDP strong 3% growth in Q2 2019, which was stronger than initially expected driven by solid private consumption, growth fell back to 2% in Q3-4. Retail sales increased y/y by 5.1% for the nine months ended September, which is far above the EU average of 3.2%. While e-commerce was the fastest growing sector at approximately 16% of all retail sales, household spending has been increasing also in non-food products and services.

Russia's retail sales growth is limited due to the decline in consumer confidence and fall in real incomes. Construction volume in Russia will remain at approximately the same level as the previous two years, with around 500,000-700,000 sqm of retail space delivered annually. The e-commerce market in Russia trended upward during the year, with a 26% increase in e-commerce sales in H1 2019. However, due to the geographical size of the country and its relatively fragmented population overall penetration is still only circa 2% of total retail sales.

To summarise, against the background of European tensions in the EU and Brexit, we can look back to see strong and sustained growth. Our markets' fundamentals outperformed Western Europe; growth in retail spend was more than double. Looking forward, the key drivers that have supported our business in recent years will remain in place, though no one can deny that there is much uncertainty and while the decisive election in the UK at the end of 2019 may have provided a higher degree of certainty and stability, any negative impact from Brexit on the EU economy might yet send ripples through all markets.

OUTLOOK

Combined with the expectation that the recent strong performance of our markets may continue for a few more years as fiscal and monetary policy remain loose, offsetting the challenges from flat performance in other European economies, Atrium is well positioned for this changing environment.

Recent 2020 analysis once again highlighted the ongoing trend of diversifying shopping-centres into experience related activities (e.g. restaurants, cinema etc), predicting that it will result in more than 50% of overall space in Europe being non-retail by 2025. This aligns with our own redevelopments of our prime locations. Citibank reported on this trend in Europe and the U.S. leading to real spending on recreation and culture growing 2.3-2.4x faster than GDP over the last 20-40 years.

Sources: IMF, PMR, Capital Economics, Trading Economics, CUS, Citibank, Westfield, Morgan Stanley, CBRE

INCOME PRODUCING PORTFOLIO

As at 31 December 2019, the average value of Atrium's assets was €101 million (an increase from an average value of €85.5 million at the end of 2018). Atrium's income producing portfolio comprised 26[2] standing investment properties with a market value of €2.6 billion[2]. This portfolio had a total gross lettable area ("GLA") of approximately 0.8 million sqm and in 2019 produced a gross rental income ("GRI") of €187.2 million[3].

As a direct result of our portfolio repositioning strategy, the Polish and Czech portfolios now make up 85%[2] of the total market value of the portfolio. 80% of the Czech portfolio is located in Prague and, following the acquisition of Kings Cross in July 2019, 59%[2] of the Polish assets are concentrated in Warsaw, meaning these two capital cities make up 38% and 16% of the total protfolio, respectively. Average asset size has increased in both of these core markets which now account for almost 73.6%[3] of the Group's net rental income ("NRI").

24[45] of the Group's assets owned at the year end were shopping centres, 15 of which were large scale centres comprising over 30,000 sqm of GLA. The other 9[4] ranged in size from between 10,000 sqm and 30,000 sqm of GLA. The two[5] other assets are smaller-scale properties leased to a variety of retailers ranging from food to do-it-yourself stores.

A key element of the Group's asset management strategy is to ensure that its centres have a healthy tenant mix anchored by food, fashion as well as leisure and entertainment brands and that these are tailored to its local environment. This increases the resilience of the portfolio by allowing it to both meet the every-day needs of consumers while at the same time be positioned as an attractive destination. This combination is fundamental to driving footfall, generating additional income and value in a changing retail market. We are able to maintain close working relationships with our tenants through our on-the-ground management teams, who provide vital insight into each of our assets' local requirements and market dynamics. This approach has been and remains a major component of the sustainable levels of rental income and cash flow that the Group produces.

In response to the changing retail market, the Group is more focused on creating diversified shopping destinations with a range of retail, leisure, entertainment and community functions that are appealing to consumers. During 2019, Atrium made further progress with its portfolio repositioning strategy, especially in Poland, with c. €400 million of disposals including the sale of two shopping centres in Lublin and Koszalin; a deal signed for five secondary assets, which is expected to be completed the first half of 2020; land in Gdansk as well as a shopping center in Duben, Slovakia (completed in January 2020). In addition, the Group acquired an additional shopping centre, Kings Cross in Warsaw, for €43 million.

The market value of the Group's standing investments in Russia represented only 10.9% (31 December 2018: 9.6%) of the total market value of standing investments at the year end.

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

Standing investments	No. of properties		Market value		Gross letable area		Average asset value		Average asset size	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Country			€ million	€ million	in thousand sqm	in thousand sqm	€ million	€ million	in thousand sqm	in thousand sqm
Poland	15	22	1,695	1,956	433	581	113.1	88.9	28.9	26.4
Czech Republic	2	2	342	337	61	61	171.0	168.5	30.5	30.4
Slovakia	1	2	121	160	47	69	120.7	80.0	47.1	34.7
Russia	7	7	287	279	238	240	41.0	39.9	34.0	34.3
Total	**25**	**33**	**2,445**	**2,732**	**779**	**951**	**97.8**	**82.8**	**31.2**	**28.8**
Investment in Joint Ventures (75%) in the Czech Republic	1	1	180	174	30	30	180.1	173.8	30.0	30.0
Total standing investments	**26**	**34**	**2,625**	**2,906**	**809**	**981**	**101.0**	**85.5**	**31.1**	**28.8**

The CE economy has continued to grow above the EU average for a number of years now, with Warsaw and Prague specifically within the top 10 fastest growing economies within Europe[6]. Whilst retail yields seem to have stabilised, but continue to soften in secondary locations, we expect that growing retail sales will continue to drive performance for core assets in primary locations.

Overall, the portfolio remained stable over 2019, with a €1.7[3] million devaluation.

2 Including a 75% stake in assets held in Joint Ventures and excluding assets held for sale

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

4 Excluding one asset in Poland and one asset in Slovakia classified as held for sale as at 31 December 2019

5 Excluding four assets in Poland classified as held for sale as at 31 December 2019

6 Source: Oxford Economics

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

	Net equivalent yield (weighted average)[1]		EPRA Net initial yield (NIY)[2]	
Country	2019	2018	2019	2018
Poland	5.7%	5.8%	5.3%	5.4%
Czech Republic	5.3%	5.3%	5.3%	5.4%
Slovakia	6.7%	6.8%	6.9%	6.8%
Russia	12.8%	12.7%	12.3%	11.9%
Average	**6.4%**	**6.4%**	**6.2%**	**6.1%**

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

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

The portfolio's net equivalent and the EPRA net initial yields remained broadly flat over 2019, ending the year at 6.4% and 6.2% respectively (31 December 2018: 6.4% and 6.1%). The EPRA "topped up" NIY as at 31 December 2019 also remained relatively flat at 6.5% (31 December 2018: 6.6%). Throughout the year, yields for prime assets remained flat within the portfolio, however some yield expansion was experienced in secondary assets within Poland.

ACQUISITIONS AND DISPOSALS

During the year, the Group completed the following transactions:

In February 2019, the Group completed the disposal of land in Gdansk for €27.9 million.

In June 2019, the Group completed the acquisition of King Cross Shopping Centre in Warsaw, for a consideration of €43 million. This well-established asset offers future redevelopment opportunities and is the Company's fifth asset in Warsaw.

In July 2019, the Group completed the sale of two shopping centres in Poland, Atrium Koszalin, in Koszalin and Atrium Felicity, in Lublin, for €298 million. The sale price represented c.3% premium to the 31 March 2019 book value.

In October 2019, the Group acquired an adjacent department store to its existing shopping centre in Pardubice, Czech Republic for a consideration of €6.5 million. This gives the Company an opportunity to undertake redevelopment, which will include an addition of 8,500 sqm GLA comprising of a supermarket, an electronics store and offices. The total net incremental cost to complete the redevelopment project is approximately €13 million as at 31 December 2019.

In December 2019, the Group entered into an agreement to sell a portfolio of five secondary assets in Poland with a total lettable area of 41,200 sqm for its approximate book value of €36 million, with completion expected during the first half of 2020.

In January 2020, the Group completed the sale of Atrium Duben shopping centre in Zilina, Slovakia at its book value of €37.2 million.

The number of assets decreased from 34[3] at the beginning of the year to 26[2] as of today bringing the average asset value and asset size up to €101.0 million and 31,100 thousand sqm respectively, from €17 million and 8,900 sqm in 2014.

OCCUPANCY

Atrium's occupancy remained strong throughout the year being the highest level in 4 years, with rates of 97.0%[2] and 96.8[2]% at year end on the basis of EPRA[7] and GLA respectively, reflecting the ongoing appeal attractiveness of the Group's centres to retail and leisure brands. In the Czech Republic, the change in occupancy was mainly attributable to a redevelopment in Arkády Pankrac (a 75% joint venture in the Czech Republic), commenced at the end of the year.

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

	Occupancy rate		GLA Occupancy	
Country	2019	2018	2019	2018
Poland	97.6%	96.2%	96.8%	95.7%
Czech Republic	96.7%	99.6%	95.4%	99.0%
Slovakia	100.0%	99.2%	100.0%	98.8%
Russia	94.9%	94.5%	96.6%	96.3%
Group	**97.0%**	**96.6%**	**96.8%**	**96.3%**

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

LEASING ACTIVITY

Atrium's focus on asset management and building strong relationships with tenants saw it sign 1,022 leases (2018: 746 leases) during the year; 784 (2018: 560) of these leases were in previously occupied premises and 238 (2018: 186) leases in previously vacant/restructured units.

The 1,022 leases signed represented approximately €33.6 million of annualised rental income **at an average rent of €18.1 per sqm per month at passing rent with 2.8% above ERV. This helped sustain the portfolio occupancy level and the average lease duration.**

	Unit	2019
Previously occupied (comparable units)		
Number of leases	Number	784
GLA leased	Sqm	95,610
New contracted monthly rental income per sqm	€	20.7
Prior contracted monthly rental income per sqm	€	20.8
Previously vacant/restructured units		
Number of leases	Number	238
GLA leased	Sqm	58,645
New contracted monthly rental income per sqm	€	13.9
Total New Leases		
Number of leases	Number	1,022
GLA leased	Sqm	154,255
New contracted monthly rental income per sqm	€	18.1

LEASE EXPIRIES

The average lease length across the portfolio at the end of 2019 was 5.3 years (2018: 5.3 years).

30.5% of lease agreements across the Group now have a remaining contract term of more than five years (2018: 32.1%). 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 2019. Additionally, the lease maturities between 2020 and 2024 are well spread. This provides the Group with a high degree of visibility regarding likely future cash flows over the coming years.

Based on the 2019 ARI, the expiry schedule of existing lease agreements is as follows:

Lease expiry schedule	% of ARI	Number of terminating lease agreements	Area in expiring agreements (in sqm '000)
2020	15.7%	790	104
2021	11.9%	351	79
2022	10.2%	310	75
2023	18.0%	397	106
2024	12.1%	287	70
> 2024	30.6%	344	352
Indefinite	1.5%	130	19
Total	**100.0%**	**2,609**	**805**

85.4% of the Group's lease agreements by GRI are denominated in Euros, limiting the exposure to local currency fluctuations. Of the remainder, 2.5% is denominated in Czech Korunas, 7.4% in Polish Zlotys, 4.3% in Rouble and 0.4% in other currencies.

CAPITAL EXPENDITURE

Below, we reflect the major components of our capital expenditures during the year based on EPRA guidlines. These expenditures can be divided into three main categories: Acquisitions of both Standing Investments and Redevolpment and land, capital expenditure incurred on the redevelopement of our Standing investments, and capital expenditure on our like-for-like portfolio. All remaining expenditure relates to other non like-for-like properties and land.

	31 December 2019 €'000	31 December 2018 €'000
Acquistions[1]	59,551	283,896
Development[2]	16,754	57,617
Like-for-Like Portfolio[3]	14,289	11,856
Other[4]	15,237	17,736
Total	**105,831**	**371,105**
Joint Venture	2,612	1,024

1 Being €50.9 million for Standing Investments and €8.7 million for future Developments (2018: €283.9 million and €nil respectively)

2 Being €16.8 million for development of Standing Investments (2018: €57.6 million)

3 Relates only to Standing Investments that had no major changes throughout the year

4 Includes remaining Non LfL assets + Land not marked for active development

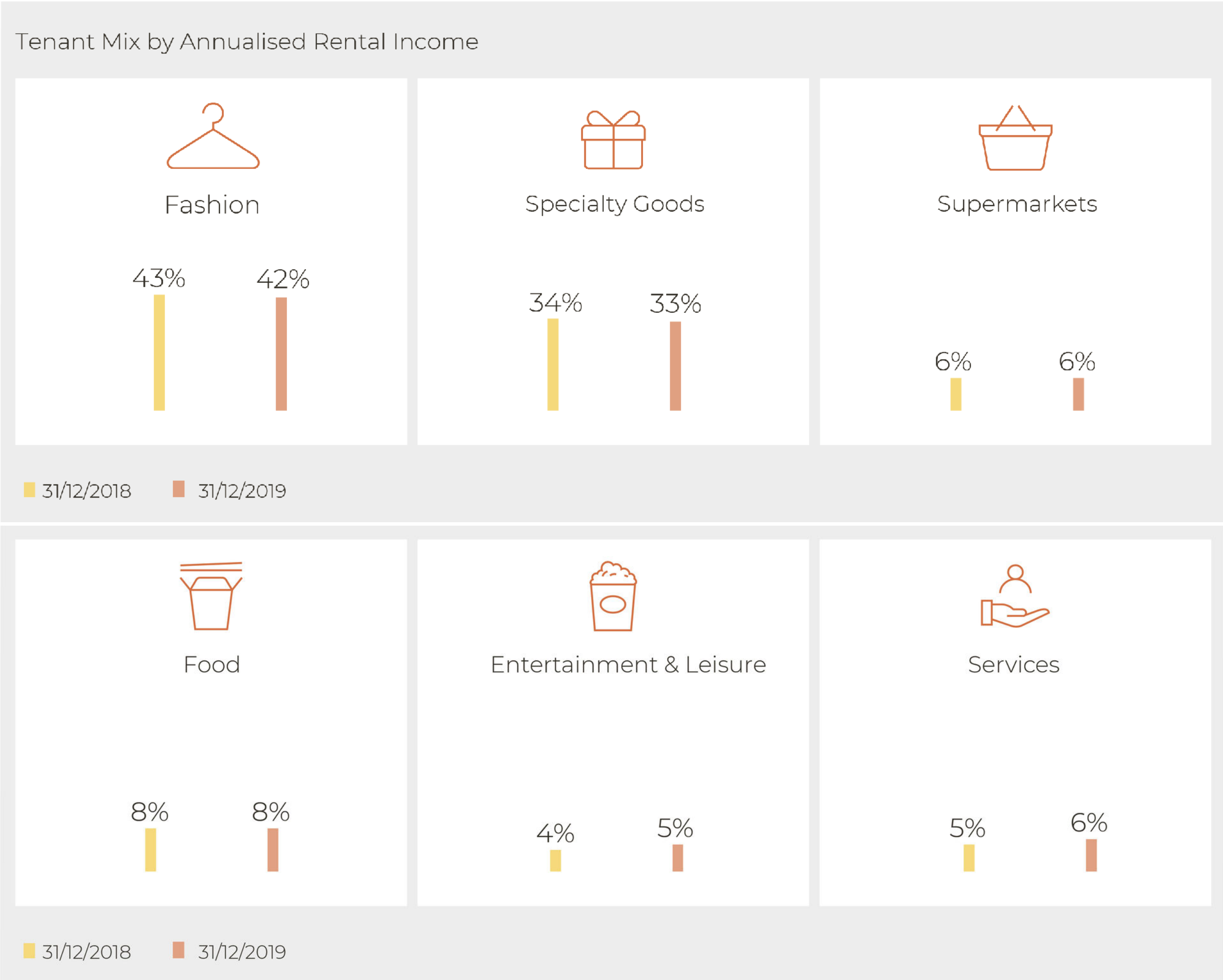
CREATING DESTINATIONS

Consumer behavior has shifted, with a definitively higher allocation of disposable income directed towards experiential activities such as dining and entertainment. As a result, the Group has increased its focus on creating diversified shopping destinations with a range of retail, leisure, entertainment and community functions that are appealing to consumers.

To achieve this our asset managers keep tenant mix under constant review. We thoroughly assess every opportunity to make improvements, particularly when there are natural points or breaks in the leasing cycle, or at other times when a situation arises which facilitates this process. The Group's larger shopping centres are all anchored by both well-known international fashion brands and/or strong hyper or supermarket operators, which are now complemented by diversified food and leisure options.

In the last few years, fashion and apparel tenants represented the largest percentage of our tenants in terms of both GLA, at 38%, and rental income, at 42%. While anchored by strong international brands, fashion has become more diverse in its offering. We constantly look to bring in fresh concepts and latest offers by bringing in strong local brands or pop-up concepts which create attention and interest in our customers in recurring visits as they will be guaranteed to find something new.

Retail supply has tapered somewhat with the focus moving towards rejuvenating existing centres. We continue to ensure we incorporate the latest concepts into our existing centres, including quality dining, entertainment and personalised services. This focus is reflected in the level of restaurant and entertainment offerings in our centres which has increased from 12% in 2018 to 13% in 2019 (based on ARI).



TOP TEN TENANTS

As at the end of 2019, the brands belonging to LPP, our largest tenant, represented 3.5% of total ARI. The top ten tenants represented 21.0% (2018: 23.3%) of the total by ARI and 29.1% (2018: 30.9%) of the total by 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 presented below:

Top ten tenants	Main brands	Field of operations	As a % of 2019 total ARI	As a % of 2019 total GLA
LPP	Reserved, Cropp, House, Mohito, Sinsay, Re-Kids	Fashion	3.5%	5.4%
Hennes & Mauritz	H&M	Fashion	2.8%	4.2%
CCC	CCC, eobuwie.pl	Footwear	2.8%	3.9%
AFM	Auchan, Orsay, Decathlon, Leroy Merlin	International hypermarket and sport goods retailer	2.3%	3.1%
Inditex	Zara, Stradivarius, Pull & Bear, Bershka, Massimo Dutti, Zara Men, Oysho	Fashion	2.2%	2.5%
Carrefour	Carrefour, Carrefour Express	International hyper / supermarket	1.7%	2.5%
EM&F Group	Empik	Culture goods retailer	1.6%	2.2%
A.S. Watson	Rossmann, Marionnaud	Health and Beauty	1.4%	2.1%
Metro Group	Media Markt	Consumer electronics / digital media	1.4%	1.8%
TJX Poland Sp z o.o.	TK Maxx	Fashion	1.3%	1.4%
Total top ten tenants			**21.0%**	**29.1%**

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 2019. All are located in Poland, the Czech Republic and Slovakia, which are the region's strongest economies, and represent 75.2%[8] (2018: 68.4%) of the total standing investments portfolio by value.

Property name	City	Country	Market value €'000[1]	GLA Sqm	Year of opening	Number of retail tenants	Food anchor tenants	Occupancy rate[2]
Wars Sawa Junior	Warsaw	Poland	319,117	36,700	1969	11	Carrefour	96.8%
Atrium Promenada	Warsaw	Poland	304,834	63,000	1996	157	Carrefour	97.6%
Atrium Targowek	Warsaw	Poland	243,182	40,400	1998	144	Carrefour	98.8%
Atrium Flora	Prague	Czech Republic	237,697	39,800	2003	111	Albert	97.7%
Galeria Dominikanska	Wroclaw	Poland	193,610	32,600	2001	97	Carrefour Express	99.3%
Arkady Pankrac	Prague	Czech Republic	180,143[3]	39,500[3]	2008	117	Albert	94.0%[4]
Atrium Copernicus	Torun	Poland	138,748	48,000	2005	133	Auchan	99.4%
Focus Mall Bydgoszcz	Bydgoszcz	Poland	123,508	42,800	2008	122	Carrefour	96.9%
Atrium Optima	Kosice	Slovakia	120,704	47,100	2002	154	BILLA	100.0%
Atrium Biala	Bialystok	Poland	113,809	38,700	2007	94	Bi1	100.0%
Total top ten standing investments			**1,975,352**	**428,600**		**1,140**		

1 Includes land lease
2 The above Occupancy rate is defined as 100% less EPRA vacancy
3 Represents our 75% stake in the centre
4 Under refurbishment

8 Including a 75% stake in assets held in Joint Ventures and excluding assets held for sale

RENTAL INCOME

The Group's standing investment properties produced €187.2 million of GRI during the period, a 0.9% increase compared to the same period last year. In our key markets, Poland and the Czech Republic produced €128.2 million of this GRI during the period, a 6.4 % increase compared to the same period last year.

Notable gains were made in Poland which delivered a 7.1% increase in GRI. This was mainly due to the increase in high quality income from the Wars Sawa Junior asset which we acquired in October 2018 and the redevelopment extensions opened in Warsaw at the end of 2018.

In the Czech Republic, Gross rental income increased by 2.8% due to a lower level of lease incentives and the filling of previously vacant space. This increase was offset by a temporary decrease in rent at Pankrac (a 75% joint venture in the Czech Republic) due to a redevelopment which commenced at the end of this year and is expected to drive future income and value.

In Slovakia GRI increased by 4.4% resulting from the positive impact of the hypermarket restructuring in 2018.

GRI in Russia was impacted by the exit of MediaMarkt and Castorama from the Russian market and the subsequent re-tenanting completed in 2019.

These gains were offset by disposals and associated to the exit from the Hungarian and Romanian markets in 2018.

Group NRI followed a similar trend to GRI, with the exception of Russia where the results were affected by a market wide increase in service provider costs, as well as a temporary decrease in income due to asset improvements at one of our larger shopping centres. In our key markets, Poland and the Czech Republic, NRI increased by 5.6%. NRI in Slovkia followed the same trend as GRI but increased further, by 7.1% mainly due to lower marketing fees following the hypermarket restructuring in 2018.

The average annual base rent including lease incentives per sqm increased from €178 as at 31 December 2018 to €184 as at 31 December 2019.

GROSS RENTAL INCOME

	Number of properties		2019		2018	Change	Change
	2019	2018	€'000	% of GRI	€'000	€'000	%
Poland	20	22	108,354	57.9%	101,176	7,178	7.1%
Czech Republic	2	2	19,862	10.6%	19,323	539	2.8%
Subtotal	**22**	**24**	**128,216**	**68.5%**	**120,499**	**7,717**	**6.4%**
Slovakia	2	2	11,166	6.0%	10,692	474	4.4%
Russia	7	7	37,917	20.2%	38,506	(589)	(1.5%)
Hungary and Romania	-	-	-	0.0%	5,460	(5,460)	(100.0%)
Total	**31**	**33**	**177,299**	**94.7%**	**175,157**	**2,142**	**1.2%**
Investment in Joint Ventures (75%)	1	1	9,931	5.3%	10,411	(480)	(4.6%)
Total gross rental income	**32**	**34**	**187,230**	**100.0%**	**185,568**	**1,660**	**0.9%**

NET RENTAL INCOME

	Number of properties		2019		2018	Change	Change
	2019	2018	€'000	% of NRI	€'000	€'000	%
Poland	20	22	102,002	57.8%	96,004	5,998	6.2%
Czech Republic	2	2	19,335	11.0%	18,888	447	2.4%
Subtotal	**22**	**24**	**121,337**	**68.8%**	**114,892**	**6,445**	**5.6%**
Slovakia	2	2	11,110	6.3%	10,373	737	7.1%
Russia	7	7	35,563	20.1%	39,142	(3,579)	(9.1%)
Hungary and Romania	-	-	-	0.0%	4,890	(4,890)	(100.0%)
Total	**31**	**33**	**168,010**	**95.2%**	**169,297**	**(1,287)**	**(0.8%)**
Investment in Joint Ventures (75%)	1	1	8,438	4.8%	9,650	(1,212)	(12.6%)
Total net rental income	**32**	**34**	**176,448**	**100.0%**	**178,947**	**(2,499)**	**(1.4%)**

OPERATING MARGIN

Country	2019 in %	2018 in %	Change in %
Poland	94.1%	94.9%	(0.8%)
Czech Republic[1]	93.2%	96.0%	(2.8%)
Slovakia	99.5%	97.0%	2.5%
Russia	93.8%	101.7%	(7.9%)
Hungary	-	73.1%	-
Romania	-	94.5%	-
Total operating margin	**94.2%**	**96.4%**	**(2.2%)**

1 Including Investment in Joint Ventures (75%)

Operating margin, decreased by 2.2% to 94.2% (31 December 2018: 96.4%) mainly due to the higher service provider costs in Russia in 2019 as mentioned above and the impact of the redevelopment projects in Poland and at Pankrac in the Czech Republic.

Turnover rent was 4.6% of total GRI in 2019 (2018: 4.4%)

EPRA LIKE-FOR-LIKE GROSS RENTAL INCOME

Country	2019 €'000	2019 % Total	2018 €'000	Change €'000	Change %
Poland excl. assets held for sale	38,782	20.7%	37,913	869	2.3%
Czech Republic	19,862	10.6%	19,160	702	3.7%
Subtotal	**58,644**	**31.3%**	**57,073**	**1,571**	**2.8%**
Poland assets held for sale	4,378	2.4%	4,428	(50)	(1.1%)
Subtotal	**63,022**	**33.7%**	**61,501**	**1,521**	**2.5%**
Russia	23,470	12.5%	22,259	1,211	5.4%
Like-for-like gross rental income	**86,492**	**46.2%**	**83,760**	**2,732**	**3.3%**
Remaining gross rental income	100,738	53.8%	101,941	(1,203)	(1.2%)
Exchange rate effect[1]	-	-	(133)	133	-
Total gross rental income	**187,230**	**100.0%**	**185,568**	**1,662**	**0.9%**

1 To enhance comparability of GRI, prior period values for like-for-like properties have been recalculated using the 2019 exchange rates as per EPRA best practice recommendations

EPRA LIKE-FOR-LIKE NET RENTAL INCOME

Country	2019 €'000	2019 % Total	2018 €'000	Change €'000	Change %
Poland excl. assets held for sale	37,060	21.0%	36,330	730	2.0%
Czech Republic	19,332	11.0%	18,766	566	3.0%
Subtotal	**56,392**	**32.0%**	**55,096**	**1,296**	**2.4%**
Poland assets held for sale	3,557	2.0%	3,771	(214)	(5.7%)
Subtotal	**59,949**	**34.0%**	**58,867**	**1,082**	**1.8%**
Russia	21,752	12.3%	21,915	(163)	(0.7%)
Like-for-like net rental income	**81,701**	**46.3%**	**80,782**	**919**	**1.1%**
Remaining net rental income	94,747	53.7%	98,130	(3,383)	(3.4%)
Exchange rate effect[1]	-	-	35	(35)	-
Total net rental income	**176,448**	**100.0%**	**178,947**	**(2,499)**	**(1.4%)**

1 To enhance comparability of NRI, prior period values for like-for-like properties have been recalculated using the 2019 exchange rates as per EPRA best practice recommendations

The like-for-like rental income figures provide a better reflection of the underlying positive performance of our portfolio as they exclude the impact of rental income lost from phasing of asset rotation, repositioning and redevelopments which the Group has undertaken to increase the quality of its portfolio and long term cash flow.

Group like-for-like NRI excluding Russia and assets held for sale increased by 2.4%. Excluding Russia only, the like-for-like NRI increased by 1.8%. Overall the Group concluded the year with like-for-like NRI increased of 1.1%.

In our individual primary markets, we achieved a 3.0% like-for-like NRI increase in the Czech Republic and a 1.3% uplift in Poland, where the process of repositioning our portfolio, so that it comprises fewer, higher quality assets in tier one and capital cities, continues.

Overall, the income figures reflect the continued progress being made in our strategy of focusing on higher quality assets in prime urban locations, that can deliver stronger and more sustainable income over the long term .

EBITDA excluding revaluation, disposals and impairments decreased slightly by 1.8%[9] to €153.6[9] million primarily due to phasing of asset rotation. EBITDA margin remained stable at 87%. Similarly, Company adjusted EPRA earnings per share decreased furthermore by 4.3% to €cents 28.0 compared to €cents 29.3 in 2018 due to disposals as mentioned above and higher level of debt.

Profit after tax grew by 39.3% to €84.4 million compared to €60.6 million in 2018. The main drivers were a €13.5 million decrease in finance expenses, mainly related to debt refinancing in 2018, a €15.1 million lower tax cost (mainly due to a large deferred tax expense during the prior year), and a €7 million increase in profit from disposals mainly from the sale of Felicity and Koszalin, offset by a €11.5 million lower valuation.

(for more details about EPRA earnings see page 31).

Net cash generated from operating activities was €95.3 million for 2019 compared to €57.8 million for 2018. The increase was primarily due to the cash payments of €30.1 million in 2018 related to the Austrian legacy legal compensation arrangement.

The balance sheet remains efficient with a net LTV of 35.1[10]%, in line with our target of below 40%, following the disposal of the two Polish assets, and a cash and cash equivalent amount of €126.9 million as at 31 December 2019 compared to €38.5 million as at 31 December 2018.

9 Excluding revaluation, disposals, impairments, corporate fees and other costs (includes the transaction costs in relation with the recommended cash acquisition by Gazit Globe Ltd. and costs in relation with the takeover of Atrium Dominikanska management contract)

10 Excluding assets held for sale representing 5 assets in Poland and 1 asset in Slovakia as at 31 December 2019

WARSAW AND PRAGUE - THE DRIVERS OF GROWTH, DEMOGRAPHIC AND URBANISATION

WARSAW

With a 1.8 million population in central Warsaw and 3.1 million in the greater Warsaw area, the Polish capital is the ninth largest capital city in the European Union in terms of population size.

It has become Poland's most affluent city, driven by higher salaries (31% higher) and lower rates of unemployment (1.5% vs. 3.6%) in comparison to national averages and outstanding demographic fundamentals. One of the city's drivers of growth is the 236 business service centres which employ over 56,000 people and are forecast to expand to around 62,000 employees in the first quarter of 2020. In turn, this prosperity is reflected in Warsaw's residents enjoying the highest retail purchasing power per individual in the country.

During the last two years, Atrium acquiried Wars Sawa Junior for €301.5 million and King Cross Praga shopping centre for €43 million, bringing its Warsaw portfolio to five and further strengthening its position in the city's retail market. Following these acquistions, 38% of Atrium's total portfolio is located in Warsaw.

PRAGUE

Prague is both the capital and the heart of the Czech Republic, being the natural centre of education, politics, culture and economy.

Over 25% of national GDP is created in the city, with all major Czech and international banks, insurance companies and other financial service companies, as well as technology companies including Microsoft and Google based in Prague. Prague has a population of 1.3 million out of 10.6 million in the Czech Republic and the lowest unemployment rate in the country, which at 2.2% also is one of the lowest rates in Europe. Furthermore, the average monthly salaries in Prague are more than 16% above the national average.

16% of Atrium's total portfolio is located in Prague, comprising two prime assets totaling over 70,000 sqm in attractive catchment areas.

5 prime assets
in distinct catchment areas

179,000 sqm GLA
€ 1bn value

Over €300m redevelopment programme +60,000 sqm GLA

95% occupancy

Creating great places
in a growing capital city

WARSAW THE HEART OF POLAND [1]	Warsaw	Poland
Nr of inhabitants	1.8m	38m
Average monthly salary	€1,585	€1,209
Unemployment	1.3%	3.8%

2 prime assets
in distinct catchment areas

70,000 sqm GLA
€ 0.4bn value

Arkady Pankrac under refurbishment 2019-2020

Consistently high occupancy levels of over 95%

Providing great shopping
destinations in Prague

PRAGUE THE HEART OF THE CZECH REPUBLIC [1]	Prague	Czech
Nr of inhabitants	1.3m	10.6m
Average monthly salary	€1,553	€1,342
Unemployment	1.2%	2.2%

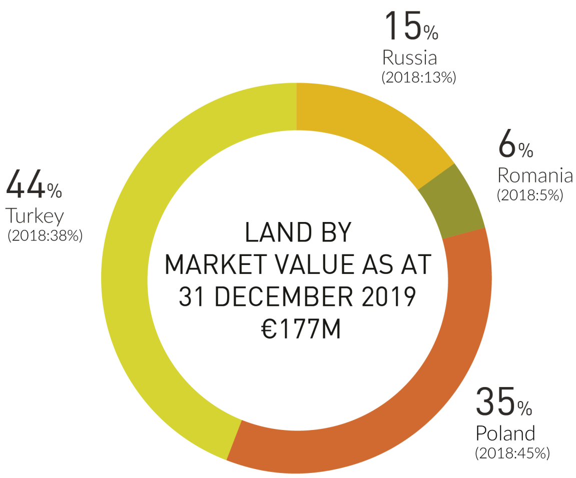
REDEVELOPMENTS AND LAND

As at 31 December 2019, Atrium's redevelopments and land portfolio was valued at €266.1 million compared to €284.5 million the previous year. It comprises of €176.9 million of land (2018: €212.6[11] million), which Atrium continues to seek to monetise, mainly through sales and €89.2 million of redevelopments (2018: €71.9 million).

During 2019 Atrium sold a land in Gdansk, Poland for €27.9 million. In addition, the value of the Company's land banks decreased by €8 million, largely due to economic pressure in Turkey which has resulted in continued foreign exchange volatility.

We continue our strategy of upgrading and extending our income generating assets, where there is strong retailer and consumer demand and therefore a lower execution risk. 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.

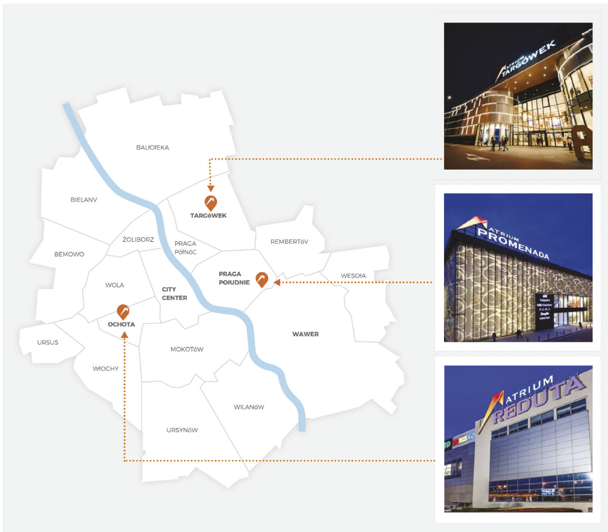
The country diversification of the Group's redevelopment and land portfolio is presented below:



REDEVELOPMENT AND EXTENSION PROGRAMMES

REDEVELOPMENT PIPELINE

The Company's redevelopment and extension pipeline delivered 20,000 sqm of prime new GLA to our portfolio in 2018, while our current expansion plans are expected to add up to approximately 50,000 sqm GLA in phases to our portfolio by the end of 2023, primarily in Warsaw. To achieve this, the Group plans to invest around €400 million in total, with €161 million spent up to 31 December 2019.



---

11 Including €27.9 million land in Gdansk held for sale as of 31 December 2018

PROMENADA EXTENSION

Atrium Promenada is situated in the Praga Poludnie district, the second biggest population centre in Warsaw. It has approximately 157 shops and offers a well tailored mix of fashion brands and entertainment.

Current redevelopment to date added 7,800 sqms of GLA to the centre in two stages:

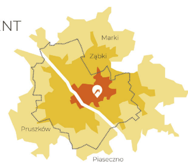
Stage 1, completed in October 2016, add a newly refurbished central corridor, with numerous new facilities, as well as unique golden facade.

Stage 2 opened in October 2018 and comprised the introduction of a brand new food court area, double shop fronts and a refurbished fountain alley.

These two stages increased the centre's total GLA to 63,000 sqm and incorporated H&M, the latest retail design by GoSport, as well as new flagship fashion stores for Zara, Massimo Dutti and Sinsay. In addition, new concept stores for Carrefour and Eobuwie further united, the online with in-store experiences.

The next extension phases will bring additional retail, leisure, Food & Beverage and offices and will commence when sufficient pre leases are secured. When the final phases of the redevelopment are complete in 2023/24, this dominant mixed use asset will have been increased by c. 35,000 sqm and will total approximately 100,000 sqm of GLA.

CATCHMENT AREA



Time	Inhabitants
0-10min	167,233
10-20min	191,170
20-30min	241,628

Footfall in 2019	Current GLA	No. of shops
8.3m	63,000 sqm	157

ATRIUM TARGOWEK

Atrium Targowek is a family and leisure oriented centre that has a strong tenant mix of international and well known local brands. It acts as a great meeting point for people in the district, as well as attracting those from neighboring districts.

The opening of an extension in October 2018 added approximately 8,600 sqm of GLA, as well as 850 parking spaces the centre and resulted in complete modernisation. It expanded the number and size of dominant fashion anchor tenants such as Zara and H&M and inlarged food court with kids zone.

Further planned redevelopments of this centre include extending the food court by a further three units to 19 units in total, the addition of approximately 5,500 sqm of GLA and an option to convert 1,500 sqm of GLA into a children's play area.

CATCHMENT AREA

Time	Inhabitants
0-10min	78,295
10-20min	242,857
20-30min	315,877

Footfall in 2019	Current GLA	No. of shops
6.9m	40,400 sqm	144

VALUE CREATION IN THE CZECH REPUBLIC ARKADY PANKRAC

Arkady Pankrac is a modern, dominant fashion centre, well located in a developing office neighbourhood of Prague, with convenient access to a metro line.

The development of several office buildings in the area brought approximately 5,000 new office employees into the district. As a result, and in response to competition and changes in catchment, we have committed to improve the offer and experience of Arkady Pankrac. The redevelopment programme aims to upgrade and extend the food court, in order to increase and improve the food and beverage offer. In addition there will also be a repositioning of over twenty fashion concepts to bring the latest offerings to the centre, which we expect to lead to an increased rental tone for the centre, with a significant uplift in food and beverage income.

CATCHMENT AREA

Time	Inhabitants
0-5min	71,315
5-15min	466,988
15-30min	607,323
30-45min	50,254

Footfall in 2019	Current GLA	No. of shops
14.5m	39,500 sqm*	177

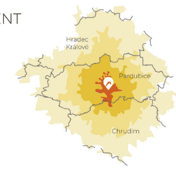
*Atrium owns 75%

PALAC PARDUBICE

Palac Pardubice is a dominant retail and entertainment centre in the region. As such, we are committed to further improving the offering and experience of this key centre.

In order to achieve this we have undertaken or are in the process of undertaking a number of initiatives, including the recent refurbishment and expansion of the existing food court. We have also purchased an adjacent TESCO department store which we plan to redevelop into modern retail formats, allowing some tenants to upsize and improving the circulation in the centre. The redevelopment will also include a new smaller TESCO convenience supermarket, an electronics store and office space, adding approximately 8,500 sqm of new GLA. Further income enhancements are expected to be created through tenant relocations in the existing mall.

CATCHMENT AREA



Time	Inhabitants
0-10min	81,751
10-20min	73,883
20-30min	149,305
30-45min	166,412

Footfall in 2019	Current GLA	No. of shops
9.4m	20,900 sqm	90

OTHER EVENTS IN 2019

RECOMMENDED CASH ACQUISITION BY GAZIT-GLOBE

On 23 July 2019, the Independent Committee of the Board of Directors of the Company and Nb (2019) B.V., an indirect wholly-owned subsidiary of Gazit-Globe, announced an agreement on the terms and conditions of a recommended cash acquisition (the "Proposed Acquisition") of the entire issued and to be issued ordinary share capital of the Company that is not already owned directly or indirectly by Gazit-Globe or its affiliates (including, in particular, Gazit Gaia Limited or Gazit Midas Limited). The Proposed Acquisition required a court-sanctioned scheme of arrangement under article 125 of the Jersey Companies Law (the "Scheme").

On 25 October 2019, 66.67% of the shareholders eligible to vote voted in favor of the Scheme, as a result of which the requisite level of support for the Scheme (75% of the eligible shareholders who voted) was not obtained. Accordingly, the Scheme lapsed and the Proposed Acquisition was not completed.

The Company incurred transaction costs related to the Proposed Acquisition in the approximate amount of €6.2 million in 2019, and €2.0 million in 2018.

AWARDS

Atrium remains committed to provide quality standards across all aspects of the business including financial reporting and transparency, customer service and ESG. We were therefore very pleased to, once again, be granted industry acknowledgement in the form of a number of awards.

Atrium was given an EPRA Gold award for its financial reporting, in line with the EPRA Best Practices Recommendations that facilitate the comparability of listed property companies. The Group was also included in the EPRA Sustainability Index, and obtained a EPRA gold medal for sustainability in recognition of all its efforts in this field during 2019, an improvement from the silver medal received in 2018.

Eurobuild awarded Atrium in two categories at the Eurobuild awards, including Retail Developer of the Year and Retail Developer of the Decade. The Eurobuild awards is a flagship project established by “Eurobuild CEE” magazine nearly a decade ago, aimed at recognising companies having the most impact in the commercial construction and property market in CEE region.

Having voluntarily participated in the benchmark-setting GRESB survey for the fourth year, Atrium maintained its “Green Star” status, with an improved ranking, despite its inclusion in a highly competitive European listed retail real estate peer group.

At the beginning of the year, Atrium received prestigious Europa Property CEE Retail Awards in three categories: Developer of the Year, Investor of the Year and the best Retail Extension/Refurbishment Project of the Year, for Atrium Promenada. Again a huge recognition by our industry, demonstrating that with our excellent team work we are ‘Creating Great Places’.

Atrium received a Spotlight Award and earned the title - Shopping Center Refurbishment of the Year for Atrium Promenada during the gala event of the Book of Lists. The Book of Lists is a Warsaw Business Journal project which is published annually. It presents the most significant information from the sectors: construction and real estate, finance, transport and logistics, education, IT, tourism and travel, economy and industry and culminates with an awards gala.

During the year, the Polish Council of Shopping Centres awarded Atrium Promenada silver prize for Refurbishment/Expansion/Modernization. The competition recognises achievements, best practices, and innovative actions.

Atrium Promenada also earned a nomination in two categories at the International Council of Shopping Centers (ICSC) Solal Awards, for Corporate Social Responsibility and Strategic Marketing. The ICSC Solal Awards bring together the very best of retail marketing across Europe and South Africa to reward those with the most effective campaigns. Recognising best practice and outstanding marketing performance, the Solal Awards are seen as a benchmark of quality throughout the industry.retail

STRATEGIC AND OPERATIONAL RISK FACTORS

DEVELOPMENT RISK

While the Group has been an active property developer since 2004, in 2015 this focus shifted exclusively onto redevelopments and extensions of its existing commercial properties. The Group is therefore exposed to certain development risks which can be commercial, financial, technical and procedural in nature. Examples of commercial and financial risks are letting risks, rising construction costs or delays due to unforeseeable challenges such as obtaining environmental, operating, safety, fire or other building permits, as well as risks connected with foreign exchange rate fluctuations. Technical risks include, for example, design, construction and environmental risks.

The Group attempts to mitigate commercial and financial risks, before any project is started, by undertaking a detailed analysis of the market conditions and then throughout the whole construction process by continual monitoring. 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.

E-COMMERCE

The retail industry is undergoing a transformation as e-commerce grows and consumers become increasingly comfortable with internet and mobile shopping. Shopping centres are constantly adapting their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers in the future. An increase in internet and mobile shopping and an improvement in delivery services may lead to a decrease in footfall in the Group's shopping centres and may cause tenants to increase their online presence and decrease their floor space.

The risk is reduced by the Group focusing on prime urban dominant shopping centres that offer higher quality cash flow growth, asset management and strengthening relationships with tenants and increase the resilience of the portfolio by meeting the every-day social, leisure and retail needs of consumers.

RISK RELATED TO EMERGING AND DEVELOPING MARKETS

The Group operates in emerging and developing markets in CEE and Russia. The Group's operations in those markets are exposed to higher risks compared with operations in more developed markets; including legal, economic and political risks to which the operations in these countries are exposed. Our 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 and political situations in one emerging or developing market country may have a negative related or unrelated consequential impact on the economic and political and situation in other emerging or developing market countries.

The Group aims to mitigate the above risks by having experienced local management teams in the different countries in which it 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.

IT RISK

The IT risks faced by the Group include cyber security crime, potential loss of relevant and sensitive data and unauthorised access to or manipulation of confidential information. This may also affect the Group's ability to report promptly or accurately, cause interruption in collection and or payments, loss of income and also result in damage to its reputation.

The risk is mitigated by the Group wide IT controls with a strong emphasis on access security, backup and recovery procedures, accompanied by Cyber insurance policy. In addition, the Group proactively manages this risk by way of an active action plan, including enhancing awareness of employees, encouraging responsible behaviour across the organisation and keeping systems and IT knowledge up-to-date.

RETAIL/LETTING RISK

Market consolidation of retailers may pose a risk to the Group as tenants may appeal rental levels or even exit the market thus weakening our profitability. In addition, bankruptcy of retailers could result in the risk of defaults on payment, which in turn could impact the cashflows of the Group.

The Group takes an active approach to managing these risks by detailed analysis of turnover across its tenant base and employing experienced local management teams in the different countries in which the Group operates, while making use of external local experts and specialists. In addition, our strategy of focusing the Group's portfolio on high quality assets in strong, attractive urban locations and investing in improving our assets reduces the risk further.

COMPETITORS

Atrium operates in a competitive environment. Competition may affect the Group, both directly, in the form of more shopping centres in popular locations, which may erode tenants sales/rental levels, as well as, indirectly, in the form of increased demand for acquisitions of such centres which could lower our chances of acquiring better-quality assets.

Increased competition is a higher risk in small cities. The Group remains focused on prime dominant shopping centres in capital cities, that offer higher quality cash flow growth. The Group mitigates this risk by employing experienced local management teams in the different countries in which the Group operates; adopting a proactive asset management approach and strict due diligence processes prior to the acquisitions of new assets. In addition, the Group actively manages capital in order to have the financial leverage and ability to take advantage of acquisition opportunities which may offer high profitability potential.

CONCENTRATION

The Group's portfolio is concentrated and consists almost entirely of retail properties of which 85% by fair value are located in Poland and the Czech Republic. The Group's portfolio is exposed to concentration risks due to its focus on retail real estate and on certain countries and cities (e.g. Warsaw in Poland and Prague in the Czech Republic). The performance of the Group's portfolio may be disproportionately impacted by events or market developments occurring in specific portfolio regions or by developments that effect certain types of commercial or residential real estate. The Group's high level of concentration in retail properties and its dependency on the Polish and Czech Republic's markets may have a material adverse effect on the Group's business, financial condition, prospects and results of operations. The Group mitigates this risk by investing in high quality assets in urban locations with a demographic growth located in the strong economies of Poland and the Czech Republic and have favorable labor market and strong GDP growth.

CLIMATE CHANGE

The Group is exposed to the potential impacts of future climate change and climate change-related risks. Particularly, the Group is exposed to unpredictable physical risks from possible future changes in climate and rare catastrophic weather events. Over 40% of income from the Group derives from tenants who are active in the fashion industry. Such tenants maybe unable to plan products based on seasonality and winter or summer collections resulting in tenant failure with limited options available to the group to rotate. Climate change could ultimately have a material adverse effect on the Group's business, financial condition, cash flows, prospects and results of operations.

REGULATORY/COMPLIANCE RISK

Compliance risk is related to the application of existing legislation and new legislation. Significant changes can affect the business operations and there could be a risk that the Group does not meet one or more of the requirements.

The Group mitigates this risk by internal procedures aimed at keeping knowledge of laws and regulations up-to date.

FINANCIAL RISK FACTORS

For Financial risks including credit risk, liquidity risk, market risks and tax risks refer to note 2.37 on Risk Management included in the consolidated financial statements.

GROUP EXECUTIVE TEAM

GRAHAM KILBANE GROUP CDO	RYAN LEE GROUP CFO	LIAD BARZILAI GROUP CEO	SCOTT DWYER GROUP COO

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

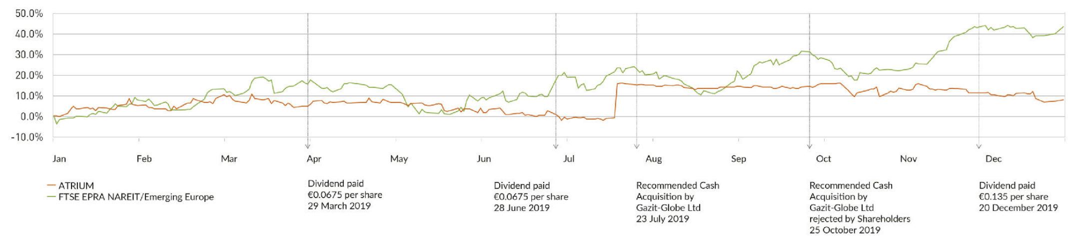
Total Return in 2019

Over 2019, Atrium's shareholder return was as follows:

VIENNA STOCK EXCHANGE

Closing price 2018	€ 3.23
Closing price 2019	€ 3.45
Movement in the share price	€ 0.22
Share return	6.8%
Dividend for year 2019	€ 0.27
Dividend return	8.4%
Total return per share invested on 31 December 2018	€0.49 or 15%
FTSE EPRA/NAREIT Emerging Europe return	39.8%

ATRIUM SHARE PRICE[1] RELATIVE TO FTSE EPRA/NAREIT EMERGING EUROPE INDICES



1 Vienna Stock Exchange

Outstanding shares as at 31 December 2019	378,163,861
Market capitalisation as at 31 December 2019	€1.305 Millionen
2019 lowest closing share price	€3.13 quoted on 3 July 2019
2019 highest closing share price	€3.71 quoted on 24 July 2019

DIVIDEND

Atrium paid a €cents 6.75 per share dividend as a capital repayment on each of 29 March 2019, 28 June 2019, with Q3 and Q4 dividends in a single distribution of €cents 13.5 per share on 30 December 2019. Total dividend payments for 2019 amounted to €102.0 million (2018: €102.0 million).

At its meeting on 25 February 2020, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2020 (to be paid as a capital repayment) which will be paid in equal quarterly instalments commencing at the end of March 2020 (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 2019, the only shareholders of Atrium that held more than 5% of the Company's shares, are Gazit-Globe which held 60.1% (2018: 60.1%) of the shares as at 31 December 2019, and Sand Grove Opportunities Master Fund Ltd & Sand Grove Tactical Fund LP, both managed by Sand Grove Capital Management LLP, previously notified at 29 October 2019, which held 5.44% at that date .

EPRA PERFORMANCE MEASURES

EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. EPRA's objective is to encourage greater investment in European listed real estate companies and to strive for 'best practices' in accounting and financial reporting in order to provide high-quality information to investors and increase the comparability of different companies. The best practices also create a framework for discussion and decision-making on the issues that determine the future of the sector. The Group applies the best practices policy recommendations of EPRA for financial reporting and also for sustainability reporting.

A. EPRA EARNINGS

	31 December 2019 €'000	31 December 2018 €'000
Earnings attributed to equity holders of the parent company	**84,426**	**60,627**
Changes in value of investment properties	13,495	2,020
Net result on disposals of investment properties	(3,923)	3,082
Amortisation of intangible assets	1,372	1,334
Deferred tax in respect of EPRA adjustments	962	3,833
Changes in fair value of financial instruments, debt and associated close-out costs	-	17,225
Joint venture interest in respect of the above adjustments	(3,712)	(671)
EPRA Earnings	**92,620**	**87,450**
Weighted average number of shares	377,984,853	377,565,496
EPRA Earnings per share (in €cents)	**24.5**	**23.2**

Company adjustments[1]		
Legacy legal matters	-	-
Impairments	-	-
Foreign exchange differences	(1,027)	(323)
Deferred tax not related to revaluations	5,567	24,462
Changes in the fair value of financial instruments	-	-
Non recurring tax charges	2,121	(7,733)
Corporate fees and other costs[2]	6,735	6,895
Company adjusted EPRA earnings	**106,016**	**110,751**
Company adjusted EPRA earnings per share (in €cents)	**28.0**	**29.3**

1 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

2 Corporate fees and other costs (includes the transaction costs in relation with the recommended cash acquisition by Gazit Globe Ltd. and costs mainly in relation with the takeover of Atrium Dominikanska management contract)

B. EPRA NET ASSET VALUE ("NAV")

	31 December 2019		31 December 2018	
	€'000	in € per ordinary share	€'000	in € per ordinary share
NAV per the financial statements	**1,766,014**	**4.67**	**1,793,049**	**4.75**
Effect of exercise of options and other equity interests (diluted basis)	7,168		8,715	
Diluted NAV, after the exercise of options	**1,773,182**	**4.67**	**1,801,764**	**4.74**
Fair value of financial instruments	17,753		5,097	
Deferred tax	93,484		104,530	
EPRA NAV	**1,884,419**	**4.96**	**1,911,391**	**5.03**

C. EPRA TRIPLE NAV ("NNNAV")

	31 December 2019		31 December 2018	
	€'000	in € per ordinary share	€'000	in € per ordinary share
EPRA NAV	**1,884,419**		**1,911,391**	
Fair value of financial instruments	(17,753)		(5,097)	
Impact of debt fair value	(55,658)		(45,818)	
Deferred tax	(93,484)		(104,530)	
EPRA NNNAV	**1,717,524**	**4.52**	**1,755,946**	**4.62**
Number of outstanding shares	378,163,861		377,787,123	
Number of outstanding shares and options	380,041,710		380,005,341	

D. EPRA NIY AND "TOPPED UP" NIY

	31 December 2019 €'000	31 December 2018 €'000
Investment property – wholly owned	2,711,373	3,016,530
Investment in Joint Venture (75%)	180,143	173,820
Less redevelopments and land	(266,093)	(284,492)
Completed property portfolio	**2,625,423**	**2,905,858**
Allowance for estimated purchasers' costs	47,337	52,859
Gross up completed property portfolio valuation (B)	**2,672,760**	**2,958,717**
Annualised cash passing rental income	174,954	190,693
Property outgoings	(10,434)	(9,418)
Annualised net rents (A)	**164,520**	**181,275**
Add: notional rent expiration of rent free periods or other lease incentives	8,070	13,720
Topped-up net annualised rent (C)	**172,590**	**194,995**
EPRA NIY A/B	**6.2%**	**6.1%**
EPRA "topped up" NIY C/B	**6.5%**	**6.6%**

E. EPRA VACANCY RATE

	31 December 2019 €'000	31 December 2018 €'000
Estimated rental value of vacant space	4,147	6,446
Estimated rental value of the whole portfolio	168,051	187,233
EPRA vacancy rate	**2.5%**	**3.4%**

The improvement of the EPRA Vacancy rate was in line with the decreasing trend throughout the year. The vacancy rate is largely attributable to the leasing activity of Atrium, as well as to the company's investment strategy.

F. EPRA COST RATIO

	31 December 2019 €'000	31 December 2018 €'000
Administrative expenses	28,405	28,282
Exclude non-recurring legacy legal and corporate fees and other costs	(6,736)	(6,895)
Depreciation and amortisation	2,982	2,287
Costs connected with development	986	905
Net property expenses net of service charge income	9,289	5,859
Share of Joint Venture's expenses	1,493	762
EPRA Costs (including direct vacancy costs) (A)	**36,419**	**31,200**
Direct vacancy cost	(3,351)	(2,691)
EPRA Costs (excluding direct vacancy costs) (B)	**33,068**	**28,509**
Share of Joint Venture's income	9,931	10,411
Gross rental income	177,299	175,157
Total income (C)	**187,230**	**185,568**
EPRA Costs ratio (including direct vacancy costs) (A/C)	**19.5%**	**16.8%**
EPRA Costs ratio (excluding direct vacancy costs) (B/C)	**17.7%**	**15.4%**

SUSTAINABILITY

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 the countries where we operate. Accordingly, Atrium's core strategy is to employ sustainable principles and procedures as the underlying foundation of its daily activities.

Back in 2014, a materiality assessment was performed to reach a broad understanding of our stakeholders, their priorities and to assess our sustainability risks. With input from all our stakeholders (customers, tenants, investors, management and employees) Atrium defined a sustainability policy and roadmap to meet stakeholders' expectations. In 2015, Atrium set up a Sustainability Committee and published its sustainability policy. In 2016, we started rolling out our Sustainability Programme, which included the monitoring of our Environmental, Social and Governance performance. We published a stand-alone Sustainability Report for the year 2016 and 2017. Last year we integrated the sustainability report and data into the annual report to reflect the fact that sustainability is an essential and integral part of our way of operating and conducting business. For 2020 we will further embed our sustainability approach in our business strategy for 2020-2025.

SUSTAINABILITY POLICY

Atrium has formalised its sustainability policy by choosing to focus on three main pillars: Our Customers, Our Places and Our People. Through active management and investment, data collection and sharing of best practices we aim to control and minimise the environmental impact of our operations. At the same time, we aim to further improve our relationships with all stakeholders.

OUR SUSTAINABILITY PROGRAM

We have begun to roll out our sustainability programme across all our operations with actions that are aligned with our business strategy and that we believe will lead to long-term value creation. We have taken considerable steps in the last years to further improve our sustainability performance, with many of our commitments leading to more efficient operations, an improved customer journey and a stronger organisation that is able and prepared to manage the portfolio in a sustainable way in the years ahead.

ATRIUM'S SUSTAINABLITY COMMITMENTS

OUR CUSTOMERS	Improve customer experience: undertake a customer satisfaction survey for 80% of our portfolio based on market value	✓
	Connect with our customers: launch a shopping centre app to connect Atrium's customers with retailers	✓
	Create more social impact: Organise at least one local community event within our assets for at least 90% of our portfolio market value	✓
OUR PLACES	Reduce environmental impact: Aim to optimise energy and carbon intensity by 10% between 2016 and 2020, on a like-for-like basis	✓
	Develop sustainable assets: Achieve BREEAM certification or local equivalent for all new large-scale developments and extensions	✓
	Find opportunities to minimise costs: Organise night walks within our assets accounting for at least 50% of our portfolio market value by 2019	✓
OUR PEOPLE	Sound governance: Ensure everyone receives training on the code of conduct by 2019	✓
	Strengthen core values: organise meetings and workshops to embed Atrium's core values	→
	Creating an inspiring place to work: organise a group wide volunteering programme and potentially an employee engagement survey	→

SUSTAINABILITY PERFORMANCE RECOGNIZED

Atrium is committed to providing full transparency surrounding our environmental, social and governance performance. We are also proud to have again been acknowledged by the real estate industry for improving transparency towards external stakeholders regarding our sustainability performance. We received a gold EPRA Sustainability award for our sustainability reporting and won "Green Star" status from the Global Real Estate Sustainability Benchmark (GRESB) for our sustainability performance relative to other peers in the sector. Both awards show that Atrium is on the right track in its quest to continually improve its sustainability performance.

SUSTAINABILITY GOVERNANCE

The Board of Directors is responsible for all matters related to sustainability and reviews and endorses the Company's sustainability strategy, reporting and planned initiatives on an annual basis. The day to day governance and implementation lies with a Sustainability Committee. This committee is responsible for defining the sustainability strategy, setting long term targets and monitoring company-wide environmental and social performance. Senior management and various departments are represented in this committee, sending a clear message about our commitment to actively manage and lead our sustainability agenda.

OUR CUSTOMERS

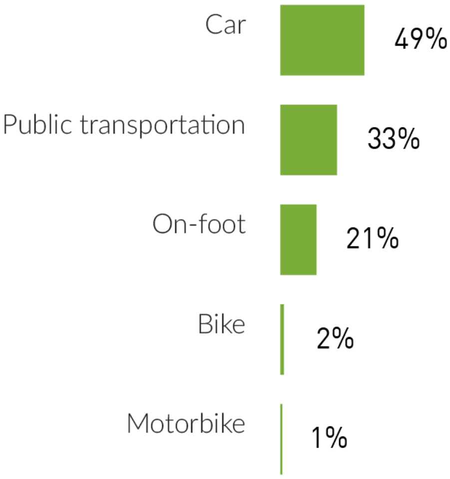
Understanding our customers' needs

Understanding and engaging with our shopping centre customers is crucial to our business. Through tailored surveys, we are able to measure the quality of our properties, the services we provide and how those are valued by the local community. In 2019, Atrium once again conducted these surveys for 21 centres, receiving input from over 13,000 customers, which identified essential data points that are valuable for further improving the services and quality of the properties. In 2019, our marketing teams were very active in organising events to forge stronger relationships with the communities surrounding our centres, with over 700 events organised to help increase footfall numbers.

ASSESSMENT OF CENTRE

How would you assess Atrium? Use the scale from 1 to 5 where 1 = strongly disagree and 5 = strong agree.
Number of respondents: 13206

MODE OF TRANSPORTATION



How do you usually get to Atrium?
Number of respondents: 13206
Multi-choice question.

Engagement with retailers

Atrium aims to create partnerships with retailers to better understand their strategies and ensure their stores have sufficient coverage and exposure within our centres.

In 2019 we introduced Atrium Connect in two centres, a tool which allows us to better communicate with tenants. This enables Atrium to receive feedback from retailers, gather response on marketing events and build a sense of community within the centre. Additionally, in each of our shopping centres we have organised "town hall" meetings with our retailers to provide further transparency on the activities within the centre and discuss possible concerns.

Be part of the community

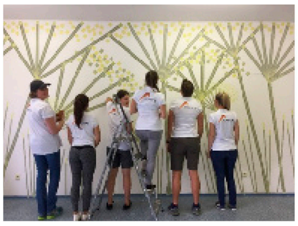
We care about local issues and contribute positively to society by positioning Atrium's shopping centres at the heart of their communities. Over 718 community engagement activities were organised in 2019 of which 41 focused on sustainability. Furthermore, we introduced Community Centres in a number of our shopping centres, reserved for different neighbourhood initiatives. In Promenada, we introduced a Community Centre called Fifth Dimension. This attractive space is used for different kind of activities. It is a unique project where we as a landlord not only provide a physical space but also organise a range of activities on a daily basis to support kids' education, health and self-development. It is our way of giving back and investing in the community we are a part of. Our commitment goes far beyond just creating a physical space and in 2019, we had almost 1200 activities during the year and more than 8,000 people participating in activities at Promenada.

Another successful initiative took place in Wars Sawa Junior, where we brought culture, art and young entrepreneurs into the centre. Over the course of seven weeks, we organised both indoor and outdoor activities that focused on fashion, design, film, architecture and creativity. Installations were set up to provide participants with a stage, workshop spaces and comfy rest zones. We cooperated with local theatres, museums and offered young brands an opportunity to trial their products in a real retail environment and interact with potential customers.

OUR PLACES

Our head of technical management, our technical managers and third-party providers collaborate actively together to both reduce the impact on the environment and lower operational costs for our tenants. We closely monitor energy, water and waste figures and we have set ambitious long-term targets to minimise our environmental footprint. In 2019 we made significant progress to realise our long-term target to reduce energy and carbon emissions by 10% (between 2016 and 2020); optimise our water efficiency by 10% (between 2015 and 2020) and promote on-site recycling.

One of our activities to identify opportunities to reduce our environmental impact are night walks that were rolled out in 2018 and 2019. Local teams visited all our shopping centres after hours with the aim of identifying opportunities to save energy and reduce our effect on the environment. Hundreds of action points were identified during these walks and BMS settings were reviewed in all locations. Improvements were implemented afterwards, such as installing timers, dimmers and disconnecting devices, have led to a 5% reduction in energy consumption in those centres.



Colleagues from our Atrium Dubeň shopping centre in Slovakia renovating a workshop room in the elementary school for children with learning disabilities

The Gus Khrustalny orphanage in Vladimir, Russia, where during the year our Russian colleagues have helped renovating the building, gardens and have donated necessary supplies

One of the volunteering activities in Poland included a special day for elderly people in the Praga Południe district in Warsaw, where Atrium Promenada is located. As part of our sustainability efforts, Atrium is opening up so-called community centres within our shopping centres. We support our local communities by offering free space to municipal and social organizations that they can use for training, workshops and meetings

Colleagues from our Amsterdam office donated their time and skills to renovate a number of communal areas in a women's shelter, managed by the Salvation Army

Environmental management

Rainwater tank technology at Atrium Flora.
With climate change bringing drought and heat waves to previously mild continental climate areas, responsible and innovative use of water has become a more pressing issue. At Atrium Flora, a rainwater tank and harvesting system were

installed in 2019 which are projected to save 8% of total water consumption from the grid. Harvested water is used as process water for irrigation and flushing toilets. This measure is calculated to save €13.000 a year in water costs which translates into a six-year return on investment period. The project is planned to be extended in 2020 and the following years with the aim to cover around 20% of water consumption.

Lighting improvements: Atrium Reduta and Atrium Copernicus.
As part of ongoing improvements we decided to replace the lighting in different areas of these centres, such as car parking, arcades and toilets, with over 1.600 LED's. A major investment that will pay for itself within just a few years because of its significant impact on energy costs. The new lamps are covered by a 5-year manufacturer's warranty and their brightness is better than the old lights even though they require less power. Energy consumption drops, as well as our carbon footprint.

Building certifications

In the coming years, we expect all our centres currently under development or refurbishment to receive BREEAM certifications. It is this commitment that will further enable Atrium to develop innovative and sustainable properties that are resilient and efficient to meet the requirements of retailers and customers in the future.

Issues that are addressed during the BREEAM building certification process include biodiversity at and around the property, the use of sustainable building materials, eco-efficient retro-fits, pollution prevention and transportation. We integrate sustainability into every aspect of our building designs. For example, creating more attractive spaces that show our attention to detail and dedication to a healthy environment. An overview of our current and expected BREEAM certification can be found under the performance indicators table.

Atrium Flora – BREEAM certification
Our sustainability efforts led to Atrium Flora in Prague being BREEAM in-use certified for asset performance and was granted a 'Very Good' score. A particularly high score was achieved for waste management – 100% - due to extensive waste sorting onsite and recycling off-site. The mall is equipped with rubbish bins that encourage our customers to separate litter and facilitate recycling. The waste management facility is operated from within the building and a vast majority of produced rubbish is sorted there before being processed for recycling off-site. Over 28% of all waste is currently either recycled or composted.

Flora also received a 94% score for transport due to the centre's strong connections to public transport and its bicycle facilities. These measures have resulted in less than 20% of customers visiting the mall by car. Use of materials scored 88% in the certification, mainly due to cooperation with local service providers, suppliers and companies with strong corporate social responsibility policies. All of our main service providers, such as security and cleaning, are ISO (OHSAS) certified.

Atrium Flora's centre management team also follows strict policies for responsible procurement and the elimination of any toxic or volatile organic compounds that might otherwise be used. The team is trained regularly to follow these principles and procedures.

In early 2020 Atrium Flora also received a BREEM in-use 'Very Good' certification for Building Management.

OUR PEOPLE

HR Developments

By the end of 2019, we had 383 employees working at Atrium, with a 65%/35% female to male ratio. We have revised our performance management process to create a better and more effective alignment with the needs of our employees and managers. We have simplified the performance evaluation forms and introduced a stronger result and development-driven process.

Employee volunteering

We believe Sustainability is more than about energy saving. It is also about making the place we live a little better by giving something back to the communities we live and work in. In 2019 our volunteering took a significant step forward following the volunteer day that we introduced in 2018. All Atrium offices organised a broad range of volunteering activities with close to 80% of our employees participating, spending over 2,000 hours volunteering for local causes.

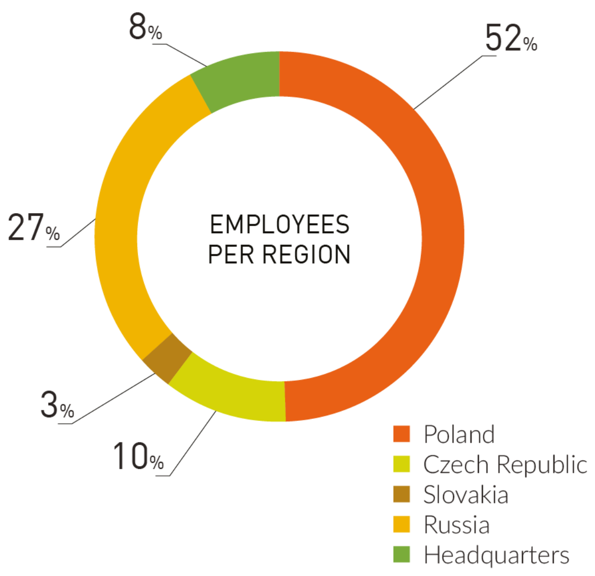
Training and development

Investing in training and development, especially in the everchanging retail and technological environment, remains a key focus. In 2019, over 9,000 training hours were provided to develop our employees, doubling the hours in 2018. In 2019, we further expanded our online training platform for employees with social media training, based on our social media policy. Currently other online courses are being developed, related to topics such as: data privacy, IT security, Atrium's culture and core values.

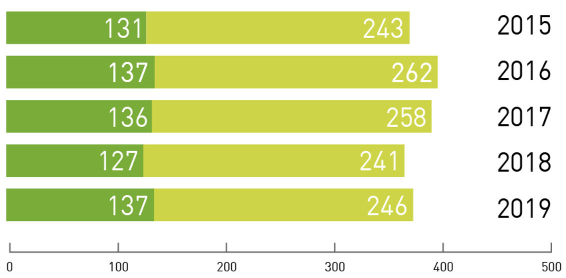
SOUND GOVERNANCE

Our business is built on trust and transparency. Atrium's governance policies and procedures contain essential guidelines and rules on how Atrium wants to do business and how all employees should act with each other and with all our stakeholders. In 2019 all employees again received governance training through a new online web portal. The online compliance training assessed the knowledge of employees about Atrium's Code of Conduct, Code of Business Ethics and Conduct and the Whistle-blower procedure. Each employee and executive is encouraged to report any (suspected) breaches or violations against the Code of Ethics or other governance policies. In 2019, no breaches against the Code of Conduct occurred. A secure external email address is available for these reporting purposes. Any events will be handled in accordance with the applicable data protection and other regulations.

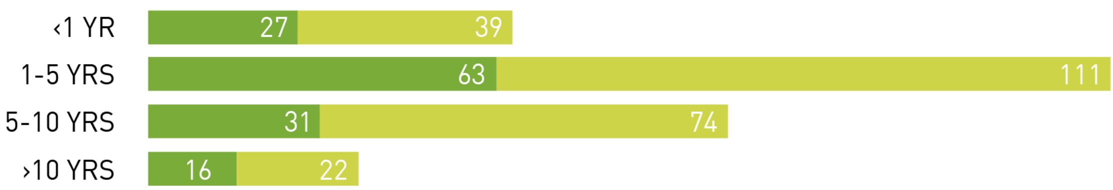
SOCIAL AND GOVERNANCE PERFORMANCE MEASURES



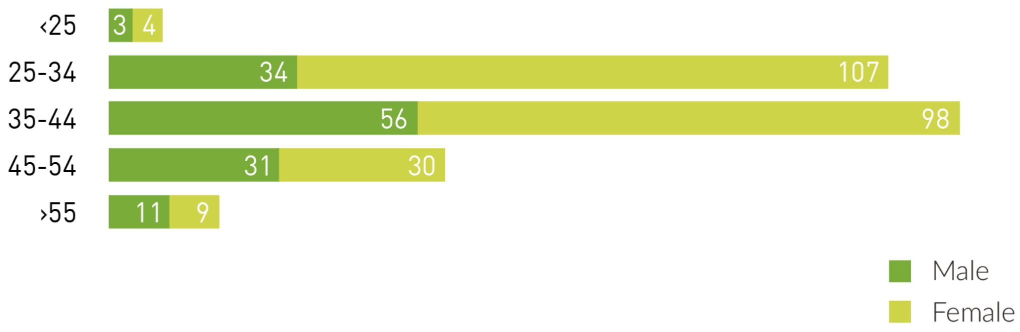
NUMBER OF EMPLOYEES BY GENDER



NUMBER OF EMPLOYEES YEARS IN COMPANY



NUMBER OF EMPLOYEES BY AGE



Employee gender diversity (DIVERSITY-EMP)	2019	2018
Headcount	383	368
FTE's (full time equivalent)	345	367
Male employees	137	127
Female employees	246	241
Indefinite contract	317	316
Definite contract	66	52
Percentage of female managers	43%	47%

Gender pay ratio (DIVERSITY-PAY) Ratio of average base salary (female to male) by department	
Administrative and support staff	1.21
Development team	0.96
Finance team (controlling and accounting)	0.82
Operations	0.89
Senior management	0.97

Employee training and development (EMP-TRAINING)	2019	2018
Total number of training hours	9,238	4,517
Average training hours per employee	24.12	12.3
Total amount (in EUR) spent on training	263,014	156,363

Employee Performance appraisals (EMP-DEV)	2019	2018
% of employees that have received a performance evaluation	93.0%	91.0%

New hires and turnover in 2019 (EMP-TURNOVER)	Male	Female	Total
Total number of employees that left the company	24	54	78
Total number of employees that joined the company	34	53	87
Turnover percentage	18%	22%	21%

Employee health and safety in 2019 (H&S-EMP)	Male	Female	Total
Total number of illness/absence days (working days)	426	1,117	1,543
Illness percentage (absentee rate)	1.4%	2.2%	1.9%
Number of work related injuries (injury rate)	-	-	-
Number of fatalities	-	-	-

Governance performance measures	
Composition of the highest governance body (Gov-Board)	View the 2019 corporate governance report (page 45-47)
Process for nominating and selecting the highest governance body (Gov-Selec)	View the 2019 corporate governance report (page 45-47)
Process for managing conflicts of interest (Gov-Col)	View the memorandum (page 25) available on our corporate website

Environmental performance indicators EPRA Sustainability performance measures	EPRA indicator	Units	Absolute consumptions 2019	2018
Electricity consumption for common areas	Elec-Abs / Elec-LfL	MWh	92,543	100,404
Electricity exclusively sub-metered to tenants	Elec-Abs / Elec-LfL		88,300	106,641
Total electricity consumption	Elec-Abs / Elec-LfL		180,843	207,045
District heating and cooling for common areas	DH&C-Abs / DH&C-LfL		26,188	30,056
District heating and cooling sub-metered to tenants	DH&C-Abs / DH&C-LfL		48,573	44,877
Total district heating and cooling			74,761	74,933
Fuels consumed in common areas	Fuels-Abs /Fuels-LfL		12,344	11,650
Fuels exclusively sub-metered to tenants	Fuels-Abs /Fuels-LfL		18,139	18,115
Total fuel consumption			30,483	29,765
Total energy consumption from all sources			**286,087**	**311,743**
Total direct GHG emissions GHG Protocol Scope 1	GHG-Dir-Abs	tonnes CO_2e	2,530	2,387
Total indirect GHG emissions GHG Protocol Scope 2	GHG-Indir-Abs		68,506	75,337
Total indirect GHG emissions GHG Protocol Scope 3	GHG-Indir-Abs		69,479	82,102
Total direct and indirect GHG emissions			**140,515**	**159,827**
Water consumption for common areas	Water-Abs / Water-LfL	m^3	328,360	370,569
Water consumption exclusively sub-metered to tenants	Water-Abs / Water-LfL		405,995	406,538
Total water consumption	**Water-Abs / Water-LfL**		**734,355**	**777,107**
Total weight of waste	**Waste-Abs /Waste-LfL**	**Metric tonnes**	**9,101**	**9,885**
Hazardous waste			n/a	n/a
Disposal route	Waste-Abs /Waste-LfL	Proportion by weight (%)		
Recycled			18.5%	18.8%
Landfill facility			65.8%	69.2%
Incineration			4.9%	4.1%
Composting/ anaerobic digestion facility			3.7%	2.7%
Other disposal route			7.1%	5.2%

Environmental intensity indicators EPRA Sustainability intensity measures	EPRA indicator	Units	Absolute consumptions 2019	2018
Building energy intensity	Energy-Int	$kWh/m^2/year$	399.3	398.1
	Energy-Int	kWh/visitor/year	1.5	2.8
Greenhouse gas intensity from building energy	GHG-Int	$kgCO_2e/m^2/year$	196.1	204.1
	GHG-Int	$kgCO_2e$/visitor/year	0.7	1.5
Building water intensity	Water-Int	$m^3/m^2/year$	1.0	1.0
	Water-Int	liter/visitor/year	3.9	7.1

QUALIFYING NOTES

The information in the environmental performance tables points to the fiscal year 2018 and the broken fiscal year 2019 for those properties where Atrium has organizational control. Due to the integration of the sustainability data into the annual report, Atrium has chosen to report a broken fiscal year for both reporting periods to enable the data to be published in a timely manner. 2019 data represents a 12 month period including Q4 2018 and the first three quarters of 2019. The same method is applicable for 2018 reporting data. Both reporting periods above include 12 months so data is comparable between 2018 and 2019.

Following divestments in 2018 and 2019, we have not included properties that have not been under management and ownership for both reporting periods. Data is reported using the EPRA Sustainability Best Practices guidelines. The absolute data coverage disclosed for energy, carbon emissions, water and waste for 2018 through 2019 represents 81% of the Gross Lettable Area (GLA) or 92% of the Gross Asset Value (GAV). The absolute data for energy, GHG emissions, water and waste, represents 20 out of 20 shopping centres: nine in Poland, seven in Russia and three in the Czech Republic and one in Slovakia. Data is measured via smart meters and manual readings - landlord-obtained utility consumption data for energy, associated GHG emissions and water consumption are not estimated. Estimations are made for tracking the waste in tonnes (weight) since actual data is not available for the majority of properties. We estimated the tonnes of waste (weight) by converting the volumes (m3) of waste.

Nine assets are excluded from the like-for-like figures due to significant (re)developments that took place and influenced the performance of the property or properties that have been disposed. Like-for-like figures include 11 out of 11 properties that were in full operation and ownership by Atrium in 2018-2019.

Like for Like								
Poland		Czech Republic and Slovakia		Russia		Total		
2019	2018	2019	2018	2019	2018	2019	2018	Change %
12,691	13,208	18,356	18,622	16,378	16,709	47,425	48,538	(2%)
3,525	3,337	11,188	11,939	33,059	36,360	47,771	51,635	(7%)
16,215	16,544	29,544	30,560	49,437	53,068	95,196	100,173	(5%)
4,465	5,893	7,530	7,669	1,349	1,374	13,344	14,935	(11%)
149	201	3,341	3,194	11,384	12,779	14,874	16,175	(8%)
4,613	6,094	10,871	10,863	12,734	14,153	28,218	31,110	(9%)
-	-	6,113	5,942	3,931	2,934	10,043	8,876	13%
-	-	2,225	1,938	15,229	15,617	17,454	17,555	(1%)
-	-	8,338	7,879	19,160	18,551	27,498	26,431	4%
20,828	**22,638**	**48,753**	**49,303**	**81,331**	**85,773**	**150,912**	**157,714**	**(4%)**
-	-	1,253	1,218	806	601	2,058	1,819	13%
10,910	11,633	12,033	12,248	10,767	10,984	33,710	34,865	(3%)
2,786	2,651	7,263	7,637	26,792	29,292	36,840	39,580	(7%)
13,696	**14,284**	**20,548**	**21,102**	**38,364**	**40,877**	**72,608**	**76,263**	**(5%)**
61,879	83,947	114,084	111,063	29,521	33,205	205,485	228,215	(10%)
55,283	54,088	36,270	36,130	140,618	142,530	232,172	232,747	0%
117,163	**138,035**	**150,355**	**147,193**	**170,140**	**175,734**	**437,657**	**460,962**	**(5%)**
1,973	**2,260**	**2,329**	**2,519**	**797**	**852**	**5,099**	**5,631**	**(10%)**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
20.3%	15.6%	25.2%	23.7%	1.9%	14.2%	19.7%	19.0%	
68.9%	76.3%	59.5%	60.0%	97.1%	85.3%	69.0%	70.4%	
0.0%	0.0%	2.5%	2.1%	0.0%	0.0%	1.1%	1.0%	
6.7%	5.1%	7.7%	7.2%	1.0%	0.5%	6.3%	5.3%	
4.1%	3.1%	5.1%	7.0%	0.0%	0.0%	3.9%	4.4%	

Like for Like								
Poland		Czech Republic and Slovakia		Russia		Total		
2019	2018	2019	2018	2019	2018	2019	2018	Change %
174.5	190.5	536.4	543.3	557.2	584.5	423.6	442.6	(4%)
0.9	1.0	1.5	1.5	3.3	3.4	1.9	1.9	(4%)
114.7	120.2	226.1	232.6	262.8	278.6	203.8	214.0	(5%)
0.6	0.6	0.6	0.6	1.6	1.6	0.9	0.9	(4%)
1.0	1.2	1.7	1.6	1.2	1.2	1.2	1.3	(5%)
5.2	6.0	4.5	4.5	6.9	6.9	5.4	5.7	(4%)

Atrium reports data which has been purchased and used onsite for common areas or for tenant areas where sub meters are available. When separate meters are in place for tenants, consumption is provided separately in the tables above. Consumption of gas, district heating and cooling can be used for larger sections of the shopping centre. Energy consumption of local offices are included in the data and mentioned in the tables above under common areas. Atrium keeps track of the energy consumption in the local offices in 2019: In Amsterdam we consumed 13 MWh and in Poland 289 MWh.

On a like-for-like basis, Atrium has decreased its total energy consumption with 4.3% in 2018-2019. Water consumption decreased with 5.1% on a like-for-like basis and the total amount of waste collected, decreased with 9.4% in the same reporting period. The numerator of intensity figures is the total landlord-obtained consumption for common areas and sub metered tenant consumption. The total GLA of the centres and the total number of visitors are used as denominators. As proposed by the EPRA Sustainability Best Practices guidelines, Atrium acknowledges that the intensity figures may be affected due to a mismatch between numerator and denominator. Going forward, Atrium will fine-tune intensity figures by measuring more accurately the surface area for which resources are consumed within the shopping centre.

Emissions factors are based on International Energy Agency data and by local energy suppliers. Different emissions apply, depending on the shopping centre's location. Scope one emissions refer to onsite natural gas consumption used for common areas; scope two emissions, to landlord purchased and consumed energy, heating and cooling for common areas; and scope three emissions, to consumption that is purchased by Atrium and sub metered to tenants. No third party assurance is carried out by an objective and independent assurance provider on any of the reported sustainability data.

Green building certifications in place or buildings undergoing certification process	Name asset	Country	Certificate description
EPRA CERT-Tot: Type and number of sustainably certified assets in 2019	Atrium Flora	Czech Republic	BREEAM in Use - Very good
	Copernicus	Poland	BREEAM Europe Commercial - Very Good
	Promenada	Poland	BREEAM New Construction - Very Good
	Targowek	Poland	BREEAM New Construction - Very Good (expected)
	Wars Sawa Junior	Poland	BREEAM In Use – Very Good

Coverage: 29.9% of managed shopping centres are (to be) certified with BREEAM (based on GLA)

Health & safety and community engagement	% of GAV	% of GLA
EPRA H&S-asset: Asset health and safety assessments	100.0%	100.0%
EPRA H&S-Comp: Asset health and safety compliance	71.0%	81.1%
EPRA Comty-Eng: Community engagement, impact assessments and development programmes	100.0%	100.0%

Performance indicators on health & safety represents 91% of managed shopping centres under management (GAV) equivalent to 83% of total GLA. Health and safety assessments are taken place through internal reporting. The assessment includes questions like whether emergency/evacuation plans are in place, if fire safety checks performed in the reporting period and the number of incidents occured regarding health and safety. Community engagement programmes refer to local stakeholder engagement activities that have been rolled out in 2019 for all main shopping centers.

STATEMENT BY THE BOARD OF DIRECTORS OF ATRIUM EUROPEAN REAL ESTATE LIMITED PURSUANT TO § 124 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 124 of the Austrian Stock Exchange Act (§ 124 BoerseG) hereby confirm:

- 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
- 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 and Director

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Chairman of the Audit Committee and Director

SIMON RADFORD
Director

ANDREW WIGNALL
Director

LUCY LILLEY
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" or the "Company") 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 should 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 Association of Investment Companies (AIC) Code of Corporate Governance in matters pertaining to the independence of directors and the composition of the board.

The Austrian Code of Corporate Governance (as amended in January 2018) (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 pages 51-53.

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 2019, five of the six Directors were independent in accordance with those rules, namely Mr. Radford, Mr. Wignall, Mr. Errichetti, Mr. Flanzraich and Mrs. Lilley. The independent Directors do not have shareholdings of more than 10% in Atrium, nor do they 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.

As at 31 December 2019, the Board consisted of six Directors, as set out below. Previously, at the start of January 2019, the Board consisted of seven directors. In the Annual General Meeting which took place in July 2019, Rachel Lavine did not stand for re-election.

Name	Audit Committee	Compensation and Nominating Committee	Executive Committee	Operations Committee	Date of birth	Mandate start
Chaim Katzman		✓	✓		04.11.1949	01.08.2008
Rachel Lavine[1]	✓		✓		09.12.1965	01.08.2008
Simon Radford	✓			✓	03.02.1957	06.03.2008
Andrew Wignall	✓			✓	11.05.1964	06.03.2008
Michael Errichetti		✓	✓		23.09.1957	01.04.2017
Neil Flanzraich	✓	✓			08.08.1943	01.04.2017
Lucy Lilley	✓			✓	09.08.1972	01.04.2018

1 Rachel Lavine's mandate ended at the AGM which took place on 24 July 2019

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 next AGM.

CHAIM KATZMAN

Non-executive director and Chairman

Chairman, Executive Committee

Chairman, Compensation and Nominating Committee

Chaim Katzman is the founder, controlling shareholder and CEO of Gazit-Globe Ltd (TASE: GZT), a leading international real estate company listed on the Tel Aviv Stock Exchange. As the CEO Mr. Katzman leads global operations and affiliate and subsidiary activities and oversees approximately $11 billion in assets (over 100 properties in over a dozen countries) in the USA, Canada, Europe, Israel and Brazil.

Mr. Katzman is also the Chairman of both Citycon Oyj (OMX: CTY), an owner, developer and operator of shopping centers in the Nordic and Baltic and market leader in the Nordic shopping center sector and Atrium European Real Estate (VSX/Euronext Amsterdam: ATR), a leading real estate company that owns, operates and develops shopping centers in Central and Eastern Europe. He is also the CEO and the Vice Chairman of Norstar Holdings Inc. (TLV: NSTR), the parent company of Gazit-Globe. Mr. Katzman was the Founder and Chairman of Equity One, Inc. (NYSE: EQY), a leading supermarket anchored shopping center REIT focused on urban communities which merged in 2017 with Regency Centers (NYSE: REG) forming a leading shopping center REIT, included in the S&P 500, where Mr. Katzman was the Vice Chairman. Mr. Katzman also previously served as Chairman of First Capital Realty Inc. (TSX: FCR), a leading Canadian real estate company

Mr. Katzman is a well-known civic leader, philanthropist and supporter of numerous organizations. In 2011, he founded the Gazit-Globe Real Estate Institute at Israel's Interdisciplinary Center (IDC) Herzliya, an academic and research program focused on innovation and entrepreneurship in the real estate sector that offers a master's degree in real estate with concentrations in housing, land use and real estate finance.

A pioneer of the investment and development industry, Mr. Katzman is a member of the International Council of Shopping Centers (ICSC), the National Association of Real Estate Investment Trusts (NAREIT), the Real Estate Roundtable and the Association of Foreign Investors in Real Estate (AFIRE), and a Trustee of the Urban Land Institute (ULI). Mr. Katzman was the recipient and winner of the Ernst & Young Entrepreneur Of The Year® 2010 Award in the Real Estate and Construction Services Category in Florida. Chaim is also the honorary President of the Larger Than Life Foundation.

Mr. Katzman received an LL.B. from Tel Aviv University Law School and serves as a Trustee on the Board of Governors at Tel-Aviv University.

SIMON RADFORD

Non-executive director

Member, Audit 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. 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.

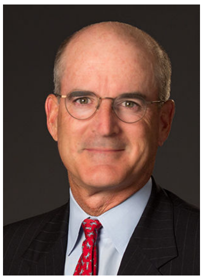
ANDREW WIGNALL

Non-executive director

Chairman, Operations Committee

Member, Audit 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.



MICHAEL ERRICHETTI

Non-executive director

Member, Compensation and Nominating Committee and Executive Committee

Michael Errichetti is an independent non-executive director appointed to the Board in April 2017. Mr. Errichetti is a principal of Midcountry Capital LLC, a private real estate investment and advisory firm. He has been a real estate investment banker for thirty years, twenty of those with JP Morgan based in NY, Paris and London. Prior to Midcountry Capital, he was a Managing Director in UBS's global real estate investment banking group in NY. Mr. Errichetti has been an associate board member of NAREIT, a member of the International Council of Shopping Centers and holds a BA in Economics from Rutgers College, Rutgers University and an MBA from Washington University in St. Louis.

NEIL FLANZRAICH

Non-executive director

Chairman, Audit Committee

Member, Compensation and Nominating Committee

Neil Flanzraich is an independent non-executive director appointed to the Board in April 2017. Mr. Flanzraich is Executive Chairman of Cantex Pharmaceuticals, Inc., a privately-owned pharmaceutical company developing medicines for cancer. He is also the Executive Chairman of the Board of Directors of Alzheon, Inc., a privately owned biopharmaceutical company developing disease modifying treatments for Alzheimer's Disease. Mr. Flanzraich has significant experience leading both public and private pharmaceutical and biotech companies. Mr. Flanzraich also serves as an Expert-in-Residence for an in Entrepreneurship program at Harvard University. He has served as a member of the board of directors of numerous public companies listed on the NYSE or other American stock exchanges. He is the Lead Independent Director of Chipotle Mexican Grill, Inc. (CMG: NYSE), a fast casual restaurant chain, and was also the Lead Independent Director of Equity One Inc., until its acquisition by Regency Centers in April, 2017. Mr. Flanzraich has a BA from Harvard College (Phi Beta Kappa, Magna Cum Laude), and a JD from Harvard Law School (Magna Cum Laude).

LUCY LILLEY

Non-executive director

Member, Audit Committee and Operations Committee

Lucy Lilley is a chartered surveyor and independent non-executive director appointed to the Board in April 2018. She serves as a non-executive director for a number of real estate companies and funds. Based in Jersey since 2010, Mrs. Lilley was Director and Fund Manager of Schroder Real Estate Managers (Jersey) Limited until September 2015. Prior to that, she was Portfolio Manager with Land Securities. Mrs. Lilley specialised in shopping centres and shopping parks between 2004 and 2015 and has a background in commercial property asset management, portfolio management and fund management. Mrs. Lilley is a Member of the Royal Institution of Chartered Surveyors, the Investment Property Forum, Revo (the British Council of Shopping Centres) and IoD.

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 2019, four permanent committees had been established: (i) the Audit Committee; (ii) the Compensation and Nominating Committee; (iii) the Executive Committee; and (iv) the Operations Committee. Additionally in 2019, there was also a temporary committee established of the independent Directors to address the offer made by Nb (2019) B.V., an indirect wholly-owned subsidiary of Gazit-Globe Ltd, for the entire issued and to be issued ordinary share capital of the Company that is not already owned by it. The Board of Directors and committees hold meetings and can also pass written resolutions.

In the year ended 31 December 2019, the Board of Directors held five meetings.

INDEPENDENT COMMITTEE

An Independent Committee was established on 17 September 2018 to assess the offer made by Nb (2019) B.V., an indirect wholly-owned subsidiary of Gazit-Globe Ltd, for the entire issued and to be issued ordinary share capital of the Company that is not already owned by it (the "Offer"), and, if appropriate in due course, take all necessary steps to implement the Offer.

The Chairman of the Independent Committee was Neil Flanzraich and the members of the Independent Committee were Michael Errichetti, Simon Radford, Andrew Wignall and Lucy Lilley.

The Independent Committee was dissolved on 6 November 2019 because the reason for which it was constituted had become obsolete as the eligible shareholders of Atrium had voted on 25 October 2019 to reject the Offer.

In the year ended 31 December 2019, the Independent Committee held 40 meetings.

AUDIT COMMITTEE

During 2019 the Chairman of the Audit Committee was Neil Flanzraich and the members of the Audit Committee were Rachel Lavine (until July 2019), Simon Radford, Andrew Wignall and Lucy Lilley.

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

The Audit Committee is required to meet at least two times annually before publication of Atrium's annual financial statements and the half year report. In the year ended 31 December 2019, the Audit Committee held two meetings.

COMPENSATION AND NOMINATING COMMITTEE

During 2019 the Chairman of the Compensation and Nominating Committee was Chaim Katzman and the members of the Compensation and Nominating Committee were Michael Errichetti and Neil Flanzraich.

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 2019, the Compensation and Nominating Committee held four meetings. Additional duties are further described within the Compensation report.

EXECUTIVE COMMITTEE

During 2019 the Chairman of the Executive Committee was Chaim Katzman and the members of the Executive Committee were Rachel Lavine (until July), Michael Errichetti and Liad Barzilai (who does not have a voting right as member of the Committee).

The principal activity of the Executive Committee is to consider and make decisions on behalf of the Board (within the remit of the Executive 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 2019, the Executive Committee held three meetings and passed six written resolutions.

OPERATIONS COMMITTEE

During 2019 the Chairman of the Operations Committee was Andrew Wignall and the members of the Operations Committee were Simon Radford and Lucy Lilley.

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 2019, the Operations Committee held five meetings.

DIVERSITY CONCEPT AND MEASURES FOR THE ADVANCE OF WOMEN

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 2019, the ages of the members of the Board of Directors ranged from 47 to 76 and the Directors represented three different national backgrounds. Of the six Directors, one is a woman. 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

During 2019, 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 employment agreement.

Name	Position	Date of birth	Mandate start
Liad Barzilai	Group Chief Executive Officer	25.11.1978	21.12.2016
Ryan Lee	Group Chief Financial Officer	19.08.1968	01.04.2015
Scott Jonathan Dwyer	Group Chief Operating Officer	10.07.1964	01.10.2017
Graham Kilbane	Group Chief Development Officer	14.12.1965	09.10.2017

LIAD BARZILAI

Group Chief Executive Officer

Liad was appointed as Group Deputy Chief Executive Officer on 21 December 2016 and took over the role of Group Chief Executive Officer on 23 February 2017.

Liad was previously with the Atrium Group from 2008 until November 2015, latterly in the position of Group Chief Investment Officer responsible for the Group's pipeline of acquisitions and divestments, and from November 2015 until his appointment to Atrium held 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 Compliance, Corporate Legal, HR and IT

Ryan joined the Group in February 2015 and was appointed as Group Chief Financial Officer in April 2015.

A chartered accountant with 30 years of international financial experience, prior to joining Atrium Group Ryan spent 6 years in senior roles in CEE based Private Companies. In addition, he previously held various international senior and board level financial roles with Japan Tobacco International and Unilever plc and its group subsidiaries from 1990-2009.

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

SCOTT JONATHAN DWYER

Group Chief Operating Officer

Scott is responsible for all operational aspects of the business including asset management, leasing, marketing, innovation and sustainability.

He joined Atrium in 2014 initially as CEO of the Polish operations where he initiated Atriums major redevelopment and extension programs across the Polish portfolio. In October 2017, he was promoted to the Group COO position. Originally from Australia, Scott has more than 20 years' experience in the CEE real estate market having held senior positions at Unibail Rodamco, ING Real Estate and Heitman International.

Scott has a Bachelor of Business from UTS Sydney.

GRAHAM KILBANE

Group Chief Development Officer

Graham has over 30 years of development and refurbishment experience gained throughout the UK and Central and Eastern European markets. He has completed over 300,000 sqm of commercial and mixed use projects and has extensive real estate experience throughout each stage of the development process. Having joined Atrium from Meyer Bergman, Graham previously ran the Polish development companies for GE Golub and Avestus.

Graham has a Bachelor of Science degree in Estate Management from the Trent University of Nottingham and he is a professional associate of the Royal Institution of Chartered Surveyors.

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 2019, non-executive Directors, other than those Directors nominated by Gazit-Globe, were entitled to receive remuneration in two components: a fixed cash remuneration of €50,000 per annum together with meeting attendance fees of €1,000 per meeting and telephonic meeting attendance fees of €750 per meeting; and ordinary shares in the Company in the value of €50,000 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 €100,000. Any Director, other than those Directors nominated by Gazit-Globe, who acts as Chairman of the Audit Committee, the Compensation and Nominating Committee or the Operations Committee was also entitled to receive additional remuneration of €10,000 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 2019, Mr. Katzman was not 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. There are no specific performance criteria in place for the award of such special pay. 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. In recognition of the significant increase in services provided and time devoted to the Company by each of the Company's independent Directors in relation to the Offer, the Company's independent Directors received each a special pay of up to €150,000 during the period, composed of €50,000 in 2019 and €100,000 in 2018.

Under his consultancy agreement, Mr. Katzman provides certain consultancy services, including (inter alia) advice on and review of proposed acquisitions and disposals, 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 consultancy fee is €700,000.

The independent Directors (in their capacity as Directors) were entitled to an aggregate remuneration in 2019 of €966,000 (2018: €1,123,000).

OVERVIEW OF REMUNERATION OF THE DIRECTORS IN 2019

Name	Directors fixed fees € '000	Directors other fees (and special pay)[1] € '000	Consultancy fees € '000	2019 total[1] € '000	2018 total[2] € '000
Chaim Katzman[3]	-	-	700	700	700
Rachel Lavine[3]	28	32	-	60	352
Simon Radford[4]	50	141	-	191	227
Andrew Wignall	50	153	-	203	238
Michael Errichetti	50	142	-	192	226
Neil Flanzraich	50	150	-	200	236
Lucy Lilley	50	141		191	196
Total	**278**	**759**	**700**	**1,737**[5]	**2,175**[5]

1 Includes a special pay of €50.000 for each of the Company's independent Directors
2 Includes a special pay of €100.000 for each of the Company's independent Directors
3 Gazit-Globe nominated Directors
4 €25.000 of the cash remuneration was paid in shares following the election by Mr Radford to take ordinary shares in lieu of his Director's remuneration
5 The special payments described in note 1 and note 2 were paid in 2019

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 and participation in Atrium's employee share plans.

The annual remuneration paid or payable to each member of the Group Executive Team for the year ended 31 December 2019, including base salary, annual target bonus, allowances and benefits is set out below:

Name	Fixed remuneration for 2019 €'000	Variable remuneration for 2019 €'000	Annual remuneration for 2019 €'000	Annual remuneration for 2018 €'000
Liad Barzilai	604	550	1,154	1,182
Ryan Lee	498	324	822	911
Scott Jonathan Dwyer	332	253	585	546
Graham Kilbane	289	121	410	338
Total	**1,723**	**1,248**	**2,971**	**2,977**

As part of his remuneration, Liad Barzilai was entitled to an award of shares equal to €240,000 which are issued, free of any lock-up period, in four equal tranches on each of the first, second, third and fourth anniversaries of his appointment. The third issue of 16,808 ordinary shares was made in December 2019. In addition, the members of the Group Executive Team received part of their fixed and variable remuneration as ordinary shares.

Atrium has established specific performance criteria applied by the Company for the variable remuneration of the members of the Group Executive Team. The variable remuneration of each member of the Group's Executive Team is determined by the Board of Directors and is based on annually pre-determined Corporate Key Performance Indicators (KPI's) and the individual performance of each member. The annual variable remuneration ranges between 50% and 125%, at target, of the base salary, depending on the position of the Group Executive Team member and the Corporate and individual performance results. The Corporate KPI results account for 70% of the overall variable remuneration and the individual performance results account for 30% of the overall variable remuneration.

The Corporate KPI's consist of a number of operational and strategic targets. In 2019 the operational targets consisted of Like-for-Like NRI, Adjusted EPRA earnings and progress on re-development projects. The strategic targets consisted of the disposal and acquisition program.

EMPLOYEE SHARE OPTION PLAN AND LONG TERM INCENTIVE PROGRAMS

A continuous rolling share participation plan for Group Executive Management and other key employees was approved and implemented in March 2018. The plan allows the participants to elect to receive part of their annual bonus as shares as an alternative to cash, with the company issuing matching shares (including payment of dividend on such matching shares) after three years.

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

Atrium has arranged Directors' and Officers' Insurance in respect of the members of the Board of Directors and the members of the Group Executive Team, 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 due to its one-tier Board of Directors structure. 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, C-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 2019 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 was granted indirectly via Gazit Midas Limited 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 law applicable to Atrium. As a result of the Company's listing on Euronext Amsterdam, Dutch rules on public tender offers apply, including the provision that a bidder would be required to prepare an offer memorandum (biedingsbericht) that must be approved by the Dutch financial regulatory authority (***Stichting Autoriteit Financiële Markten***).

Finally, pursuant to the Articles, a mandatory cash offer is required to be made to all Atrium shareholders if any person other than Gazit-Midas (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 2019, the materials and documents required for the Board of Directors' quarterly meetings were distributed at least 4 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. The Directors' biographies above include the main positions of each board member as disclosed by the Directors. The Company is also keeping a register of interest for each director, which includes their directorships in other companies, in accordance with Jersey law.

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 semi annual 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: With the exception of Mr. Katzman, 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: 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 €50,000 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 €100,000.

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 2019, all members of the Audit Committee, two of the three members of the Compensation and Nominating Committee, one of the three members of the Executive Committee (Liad Barzilai as member of the Group Executive Team does not have a voting right in the Executive Committee) and all members of the Operations 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 individuals 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 a remuneration committee.

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.

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 2019, five of Atrium's six 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 and Director

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Chairman of the Audit Committee and Director

ANDREW WIGNALL
Director

LUCY LILLEY

Director

SIMON RADFORD

Director

02

ANNUAL
FINANCIAL
STATEMENTS


ELEGANT
monna
monna
Wydrukuj
zdjęcia
na miejscu
z Twojego
smartfona
ROSSMANN
CENTRUM MA

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 2019.

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 operates mainly in Poland, the Czech Republic, Slovakia and Russia.

RESULTS

The results for the year ended 31 December 2019 are shown in the consolidated statement of profit or loss on page 58.

DIVIDEND

For the year ended 31 December 2019, 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, with Q3 and Q4 dividends in a single distribution of €cents 13.5 per share on 30 December 2019. The total dividend paid in the year ended 31 December 2019 amounted to €102.1 million (2018: €102.0[12] million).

At its meeting on 25 February 2020, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2020 (to be paid as a capital repayment) which will be paid in equal quarterly instalments commencing at the end of March 2020 (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 46-47 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 2019, Aztec held one registered share in Atrium, see note 2.15 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"). "The Companies (Jersey) Law 1991" 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 confirm, that to the best of their knowledge, they have complied with all the above requirements in preparing the financial statements.

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.

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board

25 February 2020

12 Excluding special dividend of €cents 14 per share paid in 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2019		31 December 2018	
	Note	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Standing investments	2.4	2,445,280		2,732,038	
Redevelopments and land	2.5	266,093		255,429	
Property and equipment	2.6	1,780		2,187	
			2,713,153		**2,989,654**
Intangible assets	2.7	10,125		9,504	
Equity-accounted investment in joint ventures	2.8	184,501		177,909	
Deferred tax assets	2.9	2,437		686	
Financial assets FVPL	2.10	18,942		-	
Other assets		2,883		1,298	
			218,888		**189,397**
Current assets					
Receivables from tenants	2.11	16,425		13,545	
Prepayments		2,708		2,653	
Other receivables	2.12	35,509		15,717	
Income tax receivable		1,688		1,389	
Financial assets at FVOCI	2.13	13,857		13,425	
Assets held for sale	2.14	75,268		29,063	
Cash and cash equivalents		126,851		38,493	
			272,306		**114,285**
TOTAL ASSETS			**3,204,347**		**3,293,336**
EQUITY AND LIABILITIES					
Equity					
Stated capital	2.15	2,016,603		2,117,380	
Capital reserves	2.15	(22,145)		(11,746)	
Retained deficit		(151,944)		(236,370)	
Currency translation reserve		(73,509)		(76,215)	
Currency translation reserve for disposal group held for sale	2.15	(2,991)		-	
			1,766,014		**1,793,049**
Non-current liabilities					
Long term borrowings	2.16	1,052,316		1,186,060	
Derivatives	2.17	17,753		5,097	
Deferred tax liabilities	2.18	81,448		93,679	
Long term liabilities from finance leases	2.19	45,006		44,569	
Other long term liabilities	2.20	13,716		14,178	
			1,210,239		**1,343,583**
Current liabilities					
Trade and other payables	2.21	33,671		32,208	
Accrued expenditure	2.22	41,994		48,284	
Short term borrowings	2.16	134,440		62,978	
Income tax payable		8,074		5,317	
Liabilities held for sale	2.14	5,384		1,165	
Provisions	2.23	4,531		6,752	
			228,094		**156,704**
TOTAL EQUITY AND LIABILITIES			**3,204,347**		**3,293,336**

The financial statements were approved and authorised for issue by the Board of Directors on 25 February 2020 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, Neil Flanzraich, Chairman of the Audit Committee and Liad Barzilai, Group Chief Executive Officer.

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

		2019		2018	
	Note	€'000	€'000	€'000	€'000
Gross rental income	2.24	177,299		175,157	
Service charge income	2.25	65,253		67,198	
Property expenses	2.26	(74,542)		(73,058)	
Net rental income			**168,010**		**169,297**
Net result on disposals	2.27	3,923		(3,082)	
Costs connected with developments		(986)		(905)	
Revaluation of standing investments, net	2.4	(5,437)		17,224	
Revaluation of redevelopments and land, net	2.5	(8,058)		(19,244)	
Depreciation, amortisation and impairments		(2,982)		(2,287)	
Administrative expenses	2.28	(28,405)		(28,282)	
Share of profit of equity-accounted investment in joint ventures	2.8	11,930		10,071	
Net operating profit			**137,995**		**142,792**
Interest expense, net	2.29	(38,854)		(34,163)	
Foreign currency differences		1,027		323	
Other financial expense, net	2.30	(3,819)		(21,300)	
Profit before taxation			**96,349**		**87,652**
Taxation charge for the year	2.31	(11,923)		(27,025)	
Profit after taxation for the year			**84,426**		**60,627**
Basic and diluted earnings per share in €cents attributable to shareholders	2.32		22.3		16.1

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

	2019		2018	
	€'000	€'000	€'000	€'000
Profit for the year	**84,426**		**60,627**	
Items that will not be reclassified to the statement of profit or loss:				
Movement in financial assets at FVOCI reserve	434		(6,536)	
Items that are or may be reclassified to the statement of profit or loss:				
Exchange differences arising on translation of foreign operations	-		(27)	
Movements in hedging reserves (net of deferred tax)	(10,925)		(3,424)	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the year	(285)		2,624	
Total comprehensive income for the year		**73,650**		**53,264**

CONSOLIDATED CASH FLOW STATEMENT

	2019 €'000	2018 €'000
Cash flows from operating activities		
Profit before taxation	96,349	87,652
Adjustments for:		
Revaluation of standing investments, net	5,437	(17,224)
Revaluation of redevelopments and land, net	8,058	19,244
Depreciation, amortisation and impairments	2,982	2,287
Dividend from listed equity securities, net	(818)	(864)
Foreign exchange (profit)/ loss, net	(1,027)	(323)
Change in legal provisions, net of amounts paid	(1,156)	(29,002)
Share based payment expenses	547	418
Share of profit of equity-accounted investments in joint ventures	(11,930)	(10,071)
Net result on disposals	(3,923)	3,082
Finance lease interest expense	3,545	2,912
Net loss from bonds buy back and early repayments of loans	-	17,223
Interest expense	38,854	34,456
Interest income	-	(293)
Operating cash flows before working capital changes	**136,918**	**109,497**
Increase in trade, other receivables and prepayments, net	(15,432)	(7,343)
(Decrease)/ Increase in trade, other payables and accrued expenditure, net	9,192	(4,049)
Cash generated from operations	**130,678**	**98,105**
Decrease in restricted cash related to legacy legal claims arrangement	3,755	118
Interest paid	(41,589)	(40,578)
Interest received	-	328
Dividend received (mainly dividend from Joint Ventures)	6,117	6,132
Corporate taxes paid, net	(3,657)	(6,332)
Net cash generated from operating activities	**95,304**	**57,773**
Cash flows from investing activities		
Payments related to investment properties and other assets	(116,888)	(372,979)
Proceeds from the disposal of investment properties	295,049	173,252
Change in restricted cash related to investing activity	650	(650)
Proceeds from loans granted	-	3,220
Loans provided to a third party	(18,980)	-
Net cash generated from/(used in) investing activities	**159,831**	**(197,157)**
Net cash flow before financing activities	**255,135**	**(139,384)**
Cash flows from financing activities		
Proceeds from issuance of share capital	-	174
Repayment of long term borrowings	(3,193)	(259,387)
Receipt of long term borrowings	-	462,263
(Repayment)/utilisation of a revolving credit facility	(60,000)	60,000
Arrangement fees of revolving credit facility	(1,011)	(1,155)
Repayments of finance leases	(959)	(104)
Dividends paid	(102,056)	(154,800)
Net cash generated from (used in) financing activities	**(167,219)**	**106,991**
Net increase/(decrease) in cash and cash equivalents	**87,916**	**(32,393)**
Cash and cash equivalents at the beginning of year	**38,493**	**71,920**
Cash and cash equivalents classified as held for sale	(538)	-
Effect of exchange rate fluctuations on cash held	980	(1,034)
Cash and cash equivalents at the end of year	**126,851**	**38,493**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained deficit €'000	Currency translation reserve €'000	Currency translation reserve for disposal group held for sale €'000	Equity attributable to the owners of the Company €'000
Balance as at 1 January 2019,		**2,117,380**	**1,211**	**(4,454)**	**(8,503)**	**(236,370)**	**(76,215)**	**-**	**1,793,049**
Profit for the year		-	-	-	-	84,426	-	-	84,426
Other comprehensive income (expense)		-	-	(10,925)	434	-	(285)	-	(10,776)
Total comprehensive income (expense)		**-**	**-**	**(10,925)**	**434**	**84,426**	**(285)**	**-**	**73,650**
Transaction with owners of the Company									
Share based payment	2.15	-	547	-	-	-	-	-	547
Issue of no par value shares	2.15	1,279	(455)	-	-	-	-	-	824
Dividends	2.15	(102,056)	-	-	-	-	-	-	(102,056)
Disposal group held for sale	2.15	-	-	-	-	-	2,991	(2,991)	-
Balance as at 31 December 2019		**2,016,603**	**1,303**	**(15,379)**	**(8,069)**	**(151,944)**	**(73,509)**	**(2,991)**	**1,766,014**

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained deficit €'000	Currency translation reserve €'000	Currency translation reserve for disposal group held for sale €'000	Equity attributable to the owners of the Company €'000
Balance as at 1 January 2018		**2,269,199**	**3,267**	**(1,030)**	**(1,967)**	**(296,997)**	**(81,588)**	**2,776**	**1,893,660**
Profit for the year		-	-	-	-	60,627	-	-	60,627
Other comprehensive income (expense)		-	-	(3,424)	(6,536)	-	5,373	(2,776)	(7,363)
Total comprehensive income (expense)		**-**	**-**	**(3,424)**	**(6,536)**	**60,627**	**5,373**	**(2,776)**	**53,264**
Transaction with owners of the Company									
Share based payment	2.15	-	418	-	-	-	-	-	418
Issue of no par value shares	2.15	2,981	(2,474)	-	-	-	-	-	507
Dividends	2.15	(154,800)	-	-	-	-	-	-	(154,800)
Balance as at 31 December 2018		**2,117,380**	**1,211**	**(4,454)**	**(8,503)**	**(236,370)**	**(76,215)**	**-**	**1,793,049**

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 2019 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 and Russia.

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 redevelopments and land ("investment property"), derivative financial instruments, contingent considerations, and financial assets at fair value through Other Comprehensive Income ("OCI") or through Profit and Loss ("PL") that have been measured at fair value. The consolidated financial statements are prepared on a going concern basis.

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 2019

The Group has adopted ***IFRS 16 Leases*** issued in January 2016 with a date of initial application of 1 January 2019.

The requirements of ***IFRS 16*** represent a significant change from ***IAS 17 Leases***. The application of the standard results in changes to the accounting treatment of the operating leases where the Group acts as a lessee such as office rentals, car leases and office equipment, however the impact of the new standard on the Group results and balances is not material.

As permitted by the transitional provisions of ***IFRS 16***, the Group has elected a simplified approach and the comparative figures have not been restated. The cumulative effect of initially applying ***IFRS 16*** as an adjustment to the carrying amounts of lease assets are recognized against the carrying amounts of lease liabilities as at 1 January 2019.

The Group applies the recognition exemptions permitted by the standard and, hence, does not apply the standard to leases of a low value, such as leases applicable to specific office equipment.

Lessor's accounting

According to the new standard, the guidance for the lessor, the owner of an asset that is leased under an agreement to a lessee, remains substantially unchanged compared to the prior lease standard ***(IAS 17)***.

Lessors continue to account for the leases as operating or finance lease under the new standard which is in-line with its predecessor, ***IAS 17***.

Lessee's accounting

IFRS 16 removes the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating lease. Instead, there is a single, on-balance sheet accounting model that is similar to previous finance lease accounting under IAS 17. Lessees are permitted to make an accounting policy election not to recognize lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases). Lessees also are permitted to make an election, on a lease-by-lease basis, to apply a method similar to previous operating lease accounting under IAS 17 to leases for which the underlying asset is of low value (i.e. low-value assets).

Initial measurement

The Group recognizes a right-of-use asset and a lease liability at the initial application date. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Subsequent measurement

The right-of-use asset is depreciated in accordance with the depreciation requirements of ***IAS 16 Property, Plant and Equipment*** or subsequently measured in accordance with ***IAS 40 Investment Property***. For lessees that depreciate the right-of-use asset on a straight-line basis, the aggregate of interest expense on the lease liability and depreciation of the right-of-use asset generally results in higher total periodic expense in the earlier periods of a lease. The Group applies the fair value model to any right-of-use assets that are investment properties.

The Group accretes the lease liability to reflect interest and reduces the liability to reflect lease payments made. The Group remeasures the lease liability upon the occurrence of certain events (e.g., change in the lease term, change in variable rents based on an index or rate), which is generally recognised as an adjustment to the right-of-use asset. The Group applies alternative subsequent measurement bases for the right-of-use asset under certain circumstances in accordance with ***IAS 16 Property, Plant and Equipment*** and ***IAS 40 Investment Property***. Right-of-use assets are subject to impairment testing under ***IAS 36 Impairment of Assets***.

Transition

On adoption of ***IFRS 16***, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of ***IAS 17 Leases***. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of ***IFRS 16*** are only applied after that date.

At the initial application date, the Group recognised in the opening balances of financial year 2019 a tangible asset and a lease liability of €3.0 million as a transition adjustment.

The following table summarizes the impact of transition on the lease liabilities in the consolidated balance sheet at 1 January 2019:

Lease liabilities	Impact of adopting IFRS 16 at 1 January 2019 €'000
Current lease liabilities	877
Non-current lease liabilities	2,118
Opening balance under IFRS 16 (1 January 2019)	2,995

The following table presents the total lease liabilities including the finance lease liabilities recognised as at 31 December 2018 as at 1 January 2019:

Lease liabilities	1 January 2019 €'000
Operating lease commitments discounted using the lessee's incremental borrowing rate of at the date of initial application	2,995
Add: finance lease liabilities already recognised as at 31 December 2018	47,567
Lease liabilities recognised as at 1 January 2019	50,562
Current lease liabilities	3,876
Non-current lease liabilities	46,686

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

Right-of-use assets	1 January 2019 €'000
Investment properties	637
Office rentals	1,686
Car rentals	246
Other property rentals	426
Total	**2,995**

Presentation in Annual Report

In this Annual Report, the right-of-use assets that are investment properties are classified to standing investments and the other right-of-use assets are part of the other non-current assets. Long-term lease liabilities are presented separately and short-term lease liabilities are presented in Trade and other payables in the consolidated balance-sheet.

In addition, the following new standards became effective as of 1 January 2019:

- ***IFRIC 23 Uncertainty over Income Tax Treatments*** (issued on 7 June 2017). In June 2017, the International Accounting Standards Board (IASB) issued ***IFRIC 23***, interpretation on ***IAS 12 Income taxes***, to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. ***IAS 12 Income Taxes*** specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. ***IFRIC 23*** provides requirements that add to the requirements in ***IAS 12*** by specifying how to reflect the effects of uncertainty in accounting for income taxes.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017). These amendments include minor changes to:
  - ***IFRS 3, 'Business combinations'***, - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - ***IFRS 11, 'Joint arrangements'***, - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - ***IAS 12, 'Income taxes'*** - a company accounts for all income tax consequences of dividend payments in the same way.
  - ***IAS 23, 'Borrowing costs'*** - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- In October 2017, the Board issued ***Prepayment Features with Negative Compensation*** (Amendments to ***IFRS 9***). These amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.
- In October 2017, the Board issued ***Long-term interests in Associates and Joint Ventures*** (Amendments to ***IAS 28***). The amendments clarify that a company applies ***IFRS 9 Financial Instruments*** to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Board also published an example that illustrates how companies apply ***IAS 28*** and ***IFRS 9*** with respect to such long-term interests.
- Amendments to ***IAS 19: Plan Amendment, Curtailment or Settlement*** (issued on 7 February 2018). In February 2018, the IASB issued amendments to the guidance in ***IAS 19, 'Employee Benefits'***, in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:
  - to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  - to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

  The above-mentioned standards or amendments apply for the first time in 2019, and they do not have a material impact on the annual consolidated financial statements of the Group.

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

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- The IASB has made amendments to ***IAS 1 Presentation of Financial Statements*** and ***IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*** which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in ***IAS 1*** about immaterial information. In particular, the amendments clarify: (i) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and (ii) the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments clarify the definition of material and make IFRSs more consistent, but are not expected to have a significant impact on the preparation of financial statements. These amendments should be applied for annual periods beginning on or after 1 January 2020. Earlier application is permitted.
- Amendments to ***IFRS 3 Business Combinations*** (issued on 22 October 2018, not yet endorsed by the EU). In October 2018 the IASB issued narrow-scope amendments to ***IFRS 3 Business Combinations*** to improve the definition of a business. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business. Companies are required to apply the amended definition of a business to acquisitions that occur on or after 1 January 2020. Earlier application is permitted.
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018). The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: (i) increasing the prominence of stewardship in the objective of financial reporting, (ii) reinstating prudence as a component of neutrality, (iii) defining a reporting entity, which may be a legal entity, or a portion of an entity, (iv) revising the definitions of an asset and a liability, (v) removing the probability threshold for recognition and adding guidance on derecognition and adding guidance on different measurement basis, and (vi) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled

where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

- 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 ***IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform***. The IASB has amended some of its requirements for hedge accounting. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). The amendments impact ***IFRS 9***, ***IAS 39*** and ***IFRS 7***. Phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The amendments come into effect from 1 January 2020. The Group has assessed that the reliefs have the effect that IBOR reform should not cause hedge accounting to terminate and thus, there is no material impact on the financial statements of the Group.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020, not yet endorsed). The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Directors 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 on-going 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, a consideration is made 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 this investment using the equity method.
- **Determination of functional currency** - The Group determines the Euro as the functional currency of the operating entities within the Group after considering all primary and secondary indicators that most faithfully represents the economic effects of the underlying transactions, events, and conditions.

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 2.34.
- **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 2.39.
- **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. The Group does not consider the potential for tax authorities to "detect" such potential tax issues, instead the Group assumes the relevant tax authorities will be fully knowledgeable of all relevant facts. For further information, see also Note 2.39.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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 within 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 Group 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 subsidiaries comprising the Group have the same financial reporting period as the parent company.

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 if the acquisitions qualifies as a business combination. Directly attributable costs are recognised as part of the acquisition cost of an asset.

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

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

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.

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[1] as at 31 December 2019:

Company name	Country	Ownership
ATRIUM HOLDING 1 LIMITED[2]	Cyprus	100%
ATRIUM HOLDING 2 LIMITED[2]	Cyprus	100%
MD CE HOLDING LIMITED	Cyprus	100%
MD RUSSIA HOLDING LIMITED	Cyprus	100%
ATRIUM FLÓRA A.S.	Czech Republic	100%
ATRIUM PALÁC PARDUBICE S.R.O.	Czech Republic	100%
ATRIUM PANKRÁC S.R.O.	Czech Republic	100%
ATRIUM CZECH REAL ESTATE MANAGEMENT S.R.O.	Czech Republic	100%
DEPARTMENT STORE PARDUBICE S.R.O.[3]	Czech Republic	100%
POLONIACO APS	Denmark	100%
ATRIUM EUROPE B.V.	Netherlands	100%
ATRIUM EUROPEAN COÖPERATIEF U.A.[4]	Netherlands	100%
ATRIUM GROUP SERVICES 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 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%

Company name	Country	Ownership
ATRIUM RUSSIAN HOLDING 2 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 5 B.V.	Netherlands	100%
ATRIUM POLAND HOLDING B.V.	Netherlands	100%
ATRIUM TREASURY SERVICES LIMITED	Netherlands	100%
ATRIUM RUSSIAN HOLDING 6 B.V.	Netherlands	100%
ATRIUM TURKEY GOETZTEPE B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 7 B.V.	Netherlands	100%
ATRIUM POLAND HOLDING 1 B.V.	Netherlands	100%
ATRIUM FINANCE B.V.	Netherlands	100%
ATRIUM FINANCE 2 B.V.	Netherlands	100%
ATRIUM AGROMEX DEVELOPMENT SP. Z O.O.	Poland	100%
ATRIUM BIAŁA SP. Z O.O.	Poland	100%
ATRIUM BYDGOSZCZ SP. Z O.O.	Poland	100%
ATRIUM COPERNICUS SP. Z O.O.	Poland	100%
ATRIUM DOMINIKANSKA SP. Z O.O.	Poland	100%
ATRIUM KALISZ SP. Z O.O.	Poland	100%
ATRIUM MOLO SP. Z O.O	Poland	100%
ATRIUM PLEJADA SP. Z O.O.	Poland	100%
ATRIUM PROMENADA SP. Z O.O.	Poland	100%
ATRIUM REDUTA SP. Z O.O.	Poland	100%
ATRIUM TARGÓWEK 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 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%
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%
PRIME WARSAW PROPERTIES SP. Z.O.O.	Poland	100%
PROJEKT ECHO-35 SP. Z O.O.	Poland	100%
SANDROCK INVESTMENTS SP. Z O.O.[3]	Poland	100%
CL112 SP. Z O.O.[3]	Poland	100%
PROPERTY DEVELOPMENT ONE SRL	Romania	100%
PROPERTY DEVELOPMENT TWO SRL	Romania	100%
OOO BUGRY	Russia	100%
OOO EVEREST	Russia	100%
OOO LAND DEVELOPMENT	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%
MANHATTAN DEVELOPMENT SK S.R.O.	Slovakia	100%
ATRIUM SLOVAKIA REAL ESTATE MANAGEMENT SK S.R.O	Slovakia	100%
PALM CORP S.R.O.	Slovakia	100%
MANHATTAN GAYRIMENKUL YÖNETIMI LIMITED SIRKETI	Turkey	100%
MEL 1 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	100%

1 Excluding inactive companies
2 Company newly incorporated
3 Company acquired in 2019
4 Entity merged with Atrium Group Services B.V.

FUNCTIONAL AND PRESENTATION CURRENCY

FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are presented in Euro, 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.

Various factors are assessed to identify the functional currency of the entities that form the Group. In particular, the currency that influences the price of rent income and services are considered. The significant majority of all lease contracts are denominated in the Euro regardless of the local jurisdiction. In addition to that, other factors that have been considered, are the valuation of investment properties that is carried out in Euro and Group wide financing which is in Euro. Therefore the Euro has a significant and pervasive impact on the subsidiaries and the Euro has been assessed as the functional currency of entities that form the Group.

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 Euro at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average foreign exchange rate. 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 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".

Upon commencement of a re-development project, the unit is transferred from standing investments to development and land. Upon substantive completion of the re-development project, the unit is transferred back to standing investments. The development's deemed cost shall be its fair value at the date of transfer.

The fair values of all standing investments were determined on the basis of independent external valuations received from CBRE and C&W during the last twelve months of 2019. The fair values of most of the developments and land, as at 31 December 2018, were determined on the basis of independent external valuations received from CBRE or C&W.

CBRE and C&W 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 - Global Standards which incorporate the International Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details about the investment properties valuation process, see note 2.34.

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. For further information of the net results on disposal, see note 2.27.

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

RECOGNITION AND INITIAL MEASUREMENT

Trade receivables, lease receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

On initial recognition, a financial asset is classified as measured at: amortised cost; at fair value through other comprehensive income (FVOCI) – debt investment; (FVOCI) - equity investment; or at fair value through profit or loss (FVPL).

The Group financial assets are classified as at amortised cost or as at FVPL and as at FVOCI – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses
Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial asset at FVPL

These assets are subsequently measured at fair value. Any gain or loss on these financial assets are recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Accrued interest is presented in accrued expenditure in the consolidated financial statements.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

DERECOGNITION

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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 set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, the period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

EXPECTED CREDIT LOSSES ("ECL")

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or when the receivables are past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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 PAYMENT ARRANGEMENTS

The grant date fair value of equity-settled share based payment 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 payment 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

Until the 2018 financial year, leases were classified as either finance leases or operating leases, see note 2.2 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Finance leases were 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. From 1 January 2019 lease liabilities are measured at the commencement of the lease at the present value of the 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.

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 and it has pricing latitude.

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

The Group recognises revenue from service charges over time as performance obligations are satisfied by the Group, and as the tenants simultaneously receive and consume the benefits provided. The Group recognises as revenue the amount of the transaction price that is allocated to these performance obligations. As the Group has a right to consideration from tenants that corresponds directly with the value of the Group's performance to date, the amount of revenue to which the Group has a right to invoice is recognised.

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 control of ownership has been transferred to the buyer.

INTEREST INCOME, INTEREST EXPENSE AND OTHER FINANCIAL INCOME AND EXPENSES

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

Other financial income and expense 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 tax, capital gains tax and withholding tax 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 liabilities 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. These reportable segments have different risk profiles and generate revenue/income from different sources.

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 Group identifies, develops, monitors and sells land and projects. 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 , Romania and Turkey. In addition, the Group has its holding, management or other companies in Cyprus, the Netherlands and Jersey.

2.4 STANDING INVESTMENTS

The current portfolio of standing investments consists of 25 properties (2018: 33) which comprise 15 properties in Poland (2018: 22), 2 properties in the Czech Republic (2018: 2), 1 property in Slovakia (2018: 2), 7 properties in Russia (2018: 7).

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

Standing investments	31 December 2019 €'000	31 December 2018 €'000
Balance as at 1 January	2,732,038	2,408,992
Additions - new properties	50,896	283,324
Additions - technical improvements, extensions	29,254	29,808
Movement in leases	1,067	9,214
Transfers from redevelopments and land	8,406	129,035
Transfer to redevelopments and land	(408)	(27,672)
Transfer to assets held for sale	(74,164)	-
Revaluation of standing investments	(5,437)	17,224
Disposals	(296,372)	(117,887)
Balance as at 31 December	**2,445,280**	**2,732,038**

The primary driver behind the €5.4 million devaluation results as at 31 December 2019 is the €3.4 million mainly attributable to devaluations of secondary assets in Poland (classified as held for sale), with the same trend seen in Slovakia of €3.6 million. In Russia, a devaluation of non-core assets was offset by a successful redevelopment in Kazan. In the Czech Republic, the positive revaluation of €1.6 million was due to rental growth and subsequent ERV increases across our assets.

SIGNIFICANT EVENTS AND TRANSACTIONS

In June 2019, the Group completed the acquisition of King Cross Shopping Centre in Warsaw, for a consideration of €43 million.

In July 2019, the Group completed the sale of two shopping centres in Poland, Atrium Koszalin, in Koszalin and Atrium Felicity, in Lublin, for €298 million.

Also in July 2019, the Group entered into an agreement to sell Atrium Duben shopping centre in Zilina, Slovakia for approximately €37.2 million. The disposal was completed in January 2020.

In December 2019, the Group entered into an agreement to sell a portfolio of five shopping centres in Poland with a total lettable area of approximately 41,200 sqm for €36 million, with expected completion during the first half of 2020.

The total value of land leases was €41.8 million as at 31 December 2019 (31 December 2018: €41.1 million).

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

NET EQUIVALENT YIELD (WEIGHTED AVERAGE)

Standing investments	2019	2018
Poland	5.7%	5.8%
Czech Republic	5.4%	5.5%
Sub-total	**5.7%**	**5.8%**
Slovakia	6.7%	6.8%
Russia	12.8%	12.7%
Weighted average	**6.6%**	**6.5%**

For information about the fair value of standing investments, see note 2.34.

FAIR VALUE OF COLLATERAL

Certain assets have been provided as collateral against bank loans held by the Group. The analysis of assets pledged as collateral is as follows:

2019	Book value of bank loans €'000	No. of assets pledged as collateral	Fair value of collateral €'000
Collateralised bank loans	299,778	2	556,814
Total	**299,778**	**2**	**556,814**

2018	Book value of bank loans €'000	No. of assets pledged as collateral	Fair value of collateral €'000
Collateralised bank loans	302,792	2	544,666
Total	**302,792**	**2**	**544,666**

2.5 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group comprises €89.2 million (2018: €71.9 million) redevelopments and €176.9 million (2018: €183.5 million) land.

Redevelopments and land	31 December 2019 €'000	31 December 2018 €'000
Balance as at 1 January	255,429	345,331
Additions - cost of land and construction	25,679	58,018
Movement in leases	1,041	1,280
Transfer from standing investments	408	27,672
Transfer to standing investments	(8,406)	(129,035)
Transfer (to)/from assets held for sale	-	(29,063)
Disposals	-	-
Interest capitalised	-	470
Devaluation of redevelopments and land	(8,058)	(19,244)
Balance as at 31 December	**266,093**	**255,429**

The devaluation of €8.1 million in 2019 is largely due to weakening of local currency in Turkey. For information about the fair value of redevelopments and land, see note 2.34.

SIGNIFICANT EVENTS AND TRANSACTIONS:

In January 2019, the Group completed the disposal of a land plot in Gdansk for €27.9[13] million.

In October 2019, the Group acquired an adjacent Department store as part of its redevelopment plan to its existing shopping centre in Pardubice, Czech Republic for a consideration of €6.5 million.

The total value of land leases was €7.6 million as at 31 December 2019 (31 December 2018: €6.7 million).

2.6 PROPERTY AND EQUIPMENT

Property and equipment	31 December 2019 €'000	31 December 2018 €'000
Office equipment	454	656
Other property and equipment	1,326	1,531
Total	**1,780**	**2,187**

As at 31 December 2019, office equipment and other property and equipment included the following right of use assets where the group is a lessee under finance leases :

Leased equipment	31 December 2019 €'000	1 January 2019[1] €'000
Cost	2,685	2,358
Accumulated depreciation	(745)	-
Net book amount	**1,940**	**2,358**

1 Value as per adoption date of IFRS 16

Refer to note 2.2 for details about the changes in accounting policy, following the adoption of IFRS 16.

2.7 INTANGIBLE ASSETS

Intangible assets	31 December 2019[1] €'000	31 December 2018 €'000
Cost	17,028	20,254
Accumulated amortisation	(6,903)	(10,750)
Net book amount	**10,125**	**9,504**

1 Intangible assets mainly consists of software and licenses

2.8 EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

The Company owns indirectly 75% in each of the following joint ventures:

Name of the joint venture	Country of incorporation	Stake in equity of joint venture 31 December 2019 and 2018	Investment in joint venture 31 December 2019 €'000	Investment in joint venture 31 December 2018 €'000
Pankrac Shopping Centre k.s	Czech Republic	75%	182,523	176,206
EKZ 11 k.s.	Czech Republic	75%	1,978	1,703
Total			**184,501**	**177,909**

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:

13 Excluding land lease of €1.1 million

	31 December 2019 €'000	31 December 2018 €'000
Standing investment	240,190	231,760
Cash and cash equivalents	9,537	8,792
Other current assets	1,265	469
Non-current liabilities	(1,376)	(678)
Current liabilities	(3,614)	(3,131)
Net assets (100%)	**246,002**	**237,212**
Group share of net assets (75%)	**184,501**	**177,909**
Carrying amount of interest in joint ventures	**184,501**	**177,909**

	31 December 2019 €'000	31 December 2018 €'000
Net rental income	11,250	12,848
Other items including revaluation	4,655	581
Profit of the Joint Ventures (100%)	**15,905**	**13,429**
Share of profit of equity-accounted investment in joint ventures (75%)	**11,930**	**10,071**
Dividends received by the Group	**5,299**	**5,268**

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 2019	Balance as at 1 January 2019 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income[1] €'000	Balance as at 31 December 2019 €'000
Deferred tax assets arise from the following temporary differences:				
Other assets	(194)	160	-	(34)
Liabilities and provisions	236	(138)	-	98
Tax losses carried forward	-	72	-	72
Other	644	-	1,657	2,301
Total deferred tax assets	**686**	**94**	**1,657**	**2,437**

1 An amount of €1.7 million relates to the deferred tax charge on hedging instruments

Deferred tax assets 2018	Balance as at 1 January 2018 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income[1] €'000	Balance as at 31 December 2018 €'000
Deferred tax assets arise from the following temporary differences:				
Other assets	(44)	(150)	-	(194)
Liabilities and provisions	(2)	238	-	236
Tax losses carried forward	567	(567)	-	-
Other	-	-	644	644
Total deferred tax assets	**521**	**(479)**	**644**	**686**

1 An amount of €0.6 million relates to the deferred tax charge on hedging instruments

2.10 FINANCIAL ASSETS FVPL

The Group's financial assets at FVPL as at 31 December 2019, pertains to a loan granted in October 2019 to a third party with the option to acquire the controlling stake in a future joint venture. The financial assets at FVPL are carried at fair value.

The fair value is determined using a discounted cash flow, adjusting for the convertible option determined based on Black-scholes model. The fair value is mainly derived from unobservable inputs and therefore classified at level 3 within the fair value hierarchy. As of 31 December 2019, financial assets at FVPL amounted to €18.9 million .

The credit exposure of the Group arising from the financial asset, as disclosed in note 2.35, represents the maximum credit exposure. The credit risk related to the loan is in line with the Group's market risks, as disclosed in 2.37 Risk Management. The Group obtained a collateral mortgage in exchange of the borrower's rights as a security for the performance of the obligations under the loan agreement.

2.11 RECEIVABLES FROM TENANTS

Receivables from tenants 2019	Gross	Allowances for impaired balances	Net	
Receivables aging:	€'000	€'000	€'000	%
Due within term	10,654	(82)	10,572	64.4%
Overdue 0-30 days	4,313	(100)	4,213	25.6%
Overdue 31-90 days	1,227	(102)	1,125	6.8%
Overdue 91-180 days	664	(286)	378	2.3%
Overdue 181-360 days	526	(409)	117	0.7%
Overdue 361 days and more	4,340	(4,320)	20	0.1%
Total	**21,724**	**(5,299)**	**16,425**	**100.0%**

Receivables from tenants 2018	Gross	Allowances for impaired balances	Net	
Receivables aging:	€'000	€'000	€'000	%
Due within term	8,113	(109)	8,004	59.1%
Overdue 0-30 days	4,099	(88)	4,011	29.6%
Overdue 31-90 days	1,219	(130)	1,089	8.0%
Overdue 91-180 days	474	(233)	241	1.8%
Overdue 181-360 days	600	(400)	200	1.5%
Overdue 361 days and more	6,796	(6,796)	-	0.0%
Total	**21,301**	**(7,756)**	**13,545**	**100.0%**

Payment terms normally do not exceed 30 days and are consistent with the industry.

The description of collateral held as security in relation to tenants is provided in note 2.37 under credit risk.

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

Allowances for bad debts	31 December 2019 €'000	31 December 2018 €'000
At 1 January	**(7,756)**	**(11,279)**
Release[1]	3,149	3,766
Addition, net	(692)	(243)
At 31 December	**(5,299)**	**(7,756)**

1 Including €2.9 million write offs (2018: €2.8 million) and nil due to assets disposed of (2018: €0.8 million)

2.12 OTHER RECEIVABLES

Other receivables	31 December 2019 €'000	31 December 2018 €'000
VAT receivables	3,876	4,473
Restricted cash in banks	276	4,620
Alternative minimum tax	4,149	3,674
Deferred purchase price on disposed assets[1]	24,313	-
Others	2,895	2,950
Total	**35,509**	**15,717**

1 €20 million received in January 2020

For additional information on Alternative minimum tax, see note 2.31.

2.13 FINANCIAL ASSETS AT FVOCI

The Group's financial assets at FVOCI as at 31 December 2019 and 31 December 2018, include an investment in two listed equity securities with less than 1% total holding in each individual investment. The financial assets at FVOCI 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 2019, financial assets at FVOCI amounted to €13.9 million.

2.14 ASSETS AND LIABLITIES HELD FOR SALE

As at 31 December 2019, the assets and liabilities held for sale included Atrium Duben in Zlina, Slovakia with a total value of €37.2 million which was sold in January 2020, and five assets in Poland with a lettable area of 41,200 sqm for a value of €36 million, with expected completion during the first half of 2020.

As at 31 December 2018, the assets and liabilities held for sale included Gdansk land plot in Poland with a total value of €29.1 million. The land was sold in January 2019.

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

	31 December 2019 €'000	31 December 2018 €'000
Non-current assets		
Standing investments	74,164	-
Redevelopments and land	-	29,063
Current assets	**1,104**	**-**
Assets held for sale	**75,268**	**29,063**
Non-current liabilities	4,924	1,083
Current liabilities	**460**	**82**
Liabilities held for sale	**5,384**	**1,165**
Net assets directly associated with the disposal groups	**69,884**	**27,898**
Amounts included in accumulated other comprehensive income:		
Foreign currency translation reserve	(285)	-
Reserve of disposal groups classified as held for sale	**(2,991)**	**-**

2.15 STATED CAPITAL AND RESERVES

STATED CAPITAL

As at 31 December 2019, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2019, the total number of ordinary shares issued was 378,163,861 (2018: 377,787,123 shares), of which 378,102,111 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 61,750 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 2019 were as follows:

- Issue of shares to satisfy the exercise of options and shares issued as part of the share participation plan €0.9 million (2018: €2.7 million)
- Issue of shares as part of the Group Executive Management's and directors' remuneration €0.4 million (2018: €0.3 million)
- Dividend payments of €102.1 million (2018: €154.8 million).

For the year 2019, the Company's Board of Directors approved an annual dividend of €cents 27 per share which was paid as a capital repayment, in equal quarterly instalments of €cents 6.75 per share with Q3 and Q4 dividends in a single distribution of cents 13.5 per share on 30 December 2019.

At its meeting on 25 February 2020, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2020 (to be paid as a capital repayment) which will likewise be paid in equal quarterly instalments commencing at the end of March 2020 (subject to any legal and regulatory requirements and restrictions of commercial viability).

DIRECTORS SHARE PLAN

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. In 2019 two Directors elected to receive shares in the total value of €50,000. No Director made such election in 2018.

SHARE BASED PAYMENT RESERVE

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

- On 23 May 2013, the shareholders approved and Atrium established an 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. Unexercised options carry rights for special dividend only and do not carry voting rights. As from 14 November 2016, no further grants may be made under ESOP 2013. As at 31 December 2019, all options were vested.
- In accordance with his employment contract, Liad Barzilai, Group CEO, was entitled to an award of shares equal to €240,000. Those shares were to be issued without restrictions on the first, second, third and forth anniversary of the commencement of his employment. In December 2019 and 2018, the third and the second issues of 16,808 and 17,256 ordinary shares, respectively, were made.
- In August 2015, the Compensation and Nominating Committee designed a framework within which members of the Group Executive Team, and other key senior executives, could be rewarded with shares dependent on the long term performance

of the Company ("LTI"). The participants were granted a right to the allotment of ordinary shares in the Company which vest after a three year period in one instalment and were subject to certain conditions. In July 2018, 62,071 ordinary shares were issued to the Group CFO and Group COO as part of the plan. The plan is currently closed.

- The Compensation and Nominating Committee approved an annual remuneration plan to the Group CEO and Group CFO in March 2018 and to the Group COO in August 2018. The plan entitles the participants to receive ordinary shares of the Company to the value of €60,000, €30,000 and €25,000 per annum, respectively. In 2019, an amount of total 33,089 ordinary shares were issued (2018: 28,679 ordinary shares).
- In March 2018, the Compensation and Nominating Committee designed a continuous rolling annual Employee Share Plan within which members of the Group Executive Team and key employees may elect to receive part of their annual bonus as shares as an alternative to cash, with the Company issuing matching shares after three years. The participants are also entitled for a cash payment equal in value to the amount of dividends that would have been paid in respect to the issued matching shares. The Group bears the liability for any wage tax, participant's social security contributions or similar liabilities arising at the time of vesting of shares. In March 2019 and August 2019, 81,945 and 178,575 rights of matching shares were granted to the participants in relation of 2018 and 2019 annual bonuses, respectively. In March 2018, 88,225 rights of matching shares were granted to the participants, in respect of 2018 annual bonus.

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

	2019		2018	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	1,860,492	4.37	1,963,825	4.37
Exercised	-	-	(10,000)	4.38
Forfeited	(627,163)	4.35	(93,333)	4.38
As at 31 December	**1,233,329**	**4.37**	**1,860,492**	**4.37**

As of 31 December 2019 and 31 December 2018 all outstanding options under ESOP 2013 were vested and exercisable.

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

	2019	2018
	Number of allotted shares	Number of allotted shares
As at 1 January	31,496	47,244
Issued	(15,748)	(15,748)
As at 31 December	**15,748**	**31,496**

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

	2019	2018
	Number of rights	Number of rights
As at 1 January	-	150,000
Issued	-	(62,071)
Forfeited	-	(87,929)
As at 31 December	**-**	**-**

The following table shows the movement in rights for the shares granted under the rolling annual Employee Share Plans for 2018 and 2019, respectively:

	2019	2018
	Number of rights	Number of rights
As at 1 January	88,225	-
Isssued	-	88,225
As at 31 December	**88,225**	**88,225**

	2019	2018
	Number of rights	Number of rights
As at 1 January	-	-
Isssued	260,520	-
As at 31 December	**260,520**	**-**

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

- In April 2017, the Compensation and Nominating Committee approved revisions to the remuneration of the non-executive Directors, effective as of 1 April 2017, which change their entitlement to receive an allocation of ordinary shares in the Company to a value of €50,000 per annum. 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 €100,000.

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

	2019 Number of rights	2018 Number of rights
As at 1 January	91,264	97,266
Granted	72,460	28,462
Issued	(38,162)	(34,464)
As at 31 December	**125,562**	**91,264**

The total expenses recognised in the consolidated statement of profit or loss in 2019 and 2018 amounted to €0.5 million and €0.4 million respectively for share based compensations.

RESERVES

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 2.17.

FINANCIAL ASSETS AT FVOCI RESERVE

The financial assets at FVOCI reserve comprises the cumulative net change in the fair value of financial assets at FVOCI until the assets are derecognised. See also note 2.13.

CURRENCY TRANSLATION RESERVE

The currency translation reserve comprises the cumulative amounts of the exchange differences on translation of foreign operations.

Currency translation reserve	2019 €'000	2018 €'000
Poland	(6,955)	(6,670)
Czech Republic	2,929	2,929
Slovakia	(7,355)	(10,346)
Russia	(57,331)	(57,331)
Romania	(1,311)	(1,311)
Turkey	(3,486)	(3,486)
Total	**(73,509)**	**(76,215)**

€0.3 million exchange differences on translation of foreign operations disposed of during the period were reclassified in 2019 (€2.6 million in 2018) from the currency translation reserve to net results on disposals in the profit or loss statement.

2.16 BORROWINGS

Borrowings	31 December 2019 €'000	31 December 2018 €'000
Bonds	753,986	886,246
Bank loans	298,330	299,814
Long-term liabilities	**1,052,316**	**1,186,060**
Bonds	132,992	
Bank loans	1,448	2,978
Utilised revolving credit facility	-	60,000
Short term liabilities	**134,440**	**62,978**
Total	**1,186,756**	**1,249,038**

The borrowings are repayable as follows:

Borrowings total	31 December 2019 €'000	31 December 2018 €'000
Due within one year	134,440	62,978
Due in second year	1,984	134,023
Due within third to fifth year inclusive	467,619	466,235
Due after five years	582,713	585,802
Total	**1,186,756**	**1,249,038**

BONDS

The bonds maturing in 2022 and 2025 are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40%; the consolidated coverage ratio shall not be less than 1.5. The bonds 2020 have the same financial covenants and an additional covenant: the ratio of unsecured consolidated assets to unsecured consolidated debt shall not be less than 150%. All covenants were met as at 31 December 2019.

BONDS 2019

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2020	EUR	4.0%	0.3	2020	132,992	135,278	4.2%
Atrium European Real Estate Limited 2022	EUR	3.625%	2.8	2022	459,815	492,586	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	5.7	2025	294,171	314,558	3.4%
Total/Weighted average		**3.5%**	**3.4**		**886,978**	**942,422**	**3.6%**

BONDS 2018

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2020	EUR	4.0%	1.3	2020	132,745	140,417	4.2%
Atrium European Real Estate Limited 2022	EUR	3.625%	3.8	2022	460,254	492,305	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	6.7	2025	293,247	299,179	3.4%
Total/Weighted average		**3.5%**	**4.4**		**886,246**	**931,901**	**3.6%**

BANK LOANS

In November 2018, Atrium took an 8 year €170.0 million secured corporate loan at 2.3% interest with Landesbank Hessen-Thüringen Girozentrale . The loan is subject to the following financial covenants: Loan to Value and Interest Service Cover Ratio, both of which were met as at 31 December 2019.

The loan with Berlin-Hannoversche Hypothekenbank AG is subject to the following financial covenants: Loan to Value and minimum equity, both of which were met as at 31 December 2019.

BANK LOANS 2019

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Landesbank Hessen-Thüringen Girozentrale	EUR	2.3%[1]	6.9	2026	167,417	167,526	2.4%
Berlin-Hannoversche Hypothekenbank AG	EUR	1.9%[1]	7.9	2027	132,361	132,447	2.0%
Total/Weighted average		**2.1%**	**7.4**		**299,778**	**299,973**	**2.2%**

1 Hedged interest rate

BANK LOANS 2018

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Landesbank Hessen-Thüringen Girozentrale	EUR	2.3%[1]	7.9	2026	169,153	168,993	2.4%
Berlin-Hannoversche Hypothekenbank AG	EUR	1.9%[1]	8.9	2027	133,639	133,958	2.0%
Total/Weighted average		**2.1%**	**8.4**		**302,792**	**302,951**	**2.2%**

1 Hedged interest rate

Collateral	Fair value of pledged investment properties 31 December 2019 €'000	Fair value of pledged investment properties 31 December 2018 €'000
Landesbank Hessen-Thüringen Girozentrale	319,117	311,174
Berlin-Hannoversche Hypothekenbank AG	237,697	233,492
Total	**556,814**	**544,666**

REVOLVING CREDIT FACILITY

The total amount of the revolving credit facility is €300 million with an expiry date in 2023. As at 31 December 2019, the revolving credit facilities was unutilised (2018: €60 million utilised).

The revolving credit facility is subject to the same financial covenants as of the bonds maturing in 2022 and 2025 (see above).

For information about the fair value of loans and bonds, see note 2.34.

Accrued interest is not included in the borrowings balance and presented separately in Accrued expenditure. See note 2.22.

2.17 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") in connection with secured bank loans (see note 2.16). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSs is the three month Euribor and the fixed rate is 0.826% on the loan obtained in November 2017 and 0.701% on the loan obtained in November 2018. The swaps have similar terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount and are included in cash flow hedges to reduce the Group's cash flow volatility due to variable interest rates on the bank loans.

An economic relationship between the hedging instrument and the hedged item exists; the hedging instrument and the hedged item have values that move in the opposite direction and offset each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The IRSs are measured at fair value using the discounted future cash flow method.

The fair value measurement of the IRSs are derived from inputs other than quoted prices in active markets. 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 or indirectly. Therefore, these IRSs are classified as a Level 2 fair value measurement under IFRS 13.

For information about the fair value of the derivatives, see note 2.34.

Interest rate swaps	31 December 2019 €'000	31 December 2018 €'000
Carrying amount (liability)	17,753	5,097
Notional amount	301,240	303,875
Change in fair value of outstanding hedging instruments since 1 January	12,656	4,067

2.18 DEFERRED TAX LIABILITIES

Deferred tax liabilities 2019	Balance as at 1 January 2019 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income €'000	Deferred tax credit/(charge) to on items sold €'000	Deferred tax liabilities classified as held for sale €'000	Balance as at 31 December 2019 €'000
Deferred tax liabilities arise from the following temporary differences:						
Investment properties	(105,171)	(7,114)	-	16,503	3,569	**(92,214)**
Other assets	839	(1,149)	-	55	(2)	**(257)**
Liabilities and provisions	5,682	1,035	-	(245)	-	**6,472**
Tax losses carried forward	4,947	524	-	(914)	-	**4,557**
Other	24	16	-	-	(47)	**(7)**
Total deferred tax liabilities	**(93,679)**	**(6,688)**	**-**	**15,399**	**3,520**	**(81,448)**

The main drivers for the increase in deferred tax liabilities charged to the statement of profit and loss are tax depreciation, change in value of the investment properties and foreign currencies on the tax base of the investment properties.

Deferred tax liabilities 2018	Balance as at 1 January 2018 €'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 2018 €'000
Deferred tax liabilities arise from the following temporary differences:					
Investment properties	(84,240)	(27,832)	-	6,901	(105,171)
Other assets	858	(6)	-	(13)	839
Liabilities and provisions	8,388	(2,682)	-	(24)	5,682
Tax losses carried forward	4,147	2,700	-	(1,900)	4,947
Other	22	7	-	(5)	24
Total deferred tax liabilities	**(70,825)**	**(27,813)**	**-**	**4,959**	**(93,679)**

2.19 LEASE LIABILITIES

On adoption of IFRS 16, the Group recognised additional lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. See basis of preparation for futher information about the change in accounting policies for leases. The short term portion of finance lease liabilities was disclosed as Trade and other payables (see note 2.21).

Lease payments include land leases in Poland and Russia are due as follows:

Liabilities from finance leases	31 December 2019 Net present value €'000	31 December 2019 Undiscounted lease payments €'000	31 December 2018 Net present value €'000	31 December 2018 Undiscounted lease payments €'000
Due within one year	3,036	3,039	2,998	3,508
Due within two to five years	11,721	14,208	10,017	14,020
Due after five years	33,285	211,408	34,552	213,793
Total	**48,042**	**228,655**	**47,567**	**231,321**
Amount due within 12 months	3,036	3,560	2,998	3,508
Amount due after more than 12 months	45,006	225,095	44,569	227,813

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has two material lease arrangements in Poland; Atrium Promenada, with a net present value ("NPV") of €20.6 million (2018: €19.6 million) and Wars Sawa Junior, with a NPV of €9.7 million (2018: €9.7 million).

2.20 OTHER LONG TERM LIABILITIES

Other long term liabilities of €13.7 million (2018: €14.2 million) principally comprise of long term deposits from tenants amounting to €12 million (2018: €13.2 million).

2.21 TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2019 €'000	31 December 2018 €'000
Short term deposits from tenants	6,383	7,409
Deferred revenue	13,731	8,357
Payables connected with development/construction	2,149	3,229
Short term liabilities from leasing	4,118	2,998
VAT payables	2,818	2,651
Payables for utilities	368	1,625
Payables for other services	280	272
Payables for repairs and maintenance	42	157
Other taxes and fees payables	1,308	719
Other	2,474	4,791
Total	**33,671**	**32,208**

2.22 ACCRUED EXPENDITURE

Accrued expenditure	31 December 2019 €'000	31 December 2018 €'000
Utilities	1,964	861
Consultancy and audit services	2,025	3,294
Construction services	7,954	14,110
Interest	9,966	10,245
Employee compensation	5,197	4,937
Taxes	224	442
Maintenance, security, cleaning and marketing	3,017	2,473
Other	11,647	11,922
Total	**41,994**	**48,284**

2.23 PROVISIONS

Provisions	Legacy legal provision €'000	Other legal provision €'000	Total €'000
Balance as at 1 January 2019	5,453	1,299	6,752
Movement in provision during the period	(228)	447	219
Amounts paid during the period	(1,333)	(1,107)	(2,440)
Balance as at 31 December 2019	**3,892**	**639**	**4,531**
Of which			
Current portion	3,892	639	4,531
Non-current portion	-	-	-
Total provisions	**3,892**	**639**	**4,531**

For more information, see note 2.39.

2.24 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 31 December 2019		Year ended 31 December 2018	
	€'000	% of total GRI	€'000	% of total GRI
Poland	108,354	61.1%	101,176	57.8%
Czech Republic	19,862	11.2%	19,323	11.0%
Slovakia	11,166	6.3%	10,692	6.1%
Russia	37,917	21.4%	38,506	22.0%
Hungary	-	0.0%	1,270	0.7%
Romania	-	0.0%	4,190	2.4%
Total	**177,299**	**100%**	**175,157**	**100%**

2.25 SERVICE CHARGE INCOME

Service charge income of €65.3 million (2018: €67.2 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.

2.26 PROPERTY EXPENSES

Net property expenses	Year ended 31 December	
	2019	2018
	€'000	€'000
Utilities	(24,504)	(24,885)
Security, cleaning and other facility related costs	(13,222)	(11,640)
Real estate tax	(8,260)	(8,637)
Repairs and maintenance	(9,391)	(9,084)
Direct employment costs	(8,665)	(7,292)
Marketing and other consulting	(7,471)	(8,485)
Office related expenses	(272)	(553)
Creation of allowances for bad debts of receivables from tenants	(692)	(243)
Other	(2,065)	(2,239)
Total	**(74,542)**	**(73,058)**

2.27 NET RESULT ON DISPOSALS

Net result on disposals	Year ended 31 December	
	2019	2018
	€'000	€'000
Atrium Felicity and Atrium Koszalin, Poland	5,049	-
Land plot in Gdansk, Poland	(595)	-
Atrium Militari in Romania	-	(3,262)
41,200 sqm portfolio of assets in Hungary	-	2,881
Futurum Shopping Centre in the Czech Republic	-	(414)
Atrium Saratov in Slovakia	-	445
Four assets in Hungary	-	(2,265)
Others	(531)	(467)
Total	**3,923**	**(3,082)**

€0.3 million non-cash currency translation reserve loss arising from past fluctuation of foreign currencies was reclassified in 2019 to net results on disposals (€2.6 million loss in 2018).

2.28 ADMINISTRATIVE EXPENSES

Administrative expenses	Year ended 31 December	
	2019	2018
	€'000	€'000
Legal fees	(1,360)	(1,591)
Employee costs	(10,957)	(9,691)
Consultancy and other advisory fees	(2,728)	(2,836)
Audit, audit related and review fees	(1,084)	(1,063)
Expenses related to directors	(1,840)	(2,282)
Communication and IT	(1,183)	(987)
Office costs	(372)	(621)
Marketing costs	(822)	(763)
Travel expenses	(399)	(386)
Buy-out of a management contract	-	(4,527)
Other Corporate fees[1]	(7,660)	(3,535)
Total	**(28,405)**	**(28,282)**

[1] Mainly includes €6.2 million (2018: €2 million) transaction costs in relation with the recommended cash acquisition by Gazit Globe Ltd

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

2.29 INTEREST EXPENSE, NET

Interest expense, net	Year ended 31 December 2019 €'000	2018 €'000
Interest income	-	293
Interest expense	(38,854)	(34,456)
Total	**(38,854)**	**(34,163)**

The Group's interest expense of €38.9 million (2018: €34.5 million) consists of finance expense on bank loans of €6.7 million (2018: €2.9 million), on bonds of €31.7 million (2018: €31.7 million) and on the utilised credit facility of €0.4 million (2018: €0.3 million).

Interest income in 2018 of €0.3 million consists mainly of interest on the loans provided to a third party.

2.30 OTHER FINANCIAL EXPENSE, NET

Other financial income and expense	Year ended 31 December 2019 €'000	2018 €'000
Net loss from bond buy back	-	(17,223)
Dividend income from financial assets	818	864
Interest on financial leases	(3,545)	(2,912)
Other financial expense, net	(1,092)	(2,029)
Total	**(3,819)**	**(21,300)**

2.31 TAXATION CHARGE FOR THE YEAR

Taxation charge for the year	Year ended 31 December 2019 €'000	2018 €'000
Corporate income tax current year	(4,927)	(6,028)
Deferred tax credit/(charge)	(6,529)	(28,298)
Adjustments to corporate income tax previous years	(467)	7,301
Income tax charged to the statement of profit or loss	**(11,923)**	**(27,025)**
Income tax on hedging instrument charged to comprehensive income	**1,657**	**644**

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

AMENDMENT TO THE POLISH CORPORATE INCOME TAX LAW

In July 2018, the alternative minimum tax act came into force. The act allows tax payers to apply to the tax authority for a refund of any excess minimum tax paid over the statutory corporate income tax. Before a refund is granted, inter-company transactions are subject to a tax control. On the basis of the formally published legislation, Atrium has classified minimum tax paid in excess of the corporate income tax as financial receivables pending a refund from the Polish tax authorities in an amount of €4.2 million (2018: €3.7 million, which was mostly received in 2019).

Income generated by non-tax residents from a transfer of shares in a company, with assets comprising at least directly or indirectly 50% (rights to) real estate located in Poland, shall be deemed Polish income and therefore subject to 19% capital gains tax in Poland, unless otherwise provided in the respective double tax treaty between Poland and the country of the seller of shares .

Effective tax rate

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

	2019 €'000	2019 %	2018 €'000	2018 %
Profit before taxation	96,349		87,652	
Income tax (charge)/credit using the weighted average applicable tax rates	(6,531)	6.78%	(6,138)	7.00%
Tax effect of non-taxable income/(non-deductible expenses)	(9,567)		(2,389)	
Tax effect of losses previously not recognised	3,797		3,144	
Deferred tax asset not recognised	(4,456)		(22,194)	
Tax adjustment of previous years	(467)		7,301	
FX impact on non financial tax base	5,516		(7,201)	
Others	(216)		451	
Tax charge	**(11,923)**		**(27,025)**	
Effective tax rate		**12.38%**		**30.83%**

Unrecognised deferred tax assets and liabilities:

As at 31 December 2019, deferred tax liabilities of €91.4 million (2018: €92.4 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 €81.7 million (2018: €94.7 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 carry-forward tax losses. The tax losses expire over a number of years, in accordance with local tax legislation.

Unrecognised deferred tax assets

Country	31 December 2019 €'000	31 December 2018 €'000
Poland	37,739	37,308
Czech Republic	770	710
Russia	26,961	37,881
Romania	3,187	3,820
Turkey	8,719	10,256
Others	4,304	4,731
Total	**81,680**	**94,706**

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

Corporate income tax rates	31 December 2019 €'000	31 December 2018 €'000
Poland	19.0%[1]	19.0%
Czech Republic	19.0%	19.0%
Slovakia	21.0%	21.0%
Russia	20.0%	20.0%
Hungary	9.0%	9.0%
Romania	16.0%	16.0%
Turkey	22.0%	22.0%
Cyprus	12.5%	12.5%
Denmark	22.0%	22.0%
Jersey	0.0%	0.0%
Netherlands	25.0%	25.0%
Spain	25.0%	25.0%

[1] In Poland, reduced rate of 9% may be applied to small taxpayers and companies commencing business activities

2.32 EARNINGS PER SHARE

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

Earnings per share	Year ended 31 December 2019	2018
Profit for the year attributable to the owners of the Company for basic and diluted earnings per share in (€'000)	84,426	60,627
Weighted average number of ordinary shares used in the calculation of basic earnings per share	377,984,853	377,565,496
Adjustments		
Dilutive options	268,454	101,364
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	378,253,307	377,666,860
Basic and diluted earnings per share in €cents	**22.3**	**16.1**

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 2019	2018
Options	1,233,329	1,860,492

2.33 SEGMENT REPORTING

Reportable segments For the year ended 31 December 2019	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	187,230	-	(9,931)	177,299
Service charge income	67,482	-	(2,229)	65,253
Net property expenses	(78,264)	-	3,722	(74,542)
Net rental income	**176,448**	**-**	**(8,438)**	**168,010**
Net result on disposals	4,501	97	(675)	3,923
Costs connected with developments	-	(986)	-	(986)
Revaluation of investment properties	(1,725)	(8,058)	(3,712)	(13,495)
Depreciation, amortisation and impairments	(1,988)	-	(994)	(2,982)
Administrative expenses	(11,352)	(354)	(16,699)	(28,405)
Share of profit of equity-accounted investment in joint ventures	-	-	11,930	11,930
Net operating profit/(loss)	**165,884**	**(9,301)**	**(18,588)**	**137,995**
Interest expense, net	(34,610)	(3,703)	(541)	(38,854)
Foreign currency differences	887	(403)	543	1,027
Other financial expenses	(3,409)	(112)	(298)	(3,819)
Profit/(loss) before taxation for the year	**128,752**	**(13,519)**	**(18,884)**	**96,349**
Taxation credit/(charge) for the year	(10,648)	72	(1,347)	(11,923)
Profit/(loss) after taxation for the year	**118,104**	**(13,447)**	**(20,231)**	**84,426**
Investment properties	2,625,423[1]	266,093	(180,143)[2]	2,711,373
Additions to investment properties	81,216	26,720	-	107,936
Segment assets	2,753,847	266,544	183,956[3]	3,204,347
Segment liabilities	1,349,324	70,350	18,659	1,438,333

1 Excluding €74.2 million classified as held for sale as at 31 December 2019

2 Our 75% share of investment property held in a joint venture

3 The amount mainly relates to cash and cash equivalent and financial assets at FVOCI & FVPL

Reportable segments For the year ended 31 December 2018	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	185,568	-	(10,411)	175,157
Service charge income	69,328	-	(2,130)	67,198
Net property expenses	(75,954)	-	2,896	(73,058)
Net rental income	**178,942**	**-**	**(9,645)**	**169,297**
Net result on disposals	(2,777)	13	(318)	(3,082)
Costs connected with developments	-	(905)	-	(905)
Revaluation of investment properties	17,895	(19,244)	(671)	(2,020)
Depreciation, amortisation and impairments	(1,901)	-	(386)	(2,287)
Administrative expenses	(12,542)	(660)	(15,080)	(28,282)
Share of profit of equity-accounted investment in joint ventures	-	-	10,071	10,071
Net operating profit/(loss)	**179,617**	**(20,796)**	**(16,029)**	**142,792**
Interest expense, net	(31,085)	(2,930)	(148)	(34,163)
Foreign currency differences	2,941	466	(3,084)	323
Other financial expenses	(18,222)	(1,406)	(1,672)	(21,300)
Profit/(loss) before taxation for the year	**133,251**	**(24,666)**	**(20,933)**	**87,652**
Taxation credit/(charge) for the year	(27,992)	104	863	(27,025)
Profit/(loss) after taxation for the year	**105,259**	**(24,562)**	**(20,070)**	**60,627**
Investment properties	2,905,858	284,492[1]	(173,820)[2]	3,016,530
Additions to investment properties	29,807	58,018	-	87,825
Segment assets	2,955,572	284,771	52,993[3]	3,293,336
Segment liabilities	1,354,804	66,221	79,262	1,500,287

1 Including €29.1 million classified as held for sale as at 31 December 2018

2 Our 75% share of investment property held in a joint venture

3 The amount mainly relates to cash and cash equivalents and financial assets at FVOCI

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2019

For the year ended 31 December 2019	POLAND				CZECH REPUBLIC			
	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	108,354	-	-	108,354	29,793	-	(9,931)	19,862
Service charge income	35,030	-	-	35,030	10,400	-	(2,229)	8,171
Net property expenses	(41,382)	-	-	(41,382)	(12,420)	-	3,722	(8,698)
Net rental income	**102,002**	**-**	**-**	**102,002**	**27,773**	**-**	**(8,438)**	**19,335**
Net result on disposals	4,501	97	-	4,598	-	-	-	-
Costs connected with developments	-	(173)	-	(173)	-	-	-	-
Revaluation of investment properties, net	(3,377)	(4,217)	-	(7,594)	5,297	-	(3,712)	1,585
Depreciation, amortisation and impairments	(1,271)	-	-	(1,271)	(212)	-	-	(212)
Administrative expenses	(6,381)	(81)	(3,166)	(9,628)	(344)	-	(2,236)	(2,580)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	11,930	11,930
Net operating profit/(loss)	**95,474**	**(4,374)**	**(3,166)**	**87,934**	**32,514**	**-**	**(2,456)**	**30,058**
Interest expense, net	(22,045)	(2,381)	(7)	(24,433)	(11,794)	-	1	(11,793)
Foreign currency differences	(65)	(119)	(151)	(335)	(3)	-	8	5
Other financial income/(expenses)	(2,803)	(109)	(27)	(2,939)	(33)	-	3	(30)
Profit/(loss) before taxation	**70,561**	**(6,983)**	**(3,351)**	**60,227**	**20,684**	**-**	**(2,444)**	**18,240**
Taxation credit/(charge) for the year	(5,117)	61	-	(5,056)	(1,943)	-	6	(1,937)
Profit/(loss) after taxation for the year	**65,444**	**(6,922)**	**(3,351)**	**55,171**	**18,741**	**-**	**(2,438)**	**16,303**
Investment properties	1,695,548[1]	143,603	-	1,839,151	521,845	8,181	(180,143)[2]	349,883
Additions to investment properties	67,657	18,539	-	86,196	3,557	8,181	-	11,738
Segment assets	1,762,542	143,809	6,683	1,913,034	533,968	8,181	(1,043)	541,106
Segment liabilities	825,643	45,320	34	870,997	420,723	-	(2,703)	418,020

1 Excluding €37 million classified as held for sale as at 31 December 2019

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

For the year ended 31 December 2019	SLOVAKIA				RUSSIA			
	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	11,166	-	-	11,166	37,917	-	-	37,917
Service charge income	6,050	-	-	6,050	16,002	-	-	16,002
Net property expenses	(6,106)	-	-	(6,106)	(18,356)	-	-	(18,356)
Net rental income	**11,110**	**-**	**-**	**11,110**	**35,563**	**-**	**-**	**35,563**
Net result on disposals	-	-	-	-	-	-	-	-
Costs connected with developments	-	-	-	-	-	(470)	-	(470)
Revaluation of investment properties, net	(3,600)	-	-	(3,600)	(45)	(439)	-	(484)
Depreciation, amortisation and impairments	(8)	-	-	(8)	(497)	-	-	(497)
Administrative expenses	(2,476)	-	-	(2,476)	(2,151)	(16)	(317)	(2,484)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**5,026**	**-**	**-**	**5,026**	**32,870**	**(925)**	**(317)**	**31,628**
Interest expense, net	(359)	-	-	(359)	(412)	(276)	-	(688)
Foreign currency differences	(3)	-	3	-	958	(196)	212	974
Other financial income/(expenses)	(2)	-	-	(2)	(571)	-	(134)	(705)
Profit/(loss) before taxation	**4,662**	**-**	**3**	**4,665**	**32,845**	**(1,397)**	**(239)**	**31,209**
Taxation credit/(charge) for the year	(738)	-	65	(673)	(2,850)	11	-	(2,839)
Profit/(loss) after taxation for the year	**3,924**	**-**	**68**	**3,992**	**29,995**	**(1,386)**	**(239)**	**28,370**
Investment properties	120,704[1]	-	-	120,704	287,326	26,589	-	313,915
Additions to investment properties	994	-	-	994	9,008	-	-	9,008
Segment assets	160,637	-	391	161,028	296,700	26,643	1,795	325,138
Segment liabilities	36,334	-	-	36,334	66,624	5,335	-	71,959

1 Excluding €37 million classified as held for sale as at 31 December 2019

For the year ended 31 December 2019	OTHER COUNTRIES[1]				RECONCILING			
	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	-	-	-	-	-	-	-	-
Service charge income	-	-	-	-	-	-	-	-
Net property expenses	-	-	-	-	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result on disposals	-	-	(675)	(675)	-	-	-	-
Costs connected with developments	-	(343)	-	(343)	-	-	-	-
Revaluation of investment properties, net	-	(3,402)	-	(3,402)	-	-	-	-
Depreciation, amortisation and impairments	-	-	(1)	(1)	-	-	(993)	(993)
Administrative expenses	-	(257)	(486)	(743)	-	-	(10,494)	(10,494)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**-**	**(4,002)**	**(1,162)**	**(5,164)**	**-**	**-**	**(11,487)**	**(11,487)**
Interest expense, net	-	(1,046)	(6)	(1,052)	-	-	(529)	(529)
Foreign currency differences	-	(88)	(229)	(317)	-	-	700	700
Other financial income/(expenses)	-	(3)	136	133	-	-	(276)	(276)
Profit/(loss) before taxation	**-**	**(5,139)**	**(1,261)**	**(6,400)**	**-**	**-**	**(11,592)**	**(11,592)**
Taxation credit/(charge) for the year	-	-	(49)	(49)	-	-	(1,369)	(1,369)
Profit/(loss) after taxation for the year	**-**	**(5,139)**	**(1,310)**	**(6,449)**	**-**	**-**	**(12,961)**	**(12,961)**
Investment properties	-	87,720	-	87,720	-	-	-	-
Additions to investment properties	-	-	-	-	-	-	-	-
Segment assets	-	87,911	660	88,571	-	-	175,470	175,470
Segment liabilities	-	19,695	1,885	21,580	-	-	19,443	19,443

1 For the year ended 31 December 2019, other countries also include Turkey, Romania and Hungary

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2018

	POLAND				CZECH REPUBLIC			
For the year ended 31 December 2018	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	101,176	-	-	101,176	29,734	-	(10,411)	19,323
Service charge income	36,055	-	-	36,055	9,218	-	(2,130)	7,088
Net property expenses	(41,226)	-	-	(41,226)	(10,420)	-	2,896	(7,524)
Net rental income	**96,005**	**-**	**-**	**96,005**	**28,532**	**-**	**(9,645)**	**18,887**
Net result on disposals	-	-	-	-	(456)	-	-	(456)
Costs connected with developments	-	(154)	-	(154)	-	-	-	-
Revaluation of investment properties, net	20,729	(4,779)	-	15,950	2,915	-	(671)	2,244
Depreciation, amortisation and impairments	(807)	-	-	(807)	(24)	-	-	(24)
Administrative expenses	(7,769)	(554)	(3,106)	(11,429)	(1,960)	-	(590)	(2,550)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	10,071	10,071
Net operating profit/(loss)	**108,158**	**(5,487)**	**(3,106)**	**99,565**	**29,007**	**-**	**(835)**	**28,172**
Interest expense, net	(18,839)	(1,773)	-	(20,612)	(11,279)	-	-	(11,279)
Foreign currency differences	1,940	1,170	(105)	3,005	(128)	-	30	(98)
Other financial income/(expenses)	(12,647)	(829)	(55)	(13,531)	(4,439)	-	5	(4,434)
Profit/(loss) before taxation	**78,612**	**(6,919)**	**(3,266)**	**68,427**	**13,161**	**-**	**(800)**	**12,361**
Taxation credit/(charge) for the year	(18,790)	(6)	(170)	(18,966)	(2,051)	-	20	(2,031)
Profit/(loss) after taxation for the year	**59,822**	**(6,925)**	**(3,436)**	**49,461**	**11,110**	**-**	**(780)**	**10,330**
Investment properties	1,956,194	166,708	-	2,122,902	510,383	-	(173,820)[1]	336,563
Additions to investment properties	18,349	58,018	-	76,367	2,187	-	-	2,187
Segment assets	1,985,133	166,855	6,540	2,158,528	521,694	-	(1,483)	520,211
Segment liabilities	845,409	41,257	53	886,719	408,940	-	(1,916)	407,024

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

For the year ended 31 December 2018	SLOVAKIA				RUSSIA			
	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	10,692	-	-	10,692	38,506	-	-	38,506
Service charge income	5,495	-	-	5,495	16,673	-	-	16,673
Net property expenses	(5,814)	-	-	(5,814)	(16,037)	-	-	(16,037)
Net rental income	**10,373**	**-**	**-**	**10,373**	**39,142**	**-**	**-**	**39,142**
Net result on disposals	442	-	-	442	-	13	-	13
Costs connected with developments	-	-	-	-	-	(374)	-	(374)
Revaluation of investment properties, net	(891)	-	-	(891)	(14,255)	(3,800)	-	(18,055)
Depreciation, amortisation and impairments	(13)	-	-	(13)	(1,043)	-	-	(1,043)
Administrative expenses	(475)	-	-	(475)	(1,711)	(19)	(402)	(2,132)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**9,436**	**-**	**-**	**9,436**	**22,133**	**(4,180)**	**(402)**	**17,551**
Interest expense, net	(414)	-	-	(414)	(477)	(544)	1	(1,020)
Foreign currency differences	(4)	-	-	(4)	1,062	(698)	(172)	192
Other financial income/ (expenses)	(233)	-	-	(233)	(887)	(211)	(19)	(1,117)
Profit/(loss) before taxation	**8,785**	**-**	**-**	**8,785**	**21,831**	**(5,633)**	**(592)**	**15,606**
Taxation credit/ (charge) for the year	(1,287)	-	(26)	(1,313)	(4,183)	135	-	(4,048)
Profit/(loss) after taxation for the year	**7,498**	**-**	**(26)**	**7,472**	**17,648**	**(5,498)**	**(592)**	**11,558**
Investment properties	160,510	-	-	160,510	278,771	26,620	-	305,391
Additions to investment properties	5,303	-	-	5,303	3,773	-	-	3,773
Segment assets	162,371	-	389	162,760	285,754	26,719	1,428	313,901
Segment liabilities	35,474	-	-	35,474	64,601	5,341	-	69,942

For the year ended 31 December 2018	HUNGARY Standing investment segment €'000	HUNGARY Redevelopments and land segment €'000	HUNGARY Reconciling item €'000	HUNGARY Total €'000	ROMANIA Standing investment segment €'000	ROMANIA Redevelopments and land segment €'000	ROMANIA Reconciling item €'000	ROMANIA Total €'000
Gross rental income	1,270	-	-	1,270	4,190	-	-	4,190
Service charge income	676	-	-	676	1,211	-	-	1,211
Net property expenses	(1,017)	-	-	(1,017)	(1,440)	-	-	(1,440)
Net rental income	**929**	**-**	**-**	**929**	**3,961**	**-**	**-**	**3,961**
Net result on disposals	467	-	-	467	(3,230)	-	-	(3,230)
Costs connected with developments	-	-	-	-	-	(82)	-	(82)
Revaluation of investment properties, net	1,410	-	-	1,410	7,987	(900)	-	7,087
Depreciation, amortisation and impairments	(10)	-	-	(10)	(4)	-	-	(4)
Administrative expenses	(272)	-	(290)	(562)	(355)	(41)	(470)	(866)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**2,524**	**-**	**(290)**	**2,234**	**8,359**	**(1,023)**	**(470)**	**6,866**
Interest expense, net	(23)	-	-	(23)	(53)	(166)	-	(219)
Foreign currency differences	67	-	(9)	58	4	2	(2)	4
Other financial income/(expenses)	(32)	-	(6)	(38)	16	(101)	(2)	(87)
Profit/(loss) before taxation	**2,536**	**-**	**(305)**	**2,231**	**8,326**	**(1,288)**	**(474)**	**6,564**
Taxation credit/(charge) for the year	(295)	-	2	(293)	(1,386)	-	(1)	(1,387)
Profit/(loss) after taxation for the year	**2,241**	**-**	**(303)**	**1,938**	**6,940**	**(1,288)**	**(475)**	**5,177**
Investment properties	-	-	-	-	-	10,564	-	10,564
Additions to investment properties	12	-	-	12	183	-	-	183
Segment assets	620	-	120	740	-	10,622	88	10,710
Segment liabilities	380	-	-	380	-	5,270	3	5,273

For the year ended 31 December 2018	OTHER COUNTRIES				RECONCILING			
	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	-	-	-	-	-	-	-	-
Service charge income	-	-	-	-	-	-	-	-
Net property expenses	-	-	-	-	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result on disposals	-	-	-	-	-	-	(318)	(318)
Costs connected with developments	-	(178)	-	(178)	-	(117)	-	(117)
Revaluation of investment properties, net	-	(9,765)	-	(9,765)	-	-	-	-
Depreciation, amortisation and impairments	-	-	-	-	-	-	(386)	(386)
Administrative expenses	-	(46)	(240)	(286)	-	-	(9,982)	(9,982)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**-**	**(9,989)**	**(240)**	**(10,229)**	**-**	**(117)**	**(10,686)**	**(10,803)**
Interest expense, net	-	(447)	-	(447)	-	-	(149)	(149)
Foreign currency differences	-	(8)	(3)	(11)	-	-	(2,823)	(2,823)
Other financial income/ (expenses)	-	(265)	66	(199)	-	-	(1,661)	(1,661)
Profit/(loss) before taxation	**-**	**(10,709)**	**(177)**	**(10,886)**	**-**	**(117)**	**(15,319)**	**(15,436)**
Taxation credit/ (charge) for the year	-	(25)	-	(25)	-	-	1,038	1,038
Profit/(loss) after taxation for the year	**-**	**(10,734)**	**(177)**	**(10,911)**	**-**	**(117)**	**(14,281)**	**(14,398)**
Investment properties	-	80,600	-	80,600	-	-	-	-
Additions to investment properties	-	-	-	-	-	-	-	-
Segment assets	-	80,575	120	80,695	-	-	45,791	45,791
Segment liabilities	-	14,353	1,333	15,686	-	-	79,789	79,789

2.34 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 2019, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2019 €'000
Standing investments	2.4				
Poland		-	-	1,695,547	1,695,547
Czech Republic		-	-	341,703	341,703
Slovakia		-	-	120,704	120,704
Russia		-	-	287,326	287,326
Total standing investments		**-**	**-**	**2,445,280**	**2,445,280**
Redevelopments and land	2.5				
Poland		-	-	143,563	143,563
Russia		-	-	26,589	26,589
Turkey		-	-	77,364	77,364
Others		-	-	18,577	18,577
Total redevelopments and land		**-**	**-**	**266,093**	**266,093**
Assets and liabilities, net of disposal group held for sale	2.14	**-**	**69,884**	**-**	**69,884**
Financial assets at FVOCI	2.13	**13,857**	**-**	**-**	**13,857**
Financial assets FVPL	2.10			**18,942**	**18,942**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.17	**-**	**17,753**	**-**	**17,753**

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2019.

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 2018, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2018 €'000
Standing investments	2.4				
Poland		-	-	1,956,194	1,956,194
Czech Republic		-	-	336,563	336,563
Slovakia		-	-	160,510	160,510
Russia		-	-	278,771	278,771
Total standing investments		**-**	**-**	**2,732,038**	**2,732,038**
Redevelopments and land	2.5				
Poland		-	-	137,645	137,645
Russia		-	-	26,620	26,620
Turkey		-	-	80,600	80,600
Others		-	-	10,564	10,564
Total redevelopments and land		**-**	**-**	**255,429**	**255,429**
Assets and liabilities, net of disposal group held for sale	2.14	**-**	**27,898**	**-**	**27,898**
Financial assets at FVOCI	2.13	**13,425**	**-**	**-**	**13,425**
Financial assets at FVPL	2.10	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.16	**-**	**5,097**	**-**	**5,097**

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2018.

Investment properties measured at level 3 fair value:

	2019		2018	
	Standing investments €'000	Redevelopments and land €'000	Standing investments €'000	Redevelopments and land €'000
Balance as at 1 January	**2,732,038**	**255,429**	**2,408,992**	**345,331**
Profit (loss) included in the Statement of profit or loss Revaluation of investment properties	(5,437)	(8,058)	17,224	(19,244)
Additions and Disposals				
New Properties	50,896	-	283,324	-
Construction, technical improvements and extensions	29,254	25,679	29,808	58,018
Disposals	(296,372)	-	(117,887)	-
Other movements				
Movements in financial leases	1,067	1,041	9,214	1,280
Interest capitalised	-	-	-	470
Transfers from redevelopments and land to standing Investments	8,406	(8,406)	129,035	(129,035)
Transfers to redevelopments and land from standing Investments	(408)	408	(27,672)	27,672
Transfer (to)/ from assets held for sale	(74,164)	-	-	(29,063)
Balance as at 31 December	2,445,280	266,093	2,732,038	255,429

A description of the Investment Properties' valuation process:

The policies and procedures for standing investments and redevelopments and land valuations 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.

Full external valuations of all the assets within the Group's standing investment properties are performed on an annual basis at year end. An interim update valuation 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 redevelopments 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 redevelopments and land.

The fair values of all standing investments were determined on the basis of independent external valuations received from CBRE and Cushman & Wakefield during the last twelve months of 2019. The fair values of most of the redevelopments and land, as at 31 December 2019, were determined on the basis of independent external valuations received from CBRE and Cushman & Wakefield. Approximately 81% (2018: 83%) of the land properties were valued externally. CBRE & Cushman & Wakefield 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").

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 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.

For the yields diversification across the Group's income producing portfolio see note 2.4.

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 2019:
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 2019	Range	Weighted average
Estimated rental value ("ERV")	€1-€205 per sqm per month	€16 per sqm, per month
Equivalent yield	4.3%-14.1%	6.6%

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

2019	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	122.0	2,604.3
Decrease of 5% in ERV[1]	(122.0)	2,360.2
Increase of 25bp in equivalent yield[2]	(94.7)	2,387.6
Decrease of 25bp in equivalent yield[3]	102.9	2,585.2

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-69.8, Czech Republic-15, Slovakia-4.3, Russia-5.4
3 The distribution of the estimated increase (in € millions): Poland 76.1, Czech Republic 16.5, Slovakia 4.7, Russia 5.7

Significant unobservable inputs 2018	Range	Weighted average
Estimated rental value ("ERV")	€1-€185 per sqm per month	€15 per sqm, per month
Equivalent yield	4.2%-13.9%	6.5%

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

2018	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	134.6	2,866.7
Decrease of 5% in ERV[1]	(134.6)	2,597.5
Increase of 25bp in equivalent yield[2]	(104.7)	2,627.4
Decrease of 25bp in equivalent yield[3]	113.8	2,845.9

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-79.0, Czech Republic-14.7, Slovakia-5.7, Russia-5.3
3 The distribution of the estimated increase (in € millions): Poland 86.1, Czech Republic 16.1, Slovakia 6.1, Russia 5.5

Redevelopments and land:

The fair value of 23% of redevelopments and land (31 December 2018: 33%) 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.

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

Significant unobservable inputs 2019	Range	Weighted average
Price[1]	€14-€65 per sqm	€51 per sqm

1 One outlying value of €579/m² of land is excluded from the range.

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

2019	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	3.1	68.8
Decrease of 5% in price[1]	(3.1)	62.5

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 inputs 2018	Range	Weighted average
Price[1]	€14-€67 per sqm	€48 per sqm

1 Two outlying prices of €620 and €433 per sqm of land are excluded from the range, as well as Pushkino, which has a MV of €0

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

2018	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	4.5	98.7
Decrease of 5% in price[1]	(4.5)	89.7

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 77% of redevelopments and land (31 December 2018: 67%) 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 on the basis that the development is compliant with zoning regulations. 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 redevelopments and land for the Residual valuation method:

Significant unobservable inputs 2019	Range	Weighted average
ERV	€13.6-€14.3 per sqm, per month	€14.08 per sqm, per month
Equivalent yield	7.5%-8.0%	7.9%
Construction costs	€689-€1,329 per sqm GLA	€788 per sqm GLA
Development Time Frame	1 - 7.25 years	5.32 years

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

2019	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	4.3	204.7
Decrease of 5% in ERV[1]	(4.3)	196.1
Increase of 25bp in equivalent yield[2]	(2.6)	197.9
Decrease of 25bp in equivalent yield[3]	2.7	203.1
Increase of 5% in expected construction costs[4]	(12.1)	188.3
Decrease of 5% in expected construction costs[5]	8.0	208.5
Increase of +1 year in development timeframe[6]	(2.8)	197.7
Decrease of - 1 year in development timeframe[7]	2.8	203.3

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-2.6
3 The distribution of the estimated increase (in € million): Poland 2.7
4 The distribution of the estimated decrease (in € million): Poland-7.3, Turkey-4.8
5 The distribution of the estimated increase (in € million): Poland 3.2, Turkey 4.8
6 6. The distribution of the estimated decrease (in € million): Poland -0.9, Turkey -1.9
7 The distribution of the estimated increase (in € million): Poland 0.9, Turkey 1.9

Significant unobservable inputs 2018	Range	Weighted average
ERV	€13.7-€14.6 per sqm, per month	€14.4 per sqm, per month
Equivalent yield	6.3%-7.5%	6.6%
Construction costs	€541-€1,151 per sqm GLA	€684 per sqm GLA
Development Time Frame	1 - 6 years	5.03 years

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

2018	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	5.6	195.7
Decrease of 5% in ERV[1]	(5.5)	184.6
Increase of 25bp in equivalent yield[2]	(3.7)	186.4
Decrease of 25bp in equivalent yield[3]	4.1	194.2
Increase of 5% in expected construction costs[4]	(8.7)	181.3
Decrease of 5% in expected construction costs[5]	8.9	198.9
Increase of +1 year in development timeframe[6]	(3.3)	186.8
Decrease of - 1 year in development timeframe[7]	3.9	193.9

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-3.7

3 The distribution of the estimated increase (in € million): Poland 4.1

4 The distribution of the estimated decrease (in € million): Poland-4.9, Turkey-3.8

5 The distribution of the estimated increase (in € million): Poland 5.0, Turkey 3.9

6 The distribution of the estimated decrease (in € million): Poland -1.4, Turkey -1.9

7 The distribution of the estimated increase (in € million): Poland 1.6, Turkey 2.3

Assets and liabilities, net of disposal group held for sale

At 31 December 2019, the disposal group was stated at fair value less costs to sell. 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 2.14.

Financial assets at FVPL

For additional details on the financial assets at FVPL see note 2.10.

Financial assets at FVOCI

For additional details on the available for sale financial assets see note 2.13.

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).

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 2019, including their levels in the fair value hierarchy:

	Level	2019		2018	
		Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	886,978	942,422	886,246	931,901
Bank loans	2	298,330	299,973	299,814	302,951
Total		**1,185,307**	**1,242,395**	**1,186,060**	**1,234,852**

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.

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

- Quoted EUR yield curve;
- Volatility of EUR swap rates
- Fair values of effected market transactions.

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

2.35 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

2019	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVPL €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets						
Other assets	67	67	-	-	-	-
Receivables from tenants	16,425	16,425	-	-	-	-
Other receivables	27,129	27,129	-	-	-	-
Cash and cash equivalents	126,851	126,851	-	-	-	-
Financial assets at FVPL	18,942	-	18,942	-	-	-
Financial assets at FVOCI	13,857	-	-	13,857	-	-
Total financial assets	**203,271**	**170,472**	**18,942**	**13,857**	**-**	**-**
Financial liabilities						
Long term borrowings	1,052,316	-	-	-	1,052,316	-
Derivatives	17,753	-	-	-	-	17,753
Long term liabilities from leases	45,006	-	-	-	45,006	-
Other long term liabilities	13,716	-	-	-	13,716	-
Trade and other payables	15,472	-	-	-	15,472	-
Accrued expenditure	41,994	-	-	-	41,994	-
Short term borrowings	134,440	-	-	-	134,440	-
Total financial liabilities	**1,320,697**	**-**	**-**	**-**	**1,302,944**	**17,753**

2018	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVPL €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets						
Other assets	67	67	-	-	-	-
Receivables from tenants	13,545	13,545	-	-	-	-
Other receivables	7,361	7,361	-	-	-	-
Cash and cash equivalents	38,493	38,493	-	-	-	-
Financial assets at FVPL	-	-	-	-	-	-
Financial assets at FVOCI	13,425	-	-	13,425	-	-
Total financial assets	**72,891**	**59,466**	**-**	**13,425**	**-**	**-**
Financial liabilities						
Long term borrowings	1,186,060	-	-	-	1,186,060	-
Derivatives	5,097	-	-	-	-	5,097
Long term liabilities from leases	44,569	-	-	-	44,569	-
Other long term liabilities	13,976	-	-	-	13,976	-
Trade and other payables	19,768	-	-	-	19,768	-
Accrued expenditure	48,284	-	-	-	48,284	-
Short term borrowings	62,978	-	-	-	62,978	-
Total financial liabilities	**1,380,732**	**-**	**-**	**-**	**1,375,635**	**5,097**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.16 and 2.34. 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.

2.36 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 consistent with 2018.

The capital structure of the Group consists of borrowings (as detailed in note 2.16), 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 Fitch is BBB with a stable outlook and Baa3 with positive outlook by Moody's.

For information about loans and bond covenants see note 2.16 and for information about the capital structure of the Group see note 2.15.

2.37 RISK MANAGEMENT

The objective of the Group is to manage, invest and operate commercial real estate in Central 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.

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.

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 2019, the Group had secured long term deposits from tenants amounting to €11.9 million (2018: €13.2 million) and short term deposits amounting to €6.4 million (2018: €7.4 million) and secured bank guarantees.

The table in note 2.11 provides an ageing analysis of receivables from tenants and an overview of the allowances made for doubtful balances.

The credit exposure of the Group arising from the financial assets, as disclosed in note 2.35, 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, which is linked to our capital management objectives.

The Group's liquidity requirements arise primarily from the need to fund its redevelopment projects, property acquisitions and other capital expenditures, debt servicing and debt service 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). In addition, the Group has a €300 million revolving credit facility, fully undrawn as of 31 December 2019.

Liquid funds, comprising cash and cash equivalents amounted to €126.9 million as at 31 December 2019 (2018: €38.5 million). The short term borrowings amounted to €134.4 million (2018: €63 million).

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

2019	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]	1,214,475	1,348,500	172,102	34,169	530,064	612,165
Other liabilities[2]	106,222	284,439	46,026	6,559	17,829	214,025
Total	**1,320,697**	**1,632,939**	**218,127**	**40,728**	**547,893**	**826,191**

1 Borrowings include accrued interest.

2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables and accrued expenditure.

2018	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]	1,264,380	1,449,360	100,860	172,102	544,765	631,633
Other liabilities[2]	116,352	300,105	58,338	6,510	18,404	216,853
Total	**1,380,732**	**1,749,465**	**159,198**	**178,612**	**563,169**	**848,486**

1 Borrowings include accrued interest.

2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables and accrued expenditure.

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

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 2.34.

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 2.34. 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:

2019	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	2,071	(4,165)	(2,094)
HUF	346	-	346
PLN	30,309	(67,321)	(37,012)
RON	67	(36)	31
RUB	5,576	(15,845)	(10,269)
TRY	12	-	12
Other	-	(5)	(5)

2018	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	1,474	(2,189)	(715)
HUF	452	(356)	96
PLN	21,611	(79,183)	(57,572)
RON	23	(20)	3
RUB	4,272	(9,383)	(5,111)
TRY	7	-	7
Other	13	(128)	(115)

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2019 and 31 December 2018 would have increased/(decreased) the profit in the statement of profit or loss. This analysis assumes that all other variables, including base rent and lease incentives, 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 nor does it take into account the impact on any other non-financial assets or liabilities.

	2019 Gain/(Loss) €'000	2018 Gain/(Loss) €'000
CZK	(209)	(72)
PLN	(3,701)	(5,757)
RUB	(1,027)	(511)
TRY	1	1
Other	(1)	(11)

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 2.17. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2019, there were no fair value movements due to interest rate risk fluctuations in 2019. 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 not hedged was nil as at 31 December 2019 (2018: €60 million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2019, all of the Group's borrowings were effectively 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.

UNCERTAINTY AS REGARDS TO TAX BURDEN

The Group has been exposed to possible changes in the tax burden including the passing of new tax 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 were enacted with retrospective effects and the application of international legal frameworks and treaties reinterpreted. In addition, 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.

There is a global move towards reassessing existing tax systems and tax payers obligations with the aim of curbing tax base erosion and securing a suitable distribution of tax burden for multinational organizations. Initiatives have been taken in this respect by multi-jurisdictional institutions like the OECD, the UN and the EU, as well as by separate individual countries. The Company monitors the implications of these initiatives on the various jurisdictions in which it operates and does not expect material adverse consequences currently. The Company cannot preclude that this may change going forward.

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 central and local management teams in the different countries in which the Group operates that are making use of external local experts and specialists.

2.38 TRANSACTIONS WITH RELATED PARTIES

- As at 31 December 2019 Gazit-Globe directly or indirectly held a total of 227,216,162 shares in Atrium, comprising 60.1% of the issued shares and voting rights in the Company. Gazit-Globe is the parent company of Atrium and to the best of the management's knowledge Norstar Holdings Inc. is the ultimate parent company. The ultimate controlling party is Mr. Chaim Katzman, Chairman of the Board of Directors, who is controlling shareholder of Norstar Holding Inc. 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.

Based on a consultancy agreement with the Group, Mr. Katzman is entitled to €700,000 annual consultancy fee as from 1 April 2017, payable in four equal quarterly instalments and subject to an annual review.

Atrium has paid flight and travel expenses of €0.3 million (2018: €0.4 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. In January 2019, the Group issued 17,016 shares to its directors, Andrew Wignall (8,508 shares) and Simon Radford (8,508 shares).

C. In July 2019, the Group issued 21,146 shares to its directors, Andrew Wignall (7,369 shares), Simon Radford (7,369 shares), Michael Errichetti (3,204 shares) and Neil Flanzraich (3,204 shares) as part of their annual remuneration.

D. In August and September, the Group issued 28,159 shares to Rachel Lavine (20,583 shares) as part of her remuneration and Simon Radford (7,576 shares) as part of his director fees.

E. Rachel Lavine, Vice-Chariman and Director, did not stand for re-election and retired from the Board of Directors with effect from 24 July 2019.

- Except as described in the following paragraphs, the Group Executive team have not entered into any transactions with Atrium and its subsidiaries

A. In March 2019 and August 2019, the Group issued 81,945 shares and 178,575 shares to Key Employees in accordance with an Employee Share Participation Plan, respectively.

B. In April 2019, the Group issued 17,493 and 8,747 shares to its Group CEO and Group CFO, respectively, as part of their annual remuneration.

C. In September 2019, the Group issued 6,849 shares to its Group COO as part of his annual remuneration.

D. In December 2019, the Group issued 16,808 shares to its Group CEO as part of his annual remuneration.

E. Gazit-Globe reimbursed Atrium for i-SOX expenses of €0.2 million which were paid by Atrium (2018: €0.3 million).

2.39 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.

With regard to the Austrian proceedings and investigations, Atrium continues to be subject to certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 31 December 2019 the aggregate amount claimed in 4 separate proceedings to which Atrium was then a party in this regard was approximately €220,900 thousand .

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 previous compensation arrangements, the expected cost and implications of implementing those arrangements, a total provision of €3.9 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 remain 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 potential changes in the legal, regulatory and fiscal frameworks and the approach taken to enforcement which may include actions affecting title to the Group's property or land and changes to the previously accepted interpretation of fiscal rules and regulations applied by the authorities to the Group's fiscal assets and liabilities.

The Polish Ministry of Finance and Polish regulatory authorities have published several draft bills and have implemented several legislative changes that signify the government's intent to realize significant changes to the regulatory and fiscal environment in which the Group operates including regulation of trading hours, imposition of an industry specific retail tax and changes in the interpretation of rules around sales and transfer taxes applicable on the purchase and sale of assets and introduction of changes to the withholding tax regime. For more information on the amendment to the Polish corporate income tax law refer to note 2.31.

Certain Polish subsidiaries within the Atrium Group are, or have been, like other companies operating in the retail market, involved in legal and/or administrative proceedings involving the tax authorities. These past and present proceedings create uncertainty around tax policies in matters previously regarded as established but which are now subject to revised interpretation by the tax authorities. The Company can currently not reliably estimate the potential amount of any additional taxation and associated costs, but the impact may be significant.

2.40 SUBSEQUENT EVENTS

At its meeting on 25 February 2020, the Board of Directors approved an annual dividend of €cents 27 per share for 2020 (to be paid as a capital repayment) which will be paid in equal quarterly instalments commencing at the end of March 2020 (subject to any legal and regulatory requirements and restrictions of commercial viability).

Also in February 2020, the Board of Directors approved a Green Financing Framework that will become a regular part of the financing and refinancing activities of the Group.

03

ATRIUM'S STANDALONE FINANCIAL REPORT


Amica
CCC
H&M
C&A
TK maxx
THE ORIGINAL
MORRIS & Co.
×
H&M
Sweter
99,90 PLN
JUŻ W SKLEPACH I NA HM.CO
H&M
H&M

ATRIUM'S STANDALONE FINANCIAL REPORT

3.1 BASIS OF ATRIUM'S STANDALONE FINANCIAL REPORT

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Companies Law (Jersey) 1991. The financial information has been prepared on a historical cost basis, except for financial investments in subsidiaries and financial assets at fair value through other comprehensive income that have been measured at fair value.

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 and liabilities of Atrium are classified into the following categories:

- Financial assets measured at amortised cost including; loans and receivables and cash and cash equivalent balances
- Financial assets at fair value through other comprehensive income (“FVOCI”) including; listed equity securities
- Financial assets at fair value through profit and loss (“FVPL”) including financial investments in subsidiaries
- Financial liabilities measured at amortised cost including bonds.

Financial investments in subsidiaries represent Atrium’s investment in subsidiaries and are therefore eliminated in the consolidated financial statements. These financial investments are classified at FVPL under IFRS 9, the net asset value of the subsidiaries represents the best estimate of fair value, as they are not quoted in an active market. Gains and losses arising from fair value changes of the financial investment in subsidiaries are presented in the statement of profit and loss.

The financial investments in subsidiaries 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 2019 €'000	31 December 2019 €'000	31 December 2018 €'000	31 December 2018 €'000
ASSETS					
Non-current assets					
Fixed assets		17		30	
Financial investments in subsidiaries	3.2	796,028		431,593	
Loans and receivables	3.3	1,703,712		2,257,342	
Derivative swap	3.4	18,597		-	
Financial assets at FVPL	3.5	18,942		-	
Other assets		991		1,210	
			2,538,287		**2,690,175**
Current assets					
Other receivables	3.6	9,756		5,448	
Financial assets at FVOCI	3.7	13,857		13,427	
Cash and cash equivalents		93,264		18,220	
			116,877		**37,095**
TOTAL ASSETS			**2,655,164**		**2,727,270**
EQUITY AND LIABILITIES					
Equity					
Stated capital		2,016,603		2,117,380	
Other reserves		(6,766)		(7,292)	
Retained Deficit		(260,260)		(349,932)	
			1,749,577		**1,760,156**
Non-current liabilities					
Long term borrowings	3.8	753,986		886,246	
			753,986		**886,246**
Current liabilities					
Short term borrowings	3.8	132,992		60,000	
Other payables		670		1,153	
Accrued expenditure	3.9	14,047		14,262	
Provisions	3.10	3,892		5,453	
			151,601		**80,868**
Total liabilities			**905,587**		**967,114**
TOTAL EQUITY AND LIABILITIES			**2,655,164**		**2,727,270**

Statement of Profit or Loss of Atrium European Real Estate Limited

		2019		2018	
	Note	€'000	€'000	€'000	€'000
Administrative expenses	3.11	(10,120)		(7,574)	
Reversal impairment of assets, net	3.12	274,023		150,509	
Fair value changes of financial asset at FVTPL	3.13	(362,268)		(232,966)	
Net operating loss			**(98,365)**		**(90,031)**
Interest income	3.14	175,496		189,866	
Interest expense	3.14	(32,319)		(32,183)	
Other financial (expense)/income, net	3.15	44,860		(49,727)	
Total net financial income			**188,037**		**107,956**
Profit before and after taxation for the year			**89,672**		**17,925**

Statement of Other Comprehensive Income of Atrium European Real Estate Limited

		2019		2018	
	Note	€'000	€'000	€'000	€'000
Profit for the year			89,672		17,925
Items that will not be reclassified to the statement of profit or loss:					
Movements in financial assets at FVOCI	3.5	434		(6,536)	
Total comprehensive profit for the year			**90,106**		**11,389**

Cash Flow Statement of Atrium European Real Estate Limited

	2019 €'000	2018 €'000
Cash flows from operating activities		
Profit before taxation	89,672	17,925
Adjustments for:		
Dividend from listed equity securities, net	(743)	(953)
Change in fair value of derivative	(18,597)	-
Foreign exchange (profit)/ loss, net	(26,242)	31,374
Change in legal provision, net of amounts paid	(1,561)	(30,064)
Share based payments expenses	547	418
Reversal of impairment of assets, net	(274,023)	(150,509)
Fair value changes of financial assets as FVTPL	362,268	232,966
Net loss from bonds buy back	-	17,223
Interest expense	32,319	32,183
Interest income	(175,496)	(189,866)
Operating cash flows before working capital changes	**(11,856)**	**(39,303)**
Decrease/ (increase) in trade, other receivables and prepayments, net	1,426	4,858
(Decrease)/increase in trade, other payables and accrued expenditure, net	(583)	1,715
Cash used in operations	**(11,013)**	**(32,730)**
Decrease in restricted cash related to legacy legal claims arrangement	3,753	118
Interest paid	(30,946)	(34,876)
Interest received	112,294	123,938
Dividend received	743	953
Net cash generated from operating activities	**74,831**	**57,403**
Cash flows from investing activities		
Payments related to financial investments in subsidiaries	(1,070,932)	(661,964)
Receipt of principle payments of long term borrowings from subsidiaries, net	1,253,001	654,403
Loans provided to a third party	(18,980)	-
Net cash generated from (used in) investing activities	**163,089**	**(7,561)**
Net cash flow before financing activities	**237,920**	**49,842**
Cash flows from financing activities		
Proceeds from issuance of share capital	-	174
(Repayment)/utilisation of a revolving credit facility	(60,000)	60,000
Arrangement fees of revolving credit facility	(1,011)	(1,155)
Repayment of long term borrowings	-	(258,026)
Receipt of long term borrowings	-	293,113
Dividends paid	(102,056)	(154,800)
Net cash used in financing activities	**(163,067)**	**(60,694)**
Net increase/(decrease) in cash and cash equivalents	**74,853**	**(10,852)**
Cash and cash equivalents at the beginning of year	**18,220**	**31,195**
Effect of exchange rate fluctuations on cash held	191	(2,123)
Cash and cash equivalents at the end of year	**93,264**	**18,220**

Statement of Changes in Equity of Atrium European Real Estate Limited

	Stated capital €'000	Share based payment reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2019	**2,117,380**	**1,211**	**(8,503)**	**(349,932)**	**1,760,156**
Profit for the year	-	-	-	89,672	89,672
Other comprehensive income	-	-	434	-	434
Total comprehensive income	**-**	**-**	**434**	**89,672**	**90,106**
Transaction with owners of the Company					
Share based payment	-	547	-	-	547
Issuance of no par value shares	1,279	(455)	-	-	824
Dividends[1]	(102,056)	-	-	-	(102,056)
Balance as at 31 December 2019	**2,016,603**	**1,303**	**(8,069)**	**(260,260)**	**1,749,577**

[1] See note 2.15 in the consolidated financial statements

	Stated capital €'000	Share based payment reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2018	**2,269,199**	**3,267**	**(1,967)**	**(367,857)**	**1,902,642**
Profit for the year	-	-	-	17,925	17,925
Other comprehensive expense	-	-	(6,536)	-	(6,536)
Total comprehensive income/(expense)	**-**	**-**	**(6,536)**	**17,925**	**11,389**
Transaction with owners of the Company					
Share based payment	-	418	-	-	418
Issuance of no par value shares	2,981	(2,474)	-	-	507
Dividends	(154,800)	-	-	-	(154,800)
Balance as at 31 December 2018	**2,117,380**	**1,211**	**(8,503)**	**(349,932)**	**1,760,156**

3.2 FINANCIAL INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership 2019 %	Ownership 2018 %	Carrying amount 2019 €'000	Carrying amount 2018 €'000
Broadvale Holdings Limited	Cyprus	Holding company	100%	100%	-	-
Mall Gallery I Limited	Cyprus	Holding company	63%	63%	-	-
Mall Gallery II Limited	Cyprus	Holding company	0%[1]	100%	-	279
Atrium European Coöperatief U.A.	Netherlands	Holding company	0%	98%	-	401,217
Atrium Czech Real Estate Management, s.r.o.	Czech Republic	Management company	100%	100%	5,433	4,842
Manhattan Real Estate Management Kft.	Hungary	Management company	100%	100%	47	-
Atrium Treasury Services Ltd.	Jersey	Holding company	100%	100%	-	25,161
Atrium Poland Real Estate Management Sp. z o.o.	Poland	Management company	100%	100%	-	-
Atrium Romania Real Estate Management SRL	Romania	Management company	0%[2]	100%	-	-
OOO Manhattan Real Estate Management	Russia	Management company	100%	100%	-	-
Atrium Slovakia Real Estate Management SK s.r.o	Slovakia	Management company	100%	100%	161	94
Manhattan Gayrimenkul Yönetimi Limited Sirketi	Turkey	Management company	100%	100%	-	-
Atrium Holding 1 Limited	Cyprus	Holding company	100%	0%	666,281	-
Atrium Holding 2 Limited	Cyprus	Holding company	100%	0%	124,106	-
Total net value					**796,028**	**431,593**

1 Sold to an indirect subsidary of the Company
2 liquidated in 2019

3.3 LOANS AND RECEIVABLES

	2019 €'000	2018 €'000
Amounts due from subsidiaries undertakings	1,892,005	2,719,658
Accumulated impairment of amounts due from subsidiaries undertakings	(188,293)	(462,316)
Total	**1,703,712**	**2,257,342**

The Company recognizes impairment for expected credit loss on due from subsidiary undertakings measured at amortized cost. The Company measures impairment allowance based on the assumption that repayment of the amounts due from subsidiary undertakings is demanded at the reporting date.

The average effective interest rate is 6.9% p.a. The maturity dates range from 2020 to 2028.

In 2019, the Company reversed an impairment of €302.5 million and recorded an additional impairment of €28.5 million (2018: reversal of impairment of €207.2 million; additional impairment of €56.7 million) to the statement of profit or loss related to amounts due from subsidiary undertakings.

Movements in the gross carrying on loans and receivable for the years 2019 and 2018 are presented below:

	2019 €'000	2018 €'000
Gross carrying balances at 1 January	**2,719,658**	**3,345,168**
Interest Accrued	54,854	65,928
Write offs	(5,994)	-
Waivers	(79,415)	-
Loan redemption	(1,392,339)	-
Loans given to Atrium Holding 2	1,422,000	-
Loan given to Atrium Holding 1	400,000	-
Foreign exchange differences	26,242	(37,035)
Repaid	(1,253,001)	(654,403)
Gross carrying balances at 31 December	**1,892,005**	**2,719,658**

In December 2019 the Company assigned €1.4 billion of loans from Atrium Treasury Services Limited to Atrium Holding 2 Limited. Also in December 2019, the Company lend €0.4 billion to Atrium Holding 1 Limited.

3.4 DERIVATIVE SWAP

In September and December 2019, the Company entered into a foreign currency swap agreement with two of its subsidaries to hedge the risk on the PLN, CZK and RUB denominated debt, the hedged item (the swap transaction) is subject to the recognition and measurement principles of IFRS 9.

As at 31 December 2019, the Company's financial assets are valued at €18.6 million.

The fair value of the swap is measured in accordance with ***IFRS 13, Fair Value Measurement.*** The valuation is done under the assumption there existed an active market for such transactions (similar to the market for IRSs or currency forwards) and as if the transaction had been entered into by independent parties with an ability to trade at quoted market rates (FX rates and interest rates).

The swap is measured by an independent external appraiser using the DCF method based. The valuation method uses level 2 inputs as classified by IFRS 13. Per IFRS 13, 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.

The foreign exhange swap is measured at fair value through profit and loss in accordance with IFRS 9.

3.5 FINANCIAL ASSETS AT FVPL

The Group's financial assets at FVPL as at 31 December 2019, pertains to a loan granted in October 2019 to a third party with the option to acquire the controlling stake in a future joint venture. The financial assets at FVPL are carried at fair value.

The fair value is determined using a discounted cash flow, adjusting for the convertible option determined based on Black-scholes model. The fair value is mainly derived from unobservable inputs and therefore classified at level 3 within the fair value hierarchy. As of 31 December 2019, financial assets at FVPL amounted to €18.9 million .

The Group obtained a collateral mortgage in exchange of the borrower's rights as a security for performance of the obligations under the loan agreement. For additional details on credit and market risks, see note 2.37 for the Group's consolidated financial statements.

3.6 OTHER RECEIVABLES

	2019 €'000	2018 €'000
Restricted cash	-	3,755[1]
Other receivables	9,756[2]	1,693
Total	**9,756**	**5,448**

1 In 2018 the Company held cash of €3.8 million restricted as security for the Stichting compensation arrangement, paid in 2019

2 Mainly accrued interest from subsidary undertakings

3.7 FINANCIAL ASSETS AT FVOCI

The Company's financial assets at FVOCI as at 31 December 2019 and 31 December 2018, include an investment in two listed equity securities with less than 1% total holding in each individual investment. The financial assets at FVOCI 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 2019, financial assets at FVOCI amounted to €13.9 million.

3.8 BONDS AND BORROWINGS

2019 Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2020	EUR	4.0%	0.3	2020	132,992	135,278	4.2%
Atrium European Real Estate Limited 2022	EUR	3.625%	2.8	2022	459,815	492,586	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	5.7	2025	294,171	314,558	3.4%
Total/Average		**3.5%**	**3.4**		**886,978**	**942,422**	**3.6%**

2018 Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2020	EUR	4.0%	1.3	2020	132,745	140,417	4.2%
Atrium European Real Estate Limited 2022	EUR	3.625%	3.8	2022	460,254	492,305	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	6.7	2025	293,247	299,179	3.4%
Total/Average		**3.5%**	**4.4**		**886,246**	**931,901**	**3.6%**

For information about the fair value of bonds, see note 2.16 for the Group's consolidated financial statements.

As of December 31, 2019 the amount of €133 million related to 2020 bonds was reclassified to short term due to their upcoming maturity in April 2020.

The bonds due 2022 and 2025 are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40%; the consolidated coverage ratio shall not be less than 1.5. The bonds 2020 have the same financial covenants and an additional covenant: the ratio of unsecured consolidated assets to unsecured consolidated debt shall not be less than 150%. All covenants were met as of 31 December 2019.

Accrued interest is not included in the bonds and borrowings balance and presented separately in note 3.9 Accrued expenditure.

Revolving credit facility

The total value of the revolving credit facilities is €300 million with an expiry date in 2023. As at 31 December 2019, the full value of the facility is unutilised.

The revolving credit facility is subject to the same financial covenants as of the bonds maturing in 2022 and 2025 (see above).

3.9 ACCRUED EXPENDITURE

	2019 €'000	2018 €'000
Accrued interest	9,966	9,993
Accrued consultancy and audit fees	4,023	3,414
Other accrued expenditure	58	855
Total	**14,047**	**14,262**

3.10 PROVISIONS

Legacy legal provision	2019 €'000	2018 €'000
Balance as at 1 January	**5,453**	**35,517**
Movements in provision during the period	(228)	-
Amounts paid during the period	(1,333)	(30,064)
Balance as at 31 December	**3,892**	**5,453**
Of which Current portion	3,892	5,453
Non-current portion	-	-
Total provisions	**3,892**	**5,453**

For additional details see note 2.39 for the Group's consolidated financial statements.

3.11 ADMINISTRATIVE EXPENSES

	2019 €'000	2018 €'000
Consultancy and other fees	(261)	(154)
Directors' fees and expenses	(1,912)	(1,820)
Legal fees	(130)	(251)
Legacy legal matters	(254)	(855)
Audit fees	(781)	(740)
Other corporate fees[1]	(6,782)	(3,754)
Total	**(10,120)**	**(7,574)**

1 Mainly includes €6.2 million (2018: €2 million) transaction costs in relation with the recommended cash acquisition by Gazit Globe Ltd

3.12 IMPAIRMENT OF LOANS AND RECEIVABLES

The Company reversed a net €274.0 million of impairment on loans to subsidiaries, consisting of a reversal of €302.5 million of impairment provision and additional impairment of (€28.5) million (2018: net €150.5 million of impairment; €207.2 million reversal of impairment provision, €56.7 million additional impairment provision).

3.13 FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FVPL

€362.3 million loss arising from the fair value changes of the investment in subsidiaries are recorded to the statement of profit or loss. This drives mainly from a capital contribution to subsidiaries as described in note 3.12.

3.14 INTEREST INCOME AND INTEREST EXPENSE

	2019 €'000	2018 €'000
Interest income		
From loans to subsidiaries undertakings	175,496	189,866
Total	**175,496**	**189,866**
Interest expense		
Interest on bonds	(31,727)	(31,729)
Interest on a loan from related party	-	(89)
Other interest expense	(592)	(365)
Total	**(32,319)**	**(32,183)**

3.15 OTHER FINANCIAL (EXPENSE)/ INCOME, NET

	2019 €'000	2018 €'000
Net loss from bond buy back	-	(17,223)
Dividend income	818	953
Derivative swap	18,597	-
Foreign exchange gains, net	26,243	(31,374)
Other financial expenses, net	(798)	(2,083)
Total	**44,860**	**(49,727)**

Foreign currency exchange gains and losses arise primarily from foreign currency loans provided to subsidiaries. The foreign exchange gain in 2019 is primarily derived from the loans to subsidiaries denominated in Polish Zloty €6.0 million (2018: foreign exchange loss €33.6 million), Russian Roubles €10.2 million (2018: loss €12.9 million) and Czech Korona €4.2 million (2018: loss €2.2 million) and US Dollar €5.8 million (2018: gain 18.1 million). For a breakdown of the Company financial assets and liabilities per currency, see note 3.18.

3.16 CATEGORIES OF FINANCIAL INSTRUMENTS

Atrium distinguishes the following categories of financial instruments

2019	Carrying amount €'000	Loans and receivables €'000	Financial assets at FVPL €'000	Financial assets at FVOCI €'000	Financial liabilities at amortized cost €'000
Financial assets					
Financial investments in subsidiaries	796,028	-	796,028	-	-
Loans and receivables	1,703,712	1,703,712	-	-	-
Financial assets at FVPL	18,942	-	18,942	-	-
Derivative swap	18,597	-	18,597	-	-
Financial assets at FVOCI	13,857	-	-	13,857	-
Other receivables	8,540	8,540	-	-	-
Cash and cash equivalents	93,264	93,264	-	-	-
Total financial assets	**2,652,940**	**1,805,516**	**833,567**	**13,857**	**-**
Financial liabilities					
Long/short term borrowings	886,978	-	-	-	886,978
Other payables	670	-	-	-	670
Accrued expenditure	14,047	-	-	-	14,047
Total financial liabilities	**901,695**	**-**	**-**	**-**	**901,695**

2018	Carrying amount €'000	Loans and receivables €'000	Financial assets at FVPL €'000	Financial assets at FVOCI €'000	Financial liabilities at amortized cost €'000
Financial assets					
Financial investments in subsidiaries	431,593	-	431,593	-	-
Loans and receivables	2,257,342	2,257,342	-	-	-
Other receivables	4,015	4,015	-	-	-
Financial assets at FVOCI	13,427	-	-	13,427	-
Cash and cash equivalents	18,220	18,220	-	-	-
Total financial assets	**2,724,597**	**2,279,577**	**431,593**	**13,427**	**-**
Financial liabilities					
Long/short term borrowings	946,246	-	-	-	946,246
Other payables	1,153	-	-	-	1,153
Accrued expenditure	14,262	-	-	-	14,262
Total financial liabilities	**961,661**	**-**	**-**	**-**	**961,661**

The financial investments in subsidiaries are financial assets carried at fair value at level 3 of the fair value hierarchy. The subsidiaries are companies which are not listed on any Stock Exchange (their shares are not being traded in an active market) therefore the inputs used to determine the net asset values of these subsidiaries are not based on observable market data. The subsidiary companies, predominately own real estate properties, which have been valued by independent reputable professional valuators. The fair values of the subsidiaries have been estimated by management based on the net asset value of the investments, after taking into consideration the fair values of the real estate properties and the carrying amounts of the remaining assets and liabilities of the subsidiaries. The relevant information concerning the fair value measurement of investment properties is disclosed in note 2.34 for the Group's consolidated financial statements.

The fair values of bonds presented under long term and short term borrowings are stated in note 3.8. The fair values of financial assets and remaining financial liabilities approximate their book values. Financial liabilities are stated at amortised cost.

Impairment losses in relation to financial assets

The Company recognizes impairment for loans and receivables measured at amortized cost. The Company measures impairment based on the assumption that repayment of the amounts due from subsidiary undertakings is demanded at the reporting date.

The financial assets classified at amortized cost are subject to impairment and are presented below.

	2019 €'000	2018 €'000
Gross carrying amount	**2,012,406**	**2,741,893**
Loans and receivables	1,892,005	2,719,658
Derivative swap	18,597	-
Other Receivables	8,540	4,015
Cash and cash equivalents	93,264	18,220
Impairment	**(188,293)**	**(462,316)**
Loans and receivables	(188,293)	(462,316)
Carrying amount	**1,824,113**	**2,279,577**

Movements in the provision for impairment of loans and receivables for the years 2019 and 2018 is presented as follows:

	2019 €'000	2018 €'000
Opening impairment at 1 January	**(462,316)**	**(612,825)**
Additions	(28,505)	(56,769)
Reversals	302,528	207,278
Closing impairment at 31 December	**(188,293)**	**(462,316)**

The loans and receivables are classified as stage 2 for impairment.

3.17 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%.

3.18 RISK MANAGEMENT

The risk management processes of the Company are the same as those of the Group, described in note 2.37 for the Group's consolidated financial statements except as stated below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company`s principal financial assets are cash and cash equivalents, other receivables, loans and receivables, the maximum exposure of the Company concerning credit risk is the carrying amount of each class of financial assets. See also note 3.16.

Financial assets subject to credit risk are represented principally by cash balances, loans and receivables which mainly comprise the amounts due from subsidiary undertakings within the Group.

In order to diversify the risk with connected to the potential insolvency of financial institutions, the Company 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.

The amounts due from subsidiary undertakings were impaired as disclosed in note 3.12. As intercompany transactions and balances are eliminated in the consolidated financial statements, they only represent a credit risk exposure on the Company's level. To mitigate the other credit risk arising from financial instruments - loans to third parties, historical data of counterparties from the 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.

Liquidity risk

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

2019	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 accrued interest	896,944	1,000,849	164,013	25,624	502,212	309,000
Other liabilities	4,752	4,752	4,752	-	-	-
Total	**901,696**	**1,005,601**	**168,765**	**25,624**	**502,212**	**309,000**

2018	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 accrued interest	956,239	1,091,795	90,946	164,013	518,836	318,000
Other liabilities	5,422	5,422	5,422	-	-	-
Total	**961,661**	**1,097,217**	**96,368**	**164,013**	**518,836**	**318,000**

The table above analyses Atrium's financial liabilities including accrued interest payments based on maturity.

Other liabilities comprise accrued expenditures and other payables but exclude provisions and accrued interest on bonds.

The Company's liquid financial instruments comprise of cash and cash equivalents at the amount of €93.3 million (2018: €18.2 million) and the listed equity securities at the amount of €13.9 million (2018: 13.4 million).

Currency risk

The Company is financed in Euros. Atrium's main exposure to currency risk arises from financial instruments representing intercompany transactions within the Group.

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:

2019	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	219,967	-	219,967
PLN	869,904	-	869,904
RUB	103,039	-	103,039

2018	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	305,371	-	305,371
HUF	5,366	-	5,366
PLN	1,472,584	-	1,472,584
USD	105,349	-	105,349
RUB	109,554	-	109,554

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2019 and 31 December 2018 would have decreased 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

	2019 (Loss) €'000	2018 (Loss) €'000
CZK	(21,997)	(30,537)
HUF	0	(537)
PLN	(86,990)	(147,258)
USD	0	(10,535)
RUB	(10,304)	(10,955)

A 10 percentage point weakening of the Euro against the above currencies at 31 December 2019 and 31 December 2018 would increase the profit by approximately the same amounts.

3.19 TRANSACTIONS WITH RELATED PARTIES

The key management personnel of the Group and the Company are the same. The relevant information is disclosed in Note 2.38. Details of the financial investments in subsidiaries and related undertakings and interest income are disclosed in notes 3.2, 3.3 and 3.12.

3.20 CONTINGENCIES

Contingencies are the same as those of the Group and are disclosed in note 2.39.

04

INDEPENDENT AUDITOR'S REPORT


H&M

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM EUROPEAN REAL ESTATE LIMITED

OUR OPINION

In our opinion, the parent company financial statements and the consolidated financial statements (together "the financial statements") give a true and fair view of the financial position of Atrium European Real Estate Limited (the "Company") and of the Company and its subsidiaries (together the "Group") as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

WHAT WE HAVE AUDITED

The financial statements comprise:

- the Company and the consolidated statement of financial position as at 31 December 2019;
- the Company and the consolidated statement of profit or loss for the year then ended;
- the Company and the consolidated statement of other comprehensive income for the year then ended;
- the Company and the consolidated statement of changes in equity for the year then ended;
- the Company and the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the ***Auditor's responsibilities for the audit of the financial statements*** section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company and the Group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

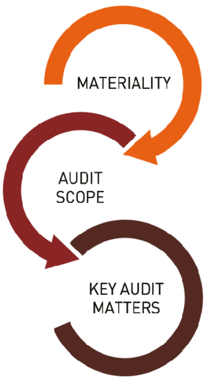
OUR AUDIT APPROACH

Context

The Company is incorporated in Jersey, Channel Islands and has securities listed on the Vienna Stock Exchange and the Euronext Amsterdam Stock Exchange. It is structured as a group and therefore key aspects of our audit approach have been framed by our role as the lead engagement team using auditors from other PwC network firms. As at 31 December 2019, the Group owned a €2.7 billion portfolio of investment properties which generated €177.3 million of rental income for the year then ended. These properties are located throughout Central and Eastern Europe, predominantly Poland, the Czech Republic and Russia. During 2019 the Group continued to execute its long-term portfolio repositioning strategy, focusing on core assets in core locations. The most significant transactional activity was the disposal of the Felicity and Koszalin assets in Poland.

As a result, the context for our key audit matters are the Group's investment property valuations.

Overview



Materiality

- Overall Group materiality: € 16.0m, based on 0.5% of Group Total Assets
- Overall Company materiality: €16.0m, based on 1% of Company Total Assets.

Audit scope

- The Company is incorporated in Jersey and the consolidated financial statements are a consolidation of the Company and a number of subsidiaries located primarily in Central and Eastern Europe.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us, as the lead engagement team, or by auditors from other PwC network firms. Where the work was performed by auditors from other PwC network firms, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.
- We tailored the scope of our audit taking into account the types of investments within the Group, its structure, the accounting processes and controls, and the industry in which the Group operates.
- Material components and operations were identified primarily on the basis of contribution to total assets of the Group and secondly on the basis of other significant balances. Our scoping resulted in a coverage of 99% of total assets.
- We conducted the majority of our work in Jersey, the Netherlands, Poland, Czech Republic and Russia. These locations were selected based on their profile, significant balances and pro rata share of the total assets of the Group.

Key audit matters

- Valuation of investment property (Group)

AUDIT SCOPE

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

	Group financial statements	Company financial statements
Overall materiality	€16.0m (2018: €16.5m)	€16.0m (2018: €16.5m)
How we determined it	0.5% of total assets	1% of total assets
Rationale for the materiality benchmark	In arriving at this judgement we have had regard to the carrying value of the Group's assets, acknowledging that the primary measurement attribute of the Group is the carrying value of investment property. We have also had regard to the Group's major shareholder and the materiality set by their auditors, which approximates to 0.5% of total assets. We believe this to be an acceptable value for performing the audit of the Group.	In arriving at this judgement we have had regard to the carrying value of the Company's assets, acknowledging that the primary measurement attribute of the Company is the carrying value of its investment in and loans to subsidiaries. Parent company overall materiality calculated based on the total assets benchmark exceeds the Group overall materiality level. Therefore, parent company overall materiality is restricted to equal the Group overall materiality level of €16.0m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit of the Company and the Group above €800,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment property (Group) Refer to page 64 (Key sources of estimation uncertainty), 68-69 (Significant accounting policies), 75-76 (Notes 2.4 and 2.5), and 99-103 (Note 2.34). The Group's investment property portfolio is split between standing investments, redevelopments and land and investment in a joint venture. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For redevelopments and land, factors include projected costs to redevelop and timing of practical completion. The valuations for all standing investments and the majority of the redevelopments and land portfolio were carried out by external third party valuers, CBRE and Cushman & Wakefield, (the "external valuers"). The external valuers were engaged by the directors and performed their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards which incorporate the International Valuation Standards 2017. The external valuers used by the Group have relevant experience of the markets in which the Group operates. 46% of redevelopments and land were valued by the Group's internal valuation team. The results of the external and internal valuations were reviewed and approved by the directors	We engaged PwC valuation experts in relevant jurisdictions to review all internal and external valuation reports for all standing investments, redevelopments and land. We confirmed that the valuation approach used was in accordance with RICS standards and suitable for use in determining the fair value for the purpose of the financial statements. For external valuations we assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the external valuers. We found no evidence to suggest that the objectivity of any external valuers in their performance of the valuations was compromised. We attended meetings with management and the external valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group, but the discussions with management and the external valuers focused on the largest properties in the portfolio, properties under development or where the valuation basis had changed in the year, and those where the yields used and/or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector. We performed testing on the standing data in the Group's information systems concerning the valuation process and carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information used by management in the internal valuation process and supplied to the external valuers. For developments during the year, capitalised expenditure was tested on a sample basis to invoices. For redevelopments and land held at the year end we also assessed budgeted costs to redevelop for reasonableness, taking into account the type and scale of the planned redevelopment.

In determining standing investments valuations the external valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For redevelopments and land, the residual appraisal and comparable transaction methods are used. The residual appraisal method is an estimation of the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The comparable transaction method estimates fair value on the basis of recent transactions for similar assets in the market.

The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

We compared the investment yields used by management and the external valuers with the range of expected yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value.

Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with management and the external valuers and obtained evidence to support explanations received. The valuation commentaries provided by management and the external valuers and the supporting evidence received, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate.

We saw evidence that alternative assumptions had been considered and evaluated by management and the external valuers, before determining the final valuations. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

From the testing performed, no significant issues or concerns were identified which would require reporting to those charged with governance.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Annual Financial Report 2019 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

GROUP MANAGEMENT REPORT AND DECLARATION OF THE COMPANY'S MANAGEMENT IN ACCORDANCE WITH §124 BÖRSEGESETZ 2018

We have a statutory responsibility to state in our audit report whether in our opinion the information given in the Group management report for the financial year for which the financial statements are prepared is consistent with those financial statements and to confirm whether the directors have made a statement in accordance with section 124 par.1 sub para 3 of the Austrian Stock Exchange Act 2018.

In our opinion the information given in the Group management report is consistent with the financial statements and the Annual Financial Report 2019 contains the statement by directors in accordance with section 124 par.1 sub para 3 of the Austrian Stock Exchange Act 2018.

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
25 February 2020

- The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

05

DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS


KÁDY
KRÁC
EVROPA2
CAFE

DIRECTORS

Chaim Katzman
Michael Erichetti
Neil Flanzraich
Lucy Lilley
Simon Radford
Andrew Wignall

ADMINISTRATOR AND REGISTRAR

Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH

INDEPENDENT AUDITORS

PricewaterhouseCoopers CI LLP
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 XA

MEDIA RELATIONS ADVISOR

FTI Consulting
200 Aldersgate, Aldersgate Street
London, EC1A 4HD, UK

REGISTERED OFFICE

11-15 Seaton Place
St Helier
Jersey
JE4 0QH

BUSINESS ADDRESS

4th Floor, Channel House
Green Street
St Helier
Jersey

PRINCIPAL LOCATIONS

Poland
Atrium Poland Real Estate Management Sp. z o.o.
Ostrobramska 75C, Staircase no 2, 4th floor, 04-175
Warsaw

Czech Republic
Atrium Czech Real Estate Management s.r.o.
Vinohradská 2828/151, 130 00
Praha 3- Žižkov
Prague

The Netherlands
Atrium Group Services B.V.
World Trade Center, I tower, Strawinskylaan 1959
1077 XX Amsterdam

Russia
OOO Manhattan Real Estate Management
JAVAD Business Centre, The Triumph Palace
Chapaevskiy pereulok, Building 3, RU-125057
Moscow

HOW TO CONTACT US

Website www.aere.com
Analysts & Investors ir@aere.com
Media atrium@fticonsulting.com
General enquiries atrium@aere.com

Cover photo: Atrium Targowek, Warsaw, Poland


RESERVED