

INTERIM FINANCIAL REPORT 30 SEPTEMBER 2021

LEADER IN CENTRAL EUROPEAN
SHOPPING CENTRES AND
RESIDENTIAL FOR RENT



ABOUT ATRIUM

Atrium is a leading owner, operator and redeveloper of shopping centres and residential for rent properties in Central Europe. Atrium specialises in dominant food, fashion and entertainment shopping centres in prime urban locations, with a focus on Warsaw and Prague.

Our retail portfolio will continue to be focused on prime dominant shopping centres that offer higher quality cash flow growth in the capital cities of Warsaw and Prague. Organic growth will be driven by pro-active, hands-on asset management, ensuring we uphold our "retail is detail" approach.

In 2021 Atrium made significant progress in the execution of its residential for rent strategy by securing around 650 units in Warsaw and Krakow for €53 million in aggregate. In addition we have secured permitting and breaking ground in November on 200 units adjacent to our flagship Atrium Promenada centre in Warsaw.

The Company manages its balance sheet proactively to support its strategic needs.

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

OUR PROFILE

Atrium owns 26¹ retail properties with a total gross lettable area of around 809,000¹ sqm and with a total market value of approximately €2.5 billion¹. These properties are located in Poland, the Czech Republic, Slovakia and Russia, and with the exception of one, are all managed by Atrium's internal team of retail real estate professionals.

In February 2020, Atrium announced its five year strategic plan to diversify its portfolio by investing in and managing residential for rent real estate, with a focus on major cities initially in Poland. The strategy targets a portfolio of more than 5,000 apartments by 2025. Atrium has secured 650 units and identified over 3,500 to date through potential acquisitions and potential development pipeline.

OUR FOCUS FOR 2021

- As COVID-19 continues to affect the global economic outlook for the remainder of 2021, the Group has proactively responded to the challenges throughout the pandemic by adapting its business plan to changing conditions and operating within the 'new normal' environment.
- Execute our investment strategy into the residential for rent asset class.
- Continue the Group's retail asset rotation programme with the goal of concentrating further on high quality assets in the capital cities of Warsaw and Prague.
- Monetise the Group's land bank.
- Progress the asset improvement and extension programme.
- Implement our commitment to Environmental, Social and Governance (ESG) performance

PROPOSED ACQUISITION BY GAZIT-GLOBE

In August 2021 the Company's Board of Directors received a proposal from Gazit Globe Limited ("Gazit-Globe") to acquire the entire outstanding equity of Atrium that is not already owned directly or indirectly by Gazit-Globe or its affiliates.

In October 2021 the Independent Committee of the Company and the Board of Directors of Gazit Hercules 2020 Limited, an indirect wholly-owned subsidiary of Gazit-Globe ("Newco"), announced that they had signed a definitive merger agreement for a recommended cash acquisition of the Company by Newco ("Merger").

This Interim financial report has been prepared with the Group operating on a stand alone basis without consideration of the proposed acquisition by Gazit-Globe. Full details of the Merger, including terms and conditions to the implementation of the Merger, will be set out in a shareholder circular which is expected to be published by the Company in November 2021.

For information regarding Gazit-Globe's proposal, please refer to ad hoc's which were published earlier this year on 2 August 2021 and 18 October 2021.

¹ Including a 75% stake in assets held in Joint Ventures

KEY HIGHLIGHTS

STANDING INVESTMENTS¹



BOND AND LOAN MATURITIES



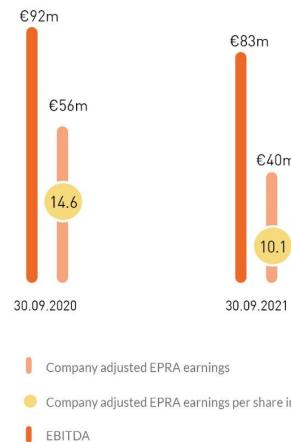
27%
Net LTV

4.5
years average
maturity

NET RENTAL INCOME¹



EBITDA AND COMPANY ADJUSTED EPRA EARNINGS¹



1 Including a 75% stake in assets held in Joint Ventures
2 The Occupancy rate, shown above, is defined as 100% less EPRA vacancy



KEY PERFORMANCE INDICATORS

KEY FIGURES OF THE GROUP	Unit	9M 2021	9M 2020	Change %
OPERATIONAL FIGURES				
Net rental income	€'000	99,501	106,545	(6.6%)
Cash net rental income - excl. straight line	€'000	91,037	88,986	2.3%
EPRA like-for-like net rental income	€'000	82,984	86,971	(4.6%)
Operating margin	%	92.5%	90.0%	2.5%
EBITDA ¹	€'000	83,011	91,908	(9.7%)
Company adjusted EPRA earnings	€'000	39,967	56,314	(29.0%)
Profit (loss) after taxation	€'000	31,039	(55,092)	
IFRS Earnings (loss) per share	€cents	6.4	(14.6)	
Net cash generated from operating activities	€'000	39,559	24,099	64.2%

¹ Excluding revaluation, disposals and impairments, corporate fees and other cost

FINANCIAL POSITION	Unit	30-9-2021	31-12-2020	Change %
FINANCIAL FIGURES				
Cash and cash equivalents	€'000	484,988	55,221	
Equity	€'000	1,873,106	1,545,900	21.2%
Borrowings	€'000	1,232,199	1,104,857	11.5%
LTV (net)	%	27.1	38.6	(11.5%)
EPRA NRV per share	€	4.11	4.25	(3.3%)
PORTFOLIO FIGURES				
Standing investments at fair value	€'000	2,459,882	2,450,661	0.4%
Redevelopments and land at fair value	€'000	254,408	248,252	2.5%
Net equivalent yield ("NEY")	%	6.6	6.6	-

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

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1

GROUP MANAGEMENT REPORT



MARCIANO
GUESS

MARCIANO
GUESS



DISNEY



GROUP MANAGEMENT REPORT

OPERATIONAL AND FINANCIAL PERFORMANCE

Group like-for-like NRI decreased by 4.6% in the nine months ended 30 September 2021 due to the string of COVID-19 lockdowns across our countries of operation. **Group like-for-like NRI increased by 6.4% over 9M 2021 excluding the impact of accounting for straight-line, with Poland delivering 3.0% growth.**

In the third quarter alone of 2021, the Group delivered improved results following the gradual lifting of restrictions commencing in April 2021 and its proactive approach for dealing with the impact of the COVID-19 pandemic. This progress is clearly demonstrated by comparing the last three months' results with those of the same period in the prior year, when all our shopping centres were also fully operational.

The strong recovery that followed the opening of our shopping centres is reflected by the 20% growth in the third quarter Net rental income of €39.5² million compared to €32.9² million in the third quarter of 2020 (excluding the impact of straight line accounting).

The negative impact of COVID on NRI was also reflected in EBITDA, which decreased by 9.7% to €83.0 million in the first nine months of 2021.

The Group generated €31.0 million of profit after tax during the period, compared to a loss of €55.1 million in the same period that year, which reflected a €91.9 million valuation decrease. The value of our investment properties remained stable in 2021.

Net cash generated from operating activities was €39.6 million for the nine months ended 30 September 2021, an increase of 64.3% compared to €24.1 million for the same period of 2020. The operating margin also increased by 2.5 percentage points to 92.5%. The increase mainly derived from higher cash NRI and a better rent collection compared to 2020.

The Group's occupancy stabilised at 92.2% together with weighted average lease term ('WALT') across the portfolio at 5.3 years, in line with pre-pandemic levels.

RESIDENTIAL FOR RENT

During the third quarter of 2021 Atrium made significant progress in the execution of its residential for rent strategy by securing around 650 units in Warsaw and Krakow for €53 million in aggregate. The transactions are expected to be fully executed during the first half of 2022, with all apartments being fully operational by the second half of 2022 after completing the appropriate fit-outs. In addition we have secured permitting and breaking ground in November on 200 units adjacent to our flagship Atrium Promenada centre in Warsaw.

The acquisitions form part of the Company's diversification strategy which is targeting the creation of a portfolio of more than 5,000 residential for rent units by the end of 2025. Atrium has already secured 650 and identified over 3,500 units to date, comprising c. 2,000 to be delivered through densification of our retail properties and c. 2,000 in our acquisition pipeline across Poland's major cities.

THE GROUP'S STANDING INVESTMENT PORTFOLIO PRODUCED THE FOLLOWING RESULTS IN TERMS OF THE GROSS AND NET RENTAL INCOME:

Country	Gross rental income			Net rental income		
	9M 2021 €'000	9M 2020 €'000	Change %	9M 2021 €'000	9M 2020 €'000	Change %
Poland	60,509	66,551	(9.1%)	53,912	58,708	(8.2%)
Czech Republic ¹	19,723	21,646	(8.9%)	18,759	19,512	(3.9%)
Subtotal	80,232	88,197	(9.0%)	72,671	78,220	(7.1%)
Slovakia	5,980	6,018	(0.6%)	5,789	5,812	(0.4%)
Russia	21,334	24,130	(11.6%)	21,041	22,513	(6.5%)
Total rental income	107,546	118,345	(9.1%)	99,501	106,545	(6.6%)

¹ Including Investment in Joint Ventures (75%)

The Group NRI decreased by €7.1 million to €99.5 million for the first nine months of 2021. **However, excluding the negative impact of accounting straight-lining and disposals, Group NRI increased by €3.9 million.** Pandemic related restrictions were in place for a longer period in the first nine months of 2021 compared to 2020, being closed for 30% of the period versus 24% in the last year. However, the level of lease concessions was lower in 2021, with mandatory relief provided to tenants in Poland during the period amounting to €13.7 million (9M 2020:

€12.5 million) while rental discounts of the Group were reduced to €10.5 million (9M 2020: €20.9 million).

The Group produced €36.8 million of NRI in the third quarter, a 4.6% increase compared to the prior year. **Excluding the impact of accounting straight-lining, NRI in the third quarter alone increased by 20% or €6.6 million.** This serves as a further demonstration of the strong recovery after reopening.



THE GROUP'S STANDING INVESTMENT PORTFOLIO PRODUCED THE FOLLOWING RESULTS IN TERMS OF THE GROSS AND NET EPRA LIKE-FOR-LIKE RENTAL INCOME:

Country	EPRA like-for-like gross rental income			EPRA like-for-like net rental income		
	9M 2021 €'000	9M 2020 €'000	Change %	9M 2021 €'000	9M 2020 €'000	Change %
Poland	47,557	50,765	(6.3%)	43,497	45,349	(4.1%)
Czech Republic	13,001	14,172	(8.3%)	12,657	13,231	(4.3%)
Subtotal	60,558	64,937	(6.7%)	56,154	58,580	(4.1%)
Slovakia	5,980	6,018	(0.6%)	5,789	5,812	(0.4%)
Russia	21,334	23,604	(9.6%)	21,041	22,579	(6.8%)
Like-for-like rental income	87,872	94,559	(7.1%)	82,984	86,971	(4.6%)
Remaining rental income ¹	19,653	23,235	(15.4%)	16,517	19,753	(16.4%)
Exchange rate effect ²	-	551	-	-	(179)	-
Total rental income	107,525	118,345	(9.1%)	99,501	106,545	(6.6%)

¹ Including Investment in Joint Ventures (75%)

² To enhance comparability of GRI/NRI, prior period values for like-for-like properties have been recalculated using the 2021 exchange rates as per EPRA best practice recommendations

Group like-for-like NRI decreased by 4.6% in the first nine months of 2021, notably impacted by COVID-19 and the related accounting straight-line of lease concessions. **Excluding the impact of accounting straight-line, the cash like-for-like NRI**

increased by 6.4%. This was largely due to the positive uplift in Russia, where no restrictions were in place during the first nine months of 2021, as well as a 3.0% cash like-for-like growth in Poland, our largest market.

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

Standing investments	No. of properties	Gross lettable area	Portfolio	Market value	Portfolio	Net equivalent yield (weighted average) ¹
Country		sqm	%	€ million	%	%
Warsaw	5	179	22.1%	943.5	38.4%	5.5%
Other Poland	10	254	31.4%	645.1	26.2%	6.9%
Poland	15	432	53.4%	1,588.6	64.6%	6.1%
Prague ²	2	69	8.6%	410.8	16.7%	5.5%
Other Czech Republic	1	21	2.6%	102.4	4.2%	6.3%
Czech Republic	3	90	11.2%	513.2	20.9%	5.7%
Slovakia	1	47	5.8%	119.3	4.7%	6.8%
Total CE	19	570	70.4%	2,221.1	90.2%	6.0%
Russia	7	239	29.6%	238.8	9.8%	12.6%
Total	26	809	100.0%	2,459.9	100.0%	6.6%

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

² Including a 75% stake in asset held in Joint Ventures

During the first nine months of 2021 no external valuations were performed. The Group actively consulted with its external, independent valuation experts who advised on the market dynamics. The following criteria were considered:

- Based on external market reports³, limited transactions of retail assets comparable to those within the Group's portfolio occurred in the first nine months of 2021.
- No evidence of material yield changes from 31 December 2020.

- Independent view of valuation experts that there are no material changes in estimated rental levels (ERVs)
- From mid May 2021 until the date of this report **market data between opening and lockdowns indicates that Centres have recovered strongly after opening**, with Q3 2021 average tenant sales and footfall returning to approximately 90% of the pre-pandemic level.
- 7.8% appreciation of the Ruble compared to December 2020.

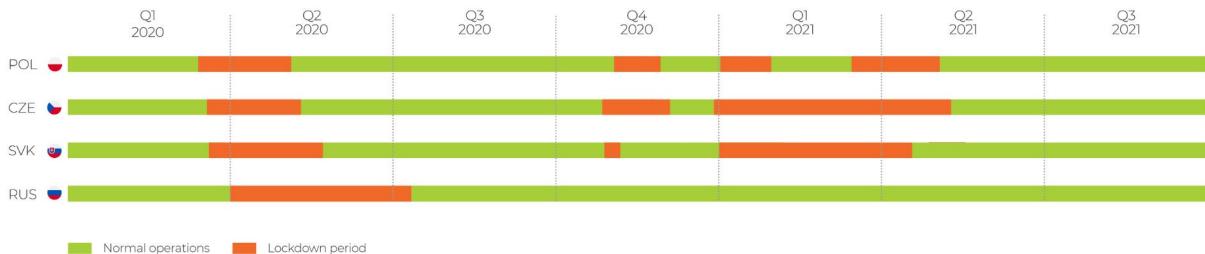
OCCUPANCY

Standing investments ¹	Occupancy rate ²	GLA Occupancy
Country	%	%
Poland	91.2%	91.6%
Czech Republic	90.9%	89.6%
Slovakia	99.3%	99.6%
Russia	94.6%	94.4%
Total	92.2%	92.6%

¹ Including a 75% stake in asset held in Joint Ventures

² The Occupancy rate is defined as 100% less EPRA vacancy

As at 30 September 2021, EPRA occupancy⁴ was stable at 92%. Despite COVID-19 leading to a number of lease terminations or reductions, as well as tenant departures, the Group is confident that a healthy proportion of the vacancies are temporary and that there will be an increase in demand for retail floor space during the remainder of 2021 and into 2022 as confidence continues to return. This is supported by strong metrics in Russia where operating GLA recovered significantly post lockdown in July 2020 and currently holds strong at 94.6% occupancy.



Vaccination rollouts commenced in our countries of operation at the end of 2020. However, the benefits of the vaccine were most notable during the third quarter of this year as lockdowns eased and businesses returned to the "new normal". Footfall and sales data showed an impressive recovery, with Q3 2021 levels reaching 92% and 81% of 2019, respectively.

As at 9 November 2021, collection from invoices issued for the period 9M 2021 is at 94%, whilst collection for the year ended 31 December 2020 is at 99%. The uncollected amount is partially covered by bank guarantees and deposits.

Atrium has strong liquidity and financial flexibility which is reflected by:

- High demand for the Group's green financing activities, evidenced by the €650 million raised during 2021;
- A cash balance of €485 million as of 30 September 2021 and €300 million of unutilised credit facilities;
- Net LTV of 27.1%;
- 4.5 years weighted average maturity;
- Only €155 million are falling due between now and 2025;
- Low cost of debt of 2.8%;
- 71%/€1.7 billion of unencumbered standing investments;

COVID-19

From the onset of the COVID-19 pandemic in the first quarter of 2020, shopping centres within Poland, Czech Republic, Slovakia and Russia faced government-imposed trading restrictions.

Having been lifted and then reinstated at the end of 2020, were in place again for the first quarter of 2021 in most of the Group's shopping centres. The exception being Russia where our assets have been open and operational since mid July 2020. In the latter part of October 2021 a QR code system was implemented in certain regions of Russia allowing only vaccinated customers to enter the Shopping Centres, therefore footfall has since decreased substantially.

A gradual lifting of the restrictions across the remainder of our portfolio began in April 2021, following the vaccination roll out and declining infection rates, **and all our Shopping Centres have been open since May 2021**. During the first nine months of 2021 our centres were closed for about 2.7 months of the year, other than for the sale of necessities (9M 2020: 2.2 months).

DIVIDEND

At its meeting on 3 March 2021, the Company's Board of Directors decided to maintain the Group's annual dividend, payable as a capital repayment at €Cents 27 per share for 2021. The dividend will be paid in equal quarterly instalments commencing at the end of March 2021 (subject to any legal and regulatory requirements and restrictions of commercial viability). The Board has also resolved to offer shareholders the option to receive each of the quarterly dividend distributions either in cash or in newly issued shares at a 2% discount to the reference share price via a Scrip Dividend Alternative.

During the nine-month period ended 30 September 2021, Atrium announced a dividend of €cents 20.25 (9 months 2020: €cents 20.25) per share as a capital repayment, which amounted to a total of €54.0 million in cash and €26.1 million in new shares (9M 2020: €56.2 million in cash and €20.6 million in new shares⁵).

In relation to the dividend for the fourth quarter of 2021, we refer to the ad hoc published on 2 August 2021 and 18 October 2021. Additional information will be set out in a shareholder circular which is expected to be published by the Company in November 2021.

⁴ 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

⁵ In 2020 the Scrip Dividend Alternative was offered from the second quarter onwards



GREEN BOND ISSUANCE AND 2022 NOTES BUY BACK

In January 2021, the Group priced a €300 million inaugural green bond offering under its EMTN Programme. The "New Green Notes" are due 5 September 2027 and carry a fixed 2.625% coupon at an issuance price of 98.167%. The New Green Notes were issued by Atrium Finance Issuer B.V., an indirect subsidiary of the Company, and are guaranteed by the Company. An amount equal to the net proceeds of the offering will be allocated to finance or refinance eligible projects and/or assets as defined in Atrium's Green Financing Framework. Simultaneously, the Group bought back €78.2 million of the outstanding 2022 Notes.

In May 2021, the Company priced €350 million green hybrid bonds under its EMTN Programme (the "Hybrid Notes"). The Hybrid Notes carry a coupon of 3.625% until 4 November 2026 ('First Reset Date').

PROPOSED ACQUISITION BY GAZIT-GLOBE

In August 2021 the Company's Board of Directors received a proposal from Gazit-Globe to acquire the entire outstanding equity of Atrium that is not already owned directly or indirectly by Gazit-Globe or its affiliates for a consideration of €3.35 per share. An independent committee of the Board of Directors of the Company was formed to consider the Proposal (the "Independent Committee"), solely comprising directors who are independent of Gazit-Globe.

In October 2021, the Independent Committee and the Board of Directors of Newco announced that they had signed a definitive merger agreement for a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Atrium that is not already owned directly or indirectly by Gazit-Globe or its affiliates for cash at a price of €3.63 per Atrium share (the "Offer Price"), including a payment in the amount of €3.03 per share in cash (the "Cash Offer Price") and €0.60 per share by way of a cash dividend paid by the Company as a capital repayment (the "Special Dividend").

In addition to the increase of the Offer Price, the Independent Committee has also negotiated that Atrium shareholders are entitled to receive the pro-rata AFFO generated between the date of the last dividend payment and completion of the Merger. All of Atrium's shareholders will be eligible for both the Offer Price and the AFFO.

Full details of the Merger, including terms and conditions to the implementation of the Merger, will be set out in a shareholder circular which is expected to be published by the Company in November 2021.

STRATEGIC AND OPERATIONAL RISK FACTORS

The process which the Group follows in order to identify and mitigate its key risks is set out on pages 28 to 30 of the Annual Report and Financial Statements for the year ended 31 December 2020 (the "Annual Report"). The Directors have reviewed the key risks and have confirmed that the list as set out in the Annual Report remains appropriate.

⁶ Under certain conditions as defined in the draw down Prospectus, the Group has an option to make a whole call of the principal amount until 3 months prior to the First Reset Date

KEY EPRA PERFORMANCE MEASURES

A. EPRA EARNINGS

	9M 2021 €'000	9M 2020 €'000
Earnings (loss) attributed to equity holders of the parent company	31,040	(55,092)
Changes in value of investment properties	1,477	85,440
Net result on disposals of investment properties	338	1,400
Amortisation of intangible assets	1,392	1,284
Deferred tax in respect of EPRA adjustments	279	(11,471)
Close-out costs of financial instruments	3,401	6,173
Joint venture interest in respect of the above adjustments	-	6,463
EPRA Earnings	37,927	34,197
Weighted average number of shares	395,778,039	386,307,911
EPRA Earnings per share (in €cents)	9.6	8.9
Company adjustments¹		
Foreign exchange differences	178	(1,215)
Deferred tax not related to revaluations	6,532	23,332
Hybrid interest	(5,800)	-
Corporate fees and other costs	1,129	-
Company adjusted EPRA earnings	39,967	56,314
Company adjusted EPRA earnings per share (in €cents)	10.1	14.6

¹ The "Company adjustments" mainly 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.

B. EPRA NET ASSET MEASUREMENTS

EPRA NRV is considered to be the most relevant measure for our business and therefore acts as the Company's primary measure of net asset value.

	30 September 2021			31 December 2020		
	EPRA NRV	EPRA NTA ¹	EPRA NDV	EPRA NRV	EPRA NTA ¹	EPRA NDV
	€'000	€'000		€'000	€'000	
Equity per the financial statements	1,873,106	1,873,106	1,873,106	1,545,900	1,545,900	1,545,900
Effect of exercise of options	8,543	8,543	8,543	10,924	10,924	10,924
Fair value of financial instruments	15,738	15,738	-	22,722	22,722	-
Deferred tax	92,790	92,790	-	85,203	85,203	-
Other intangible assets	-	(7,686)	-	-	(8,940)	-
Fair value of fixed interest rate debt	-	-	(62,511)	-	-	(19,533)
Hybrid instrument	(340,858)	(340,858)	(340,858)	-	-	-
Purchasers' costs	9,486	-	-	9,399	-	-
EPRA benchmark	1,658,805	1,641,633	1,478,280	1,674,148	1,655,809	1,537,291
Number of outstanding shares and options	403,481,554			394,369,915		
Diluted net assets per share	4.11	4.07	3.66	4.25	4.20	3.90

¹ Deferred tax in respect of the NTA calculation, is adjusted in accordance with option (i) as per EPRA guidance. No assets were classified as held for sale as at 30/09/2021 and 31/12/2020



THE BOARD OF DIRECTORS



David Fox



CHAIM KATZMAN

Chairman of the Board and
Director

DAVID FOX

Director

NEIL FLANZRAICH

Chairman of the Audit
Committee and Director

ZVI HEIFETZ

Director



ANDREW WIGNALL

Director

LUCY LILLEY

Director

OREN HOD

Director



STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Interim 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 Interim 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 Interim Financial Report is up to date only as of the date of this Interim 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 Interim Financial Report, and particularly the forward looking statements, are qualified by these cautionary statements.

This Interim 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.

This Interim Financial Report has been prepared with the Group operating on a stand alone basis without consideration of the proposed Merger as disclosed on page 12 of this report.



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INTERIM FINANCIAL STATEMENTS





CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2021	31 December 2020
		€'000 Unaudited	€'000 Unaudited
		€'000 Audited	€'000 Audited
ASSETS			
Non-current assets			
Standing investments	2.5	2,279,580	2,270,685
Redevelopments and land	2.6	254,408	248,252
Equity-accounted investment in joint ventures		192,345	186,313
Other non-current assets	2.7	70,513	68,416
		2,796,846	2,773,666
Current assets			
Cash and cash equivalents		484,988	55,221
Other current assets	2.8	35,971	35,208
Financial assets at FVOCI		10,062	8,507
		531,021	98,936
TOTAL ASSETS		3,327,867	2,872,602
EQUITY AND LIABILITIES			
Equity	2.9	1,873,106	1,545,900
Non-current liabilities			
Long term borrowings	2.10	1,228,541	1,015,321
Derivatives	2.11	15,738	22,722
Other non-current liabilities	2.12	138,706	129,304
		1,382,985	1,167,347
Current liabilities			
Short term borrowings	2.10	3,658	89,536
Other current liabilities	2.13	64,339	65,488
Provisions		3,779	4,331
		71,776	159,355
TOTAL EQUITY AND LIABILITIES		3,327,867	2,872,602

The Group management report and the condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 15 November 2021 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Unaudited)	Note	Three months ended 30 September 2021		Nine months ended 30 September 2021		Three months ended 30 September 2020		Nine months ended 30 September 2020	
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income		35,736		100,814		36,536		110,827	
Service charge income		13,593		34,640		13,525		36,954	
Net property expenses		(14,587)		(42,067)		(16,911)		(47,542)	
Net rental income		34,742		93,387		33,150		100,239	
Net result on disposals		(184)		(338)		(1,310)		(1,400)	
Costs connected with developments		(189)		(524)		(195)		(663)	
Revaluation of standing investments, net		-		-		-		(85,440)	
Revaluation of redevelopments and land, net		-		(1,477)		-		-	
Depreciation, amortisation and impairments		(802)		(2,475)		(890)		(2,647)	
Administrative expenses		(6,573)		(16,990)		(4,602)		(13,752)	
Share of profit of equity-accounted investment in joint ventures		1,995		6,009		1,919		(373)	
Net operating profit (loss)		28,989		77,592		28,072		(4,036)	
Interest expenses, net		(10,256)		(29,044)		(8,611)		(28,332)	
Foreign currency differences		18		(178)		(287)		1,215	
Other financial expenses, net		(1,288)		(7,030)		(1,141)		(9,438)	
Profit (loss) before taxation		17,463		41,340		18,033		(40,591)	
Taxation charge for the period	2.14	(6,726)		(10,301)		(10,280)		(14,501)	
Profit (loss) after taxation for the period		10,737		31,039		7,753		(55,092)	
Basic and diluted earnings (loss) per share in €cents attributable to shareholders			1.8		6.4		2.0		(14.6)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Unaudited		Three months ended 30 September 2021		Nine months ended 30 September 2021		Three months ended 30 September 2020		Nine months ended 30 September 2020	
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Profit (loss) for the period		10,737		31,039		7,753		(55,092)	
Items that will not be reclassified to the statement of profit or loss:									
Movement in financial assets at FVOCI reserve		(1,245)		1,467		(2,543)		(8,515)	
Items that are or may be reclassified to the statement of profit or loss:									
Exchange differences arising on translation of foreign operations		-		-		-		2,991	
Movements in hedging reserves (net of deferred tax)		1,297		6,084		(161)		(4,654)	
Total comprehensive income (loss) for the period		10,789		38,590		5,049		(65,270)	



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)	Nine months ended 30 September 2021 €'000	Nine months ended 30 September 2020 €'000
Cash flows from operating activities		
Profit (loss) before taxation	41,340	(40,591)
Adjustments for:		
Other depreciation, amortisation and impairments	2,475	2,647
Dividend from listed equity securities, net	(264)	(285)
Revaluation of standing investments, net	-	85,440
Revaluation of redevelopments and land, net	1,477	-
Foreign exchange differences	178	(1,215)
Other income	-	(796)
Change in legal provisions, net of amounts paid	(553)	(200)
Share based payment expenses	1,252	722
Share of profit of equity-accounted investments in joint ventures	(6,009)	373
Net result on disposals	338	1,400
Net loss from bonds buy back	3,401	6,170
Finance lease interest expense	2,441	2,513
Interest expense	29,699	28,657
Interest income	(700)	(329)
Operating cash flows before working capital changes	75,075	84,506
Increase in trade, other receivables and prepayments	(2,366)	(20,313)
Increase (decrease) in trade, other payables and accrued expenditure, net	2,005	(7,954)
Net cash generated from operations	74,714	56,239
Interest paid	(30,450)	(29,078)
Interest received	700	286
Dividend received	264	285
Corporation taxes paid, net	(5,669)	(3,633)
Net cash generated from operating activities	39,559	24,099
Cash flows from investing activities		
Payments related to investment properties and other assets	(21,098)	(17,824)
Proceeds from the disposal of investment properties	4,616	94,173
Loans provided	-	(28,027)
Repayment of loans provided	270	103
Net cash generated from/(used in) investing activities	(16,212)	48,425
Net cash flow before financing activities	23,347	72,524
Cash flows from financing activities		
Share buy back	-	(1,782)
Repayment of long term borrowings	(84,482)	(358,170)
Receipt of long term borrowings	292,416	191,812
Proceeds from Hybrid issuance	340,858	-
(Repayment)/Utilisation of a revolving credit facility	(86,695)	66,000
Repayments of lease liabilities	(829)	(470)
Dividends paid	(53,998)	(56,255)
Net cash generated from financing activities	407,270	(158,865)
Net increase/(decrease) in cash and cash equivalents	430,617	(86,341)
Cash and cash equivalents at the beginning of period	55,221	126,851
Effect of exchange rate fluctuations on cash held	(850)	(2,068)
Cash and cash equivalents at the end of period	484,988	38,442

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2021

		Stated capital	Share based payment reserve	Hedging reserve	Financial assets at FVOCI reserve	Retained deficit	Currency translation reserve	Equity attributable to the owners of the Company	Hybrid Reserve	Total Shareholders Equity
Unaudited	Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 1 January 2021		1,944,947	1,564	(19,721)	(13,421)	(294,364)	(73,105)	1,545,900	-	1,545,900
Profit for the period		-	-	-	-	31,039	-	31,039	-	31,039
Other comprehensive income		-	-	6,084	1,467	-	-	7,551	-	7,551
Total comprehensive income		-	-	6,084	1,467	31,039	-	38,590	-	38,590
Transaction with owners of the Company										
Share based payment		-	1,355	-	-	-	-	1,355	-	1,355
Issue of shares		1,123	(722)	-	-	-	-	401	-	401
Net proceeds from issuance of Hybrid instrument	2.9	-	-	-	-	-	-	-	340,858	340,858
Dividends	2.9	(80,132)	-	-	-	-	-	(80,132)	-	(80,132)
Scrip dividend	2.9	26,134						26,134		26,134
Balance as at 30 September 2021		1,892,072	2,197	(13,637)	(11,954)	(263,325)	(73,105)	1,532,248	340,858	1,873,106

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

		Stated capital	Share based payment reserve	Hedging reserve	Financial assets at FVOCI reserve	Retained deficit	Currency translation reserve	Currency translation reserve for disposal group held for sale	Total Shareholders Equity
Unaudited	Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 1 January 2020		2,016,603	1,303	(15,379)	(8,069)	(151,944)	(73,509)	(2,991)	1,766,014
Profit for the period		-	-	-	-	(55,092)	-	-	(55,092)
Other comprehensive income (expense)		-	-	(4,654)	(8,515)	-	-	2,991	(10,178)
Total comprehensive income (expense)		-	-	(4,654)	(8,515)	(55,092)	-	2,991	(65,270)
Transaction with owners of the Company									
Share based payment		-	727	-	-	-	-	-	727
Issue of no par value shares		1,234	(655)	-	-	-	-	-	579
Share buy back		(1,832)	-	-	-	-	-	-	(1,832)
Dividends	2.9	(76,805)	-	-	-	-	-	-	(76,805)
Scrip dividend	2.9	20,571							20,571
Balance as at 30 September 2020		1,959,771	1,375	(20,033)	(16,584)	(207,036)	(73,509)	-	1,643,984



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

UNAUDITED

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

The Group operates in Poland, the Czech Republic, Slovakia and Russia with offices in Jersey, Netherlands and Cyprus.

2.2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as endorsed by the EU.

The unaudited condensed consolidated interim financial statements do not include all of the information required for full set of IFRS annual consolidated financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

The financial statements are presented in thousands of Euros ("€'000"), rounded off to the nearest thousand, unless stated otherwise.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported

amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of the condensed financial statements in accordance with IFRS as endorsed by the EU (IFRS-EU), the Group's management is required to use discretion, evaluations, estimates and assumptions which affect the application of the policy and the amounts of assets and liabilities, revenues and expenses. Actual results may differ from such estimates.

The evaluations and discretion used by management to apply the accounting policies and prepare the unaudited condensed consolidated interim financial statements were identical to those used in the preparation of the Financial Statements as of 31 December 2020, with the exception of:

- Hybrid equity reserve - Perpetual debt instruments are classified as equity if the Group has unconditional rights to avoid delivering cash or another financial asset in settlement of that obligation (**IAS 32**). A perpetual debt instrument that bears a discretionary interest element is recognised as an equity distribution from the Group's stated capital, similar to discretionary dividends. Any interest including compounded interest should be recorded as an equity distribution when this payment becomes non-discretionary or when interest is paid in cash. Otherwise, this represents an off-balance sheet arrangement. In regards to the Hybrid Notes issued in 2021, additional information is disclosed in note 2.9.

The financial statements do not take into account the effect of the proposed Merger which, if approved by Atrium shareholders and implemented in accordance with its terms, would result in all Atrium shareholders (except Gazit and its affiliates) receiving the Offer Price in exchange for the cancellation of their Atrium shares at completion of the Merger.

2.3 CHANGES IN ACCOUNTING POLICIES

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase II

The International Accounting Standards Board ("IASB") published Interest Rate Benchmark Reform Amendments representing the finalisation of Phase II of the project on 27 August 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. The Phase II amendments apply to all entities and are effective for annual periods beginning on or after 1 January 2021. The application of the standard has no material effect on the Group's condensed consolidated interim financial statements. The Group will include the required disclosures in year-end financial statements.

Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (issued on 20 March 2021)

In May 2020 the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) ('the Amendment'), which was initially issued as an Exposure Draft ED/2020/2 in April 2020. The Amendment was effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The Amendment provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

In March 2021 the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the availability of the practical expedient by one year.

As the Group predominantly acts as the lessor, the Amendment does not have a material impact on the Group.

Other new standards, interpretations and amendments effective, and endorsed by the EU, as of 1 January 2021, did not have a material impact on the Group's condensed consolidated interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.4 COVID-19

TRADING RESTRICTIONS

From the onset of the COVID-19 pandemic in the first quarter of 2020, shopping centres within Poland, the Czech Republic, Slovakia and Russia faced government-imposed trading restrictions.

The first quarter of 2021 commenced with trading restrictions in most of the Group's shopping centres, with the exception of Russia where centres have been open since mid July 2020. The restrictions began to be gradually lifted in April 2021, following the vaccination roll out and the decline in infection rates. **No additional lockdowns were imposed after May 2021.**

In the latter part of October 2021 a QR code system was implemented in certain regions of Russia allowing only vaccinated customers to enter the Shopping Centres, therefore footfall has since decreased substantially.

The duration of restrictions, the spread of the pandemic and the measures taken by the governments have had a significant negative impact on the Group, with a decrease in footfall as well as in tenant sales, financial and liquidity difficulties of some tenants and inability to meet their lease obligations towards the Group. However, a strong rebound was seen after each lockdown with September 2021 tenant sales and footfall reaching 92% and 81% respectively of 2019 levels.

LEASE CONCESSIONS IN THE FIRST NINE MONTHS OF 2021

During the nine month period ended 30 September 2021, the Group granted cash basis discounts of €9.2 million (9 months 2020: €20.1 million) and mandatory rent relief in Poland of €10.9 million (9 months 2020: €10.0 million). During the third quarter of 2021 limited discounts were recorded in the amount of €2 million (Q3 2020: €6.7 million).

The net impact of lease concessions after straight-lining reduced the Group's gross rental income by €12.4 million (9 months 2020: €13.1 million). The balance of the straight line asset is disclosed in notes 2.7 and 2.8.

LEGISLATION CHANGES IN POLAND IN RESPECT OF LEASE CONCESSIONS

In June 2021, the Polish government approved supplementary COVID-19 legislation ('New 15ze legislation') which allows tenants to renege on any lease extensions offered in exchange to rent relief for the lockdowns revoked on 30 September 2020 or later under certain conditions. The law came into force on 23 July 2021.

The Group has applied judgement by adjusting its estimation for the remaining lease term with applying the lease modification guidance and shortening the period for all tenants eligible under the New 15ze legislation by approximately 14 months. The new 15ze legislation also includes a roadmap for any future lockdowns, with landlords may be required to provide discounts of 80%



during a lockdown and a discount of 50% for the three months thereafter. The law could significantly impact the Group's revenue in case of additional lockdowns.

RECEIVABLES FROM TENANTS

The Group has been engaged in close relationship with its tenants, supporting them to weather the impact of restrictions. The collection rate for H1 2021 invoices is at 96%⁷ and for Q3 2021 at 90%⁷. The uncollected amount is partially covered by bank guarantees and deposits.

The Group carried out a detailed review of its largest tenants accounting for 47% of the Group's annualised rental income base and the remaining tenant provision for doubtful debtors was estimated in accordance with IFRS 9 *Financial instruments*.

The loss from doubtful debtors reduced the Group's NRI in the nine months ended 30 September 2021 by €1.3 million (9 months 2020: €4.7 million).

VALUATIONS OF INVESTMENT PROPERTIES

During the nine months ended 30 September 2021 no external valuations were performed. The Group actively consulted with its external, independent valuation experts who advise on the market dynamics.

The following criteria were considered:

- Based on external market reports⁸ limited transactions of retail assets comparable to those within the Group's portfolio occurred in the first nine months of 2021.
- No evidence of material yield changes from 31 December 2020.
- Independent view of valuation experts that there are no material changes in estimated rental levels (ERVs).
- From mid May 2021 until today **market data between opening and lockdowns strongly recovered** with average tenant sales and footfall returning to approximately 90% of the pre-pandemic level.
- 7.8% appreciation of the Ruble compared to December 2020.

LIQUIDITY AND BALANCE SHEET

The Group has a strong balance sheet with a net LTV of 27.1%, €485.0 million cash as at 30 September 2021, access to €300 million of unutilised credit facilities and 4.5 years until maturity of its debt on average.

2.5 STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 25 properties (31 December 2020: 25).

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

Standing investments	30 September 2021	31 December 2020
	€'000	€'000
Balance as at 1 January	2,270,685	2,445,280
Additions - technical improvements, extensions	7,774 ¹	9,211
Movement in leases	1,121	(185)
Transfers to/from redevelopments and land	-	2,251
Revaluation of standing investments	-	(185,872)
Balance at the end of the period	2,279,580	2,270,685

¹ of which €3.5m is maintenance capital expenditure

2.6 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group comprises €98.4 million (31 December 2020: €87.8 million) redevelopments and €156.0 million land (31 December 2020: €160.4 million).

Redevelopments and land	30 September 2021	31 December 2020
	€'000	€'000
Balance as at 1 January	248,252	266,093
Additions - cost of land and construction	11,311	12,701
Transfer from/to standing investments	-	(2,251)
Disposals	(3,678)	(9,297)
Revaluation of redevelopments and land	(1,477)	(18,994)
Balance at the end of the period	254,408	248,252

In June 2021, the Group completed the sale of a land plot in Pitesti, Romania for €3.7 million at approximately its book value.

7 As of 9 November 2021

8 CBRE September 2021 European Property Investment Yields overview for Poland, the Czech Republic and Slovakia

2.7 OTHER NON-CURRENT ASSETS

Other non-current assets	30 September 2021 €'000	31 December 2020 €'000
Financial assets at amortised cost	19,864	20,177
Long term advances	17,857	17,791
Straight line of lease incentives to tenants	20,352	14,798
Intangible assets	7,686	8,940
Deferred tax assets	2,039	2,931
Other	2,715	3,779
Balance at the end of the period	70,513	68,416

Financial assets at amortised cost represent a third party loan granted in July 2020.

2.8 OTHER CURRENT ASSETS

Other current assets	30 September 2021 €'000	31 December 2020 €'000
Receivables from tenants ¹	22,032	22,034
Prepayments	6,674	2,798
VAT receivables	3,210	3,491
Income tax receivable	295	306
Alternative minimum tax	426	2,339
Deferred purchase price on disposed assets	-	1,100
Other receivables	3,334	3,140
Balance at the end of the period	35,971	35,208

¹ Includes Straight-line asset of lease incentives €9.5 million (31 December 2020: €7.4 million)



2.9 EQUITY

As at 30 September 2021, the total number of shares issued was 400,507,737 (31 December 2020: 390,976,608 shares).

At its meeting on 3 March 2021, the Company's Board of Directors decided to maintain the Group's annual dividend, payable as a capital repayment at €Cents 27 per share for 2021. The dividend will be paid in equal quarterly instalments commencing at the end of March 2021 (subject to any legal and regulatory requirements and restrictions of commercial viability). The Board has also resolved to offer shareholders the option to receive each of the quarterly dividend distributions either in cash

or in newly issued shares at a 2% discount to the reference share price via a Scrip Dividend Alternative.

During the nine-month period ended 30 September 2021, Atrium announced a dividend of €cents 20.25 (9 months 2020: €cents 20.25) per share as a capital repayment, which amounted to a total of €54.0 million in cash and €26.14 million in new shares (9M 2020: €56.2 million in cash and €20.6 million in new shares⁹).

In relation to the dividend for the fourth quarter of 2021, we refer to the ad hoc published on 2 August 2021 and 18 October 2021. Additional information will be set out in a shareholder circular which is expected to be published by the Company in November 2021.

The following table summarises the Scrip Dividend Alternative information for Q1, Q2 and Q3 2021:

Period	End of election Period	Dividend Payment date	exchange ratio	% of Election shareholders	Number of shares issued	Dividend in Cash (million)
Q1 2021	26/03/2021	31/3/2021	39.793	46.4%	4,560,813	14.1
Q2 2021	25/06/2021	30/06/2021	44.511	49.4%	4,393,648	13.5
Q3 2021	27/09/2021	30/09/2021	45.285	2.6%	225,883	26.3

HYBRID RESERVE

In April 2021, the Company priced €350 million green hybrid bonds under its EMTN Programme (the "Hybrid Notes") with an issuance price at 98.197%. The Hybrid Notes carry a coupon of 3.625% until 4 November 2026 ('First Reset Date') and are callable for the first time on 4 August 2026. An amount equal to the net proceeds of the offering will be allocated to finance or refinance Eligible Projects and/or Assets including residential for rent as defined in Atrium's Green Financing Framework.

Hybrid Notes are treated as part of shareholder's equity in the Company's financial statements. A holder of Hybrid Notes has no shareholder rights. The hybrid bond coupon is fixed at 3.625% per year until 4 November 2026 and is reset every five years. The Group has a right to postpone interest payments if it does not distribute dividends or any other form of equity distribution to its shareholders. The Hybrid Notes do not have a set maturity date. The Group has the right to redeem the Hybrid Notes at its sole discretion five years from the date of issue and on every yearly interest payment date thereafter. The Hybrid Notes are unsecured, subordinated to all debt and senior only to ordinary share capital.

The overall Hybrid Notes net position recognised in equity as a separate reserve is net of transaction costs and amounted to €340.9 million.

Interest paid on the Hybrid Notes is deducted from the stated capital of the Company, whilst any principal repayments are considered as capital reduction and are deducted from the Hybrid reserve in the Condensed consolidated statement of changes in equity. Earnings per share are adjusted for the Hybrid Notes coupon.

The Hybrid Note has an off-balance sheet accrued interest of €5.2 million as of 30 September 2021.

⁹ In 2020 the Scrip Dividend Alternative was offered from the second quarter onwards

2.10 BORROWINGS

Borrowings	30 September 2021		31 December 2020	
	Net book value	Fair value	Net book value	Fair value
	€'000	€'000	€'000	€'000
Bonds	936,856	997,107	720,787	740,320
Bank loans	295,343	297,601	298,070	299,138
Utilised revolving credit facility	-	-	86,000	86,000
Total	1,232,199	1,294,708	1,104,857	1,125,458

Of which:

Long term borrowings	1,228,541	1,015,321
Utilised revolving credit facility and current maturities of bank loans	3,658	89,536
Total	1,232,199	1,104,857

The borrowings are repayable as follows:

Borrowings total	30 September 2021		31 December 2020	
	Net book value	Net book value	Net book value	Net book value
	€'000		€'000	
Utilised revolving credit facility	-	86,000		
Current maturities of bank loans	3,658	3,536		
Due within one year	3,658	89,536		
Due in second year	158,405	235,326		
Due within third to fifth year inclusive	502,604	498,475		
Due after five years	567,532	281,520		
Total	1,232,199	1,104,857		

Due to a temporary reduction in leasing activity following re-tenanting, a soft covenant related to interest cover in an asset specific secured bank loan in Poland was not met as at 30 September 2021. After the period-end but before the date of this report, the Group received a waiver from reporting the interest cover covenant for one quarter from the lender. There was no impact on the Group's debt classification from this curable event.

BONDS

In January 2021, the Group has priced a €300 million inaugural green bonds offering due 5 September 2027 under its EMTN Programme (the "New Green Notes") carrying a fixed 2.625% coupon at an issuance price of 98.167%. The New Green Notes were issued by Atrium Finance Issuer B.V., an indirect subsidiary of the Company, and are guaranteed by the Company. An amount equal to the net proceeds of the offering will be allocated to finance or refinance Eligible Projects and/or Assets as defined in Atrium Green Financing Framework. Simultaneously, the Group bought back €78.2 million of the outstanding 2022 Notes.

BORROWINGS FAIR VALUE

The fair values of loans and bonds were determined by an external appraiser using discounted cash flow models and 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; and
- Fair values of effected market transactions.

Fair value measurements used for bonds and loans are categorised within Level 2 of the fair value hierarchy as defined in IFRS 13.

REVOLVING CREDIT FACILITY

The total value of the revolving credit facilities is €300 million with an expiry date in 2023 including an option to extend up to May 2024. As at 30 September 2021, the facility was not utilised (31 December 2020: €86.0 million utilised).



2.11 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSSs") in connection with secured bank loans (see note 2.10). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSSs 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 critical 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 offsets each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The IRSSs are measured at fair value using the discounted future cash flow method.

The fair value measurement of the IRSSs 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 IRSSs are classified as a Level 2 fair value measurement under IFRS 13.

	30 September 2021 €'000	31 December 2020 €'000
Interest rate swaps	2021 €'000	2020 €'000
Carrying amount (liability)	15,738	22,722
Notional amount	296,905	299,710
(Gain) loss in fair value of outstanding hedging instruments since 1 January	(6,984)	4,969

The fair value gain during the nine month period ended 30 September 2021 is mainly due to an increase in forward interest rates of the Euribor.

2.12 OTHER NON-CURRENT LIABILITIES

	30 September 2021 €'000	31 December 2020 €'000
Deferred tax liabilities	83,950	77,129
Long term lease liabilities	41,763	41,333
Other long term liabilities	12,993	10,842
Total	138,706	129,304

The liabilities from leases predominantly consisted of liabilities related to long term land leases in Poland and Russia.

2.13 OTHER CURRENT LIABILITIES

	30 September 2021 €'000	31 December 2020 €'000
Trade and other payables	23,155	20,907
Accrued expenditure	34,116	33,932
Short term lease liabilities	3,480	4,633
Income tax payable	2,172	4,386
VAT payables	1,416	1,630
Total	64,339	65,488

Accrued expenditure includes interest of €6.7 million (31 December 2020: €6.4 million).

2.14 TAXATION CHARGE FOR THE PERIOD

Taxation charge for the period	Nine months ended 30 September	
	2021 €'000	2020 €'000
Current period corporate income tax expense	(3,489)	(3,088)
Deferred tax charge	(6,812)	(11,861)
Adjustments to corporate income tax prior periods	-	448
Total	(10,301)	(14,501)

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

2.15 SEGMENT REPORTING

Reportable segments For the period ended 30 September 2021	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	107,546	-	(6,732)	100,814
Service charge income	36,067	-	(1,427)	34,640
Net property expenses	(44,112)	-	2,045	(42,067)
Net rental income	99,501	-	(6,114)	93,387
Net result on disposals	-	(338)	-	(338)
Costs connected with developments	-	(524)	-	(524)
Revaluation of investment properties	-	(1,477)	-	(1,477)
Depreciation, amortisation and impairments	(2,469)	-	(6)	(2,475)
Administrative expenses	(9,595)	(79)	(7,316)	(16,990)
Share of profit of equity-accounted investment in joint ventures	-	-	6,009	6,009
Net operating (loss)/profit	87,437	(2,418)	(7,427)	77,592
Interest expense, net	-	-	-	(29,044)
Foreign currency differences	-	-	-	(178)
Other financial expenses	-	-	-	(7,030)
Profit before taxation for the period	-	-	-	41,340
Taxation charge for the period	-	-	-	(10,301)
Profit after taxation for the period	-	-	-	31,039
Investment properties	2,459,742	254,408	(180,162)¹	2,533,988
Additions to investment properties	7,960	11,311	(186)	19,085

¹ Our 75% share of investment property held in a joint venture

Reportable segments For the period ended 30 September 2020	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	118,345	-	(7,518)	110,827
Service charge income	38,380	-	(1,426)	36,954
Net property expenses	(50,199)	-	2,657	(47,542)
Net rental income	106,526	-	(6,287)	100,239
Net result on disposals	(1,400)	-	-	(1,400)
Costs connected with developments	-	(663)	-	(663)
Revaluation of investment properties	(91,903)	-	6,463	(85,440)
Depreciation, amortisation and impairments	(2,641)	-	(6)	(2,647)
Administrative expenses	(7,875)	(139)	(5,738)	(13,752)
Share of profit of equity-accounted investment in joint ventures	-	-	(373)	(373)
Net operating profit/(loss)	2,707	(802)	(5,941)	(4,036)
Interest expense, net	-	-	-	(28,332)
Foreign currency differences	-	-	-	1,215
Other financial expenses	-	-	-	(9,438)
Profit/(loss) before taxation for the period	-	-	-	(40,591)
Taxation credit/(charge) for the period	-	-	-	(14,501)
Profit/(loss) after taxation for the period	-	-	-	(55,092)
Investment properties	2,546,076	268,776	(176,278)¹	2,638,574
Additions to investment properties	8,892	8,685	(2,598)	14,979

¹ Our 75% share of investment property held in a joint venture

The corresponding reporting is based on the internal reporting to the Board of Directors, as the chief operating decision-maker ('CoDM'), which was adjusted in 2021 and reflects the change with regard to the relevance of Segments Assets, Segment liabilities and results below operating profit / (loss) from a corporate management perspective. The corresponding prior-year

figures have been adjusted to reflect the relevant reporting results. The Board of Directors as chief decision-makers of the Group monitor the contribution made by the segments to the company's performance on the basis of the segment operating profit/(loss). Total Asset and liabilities items are not reported separately to the CoDM.



2.16 TRANSACTIONS WITH RELATED PARTIES

PROPOSED ACQUISITION BY GAZIT-GLOBE

In August 2021 the Company's Board of Directors received a proposal from Gazit Globe to acquire the entire outstanding equity of Atrium that is not already owned directly or indirectly by Gazit or its affiliates for a consideration of €3.35 per share. An independent committee of the Board of Directors of the Company was formed to consider the Proposal (the "Independent Committee"), solely comprising directors who are independent of Gazit-Globe.

In October 2021, the Independent Committee and the Board of Directors of Gazit Hercules 2020 Limited, an indirect wholly-owned subsidiary of Gazit-Globe ("Newco"), announced that they had signed a definitive merger agreement for a recommended cash acquisition of the Company by Newco ("Merger") of the entire issued and to be issued ordinary share capital of Atrium that is not already owned directly or indirectly by Gazit-Globe or its affiliates for cash at a price of €3.63 per Atrium share (the "Offer Price").

In addition to the increase of the Offer Price, the Independent Committee has also negotiated that Atrium shareholders are entitled to receive the pro-rata AFFO generated between the date of the last dividend payment and completion of the Merger. All of Atrium's shareholders will be eligible for both the Offer Price and the AFFO.

Full details of the Merger, including terms and conditions to the implementation of the Merger, will be set out in a shareholder circular which is expected to be published by the Company in November 2021.

OTHER RELATED PARTY TRANSACTIONS

During the reporting period, Gazit-Globe directly or indirectly purchased a total of 20,353,191 additional ordinary shares and elected to receive 8,417,611 shares as Scrip dividend, together accounting for 7.2% of the entire issued share capital of Atrium. Consequently, on the date of this report Gazit-Globe directly or indirectly holds a total of 299,743,869 ordinary shares in Atrium, comprising 74.89% of the issued and outstanding shares and voting rights in Atrium.

In January 2021, the Group issued 21,003 shares to its directors, Andrew Wignall (7,001 shares), Neil Flanzraich (7,001 shares) and Lucy Lilley (7,001 shares) as part of their annual remuneration.

In March 2021 the Group issued 2,889 shares to its directors Andrew Wignall (856 shares), Neil Flanzraich (856 shares), Lucy Lilley (856 shares) and David Fox (321 shares) as Scrip dividend on allocated shares.

In March 2021 the Group issued 87,851 matching shares in relation to the 2018 annual Employee Share Participation Plan to Group Executive Management and other Key Employees.

Also in March 2021, the Group issued 180,162 shares in relation to the 2020 annual bonus to Group Executive Management and other Key Employees who acquired these shares in accordance with the annual recurring Employee Share Participation Plan.

In March 2021 Group Executive Management elected 1,564 shares as Scrip dividend.

In April 2021, the Group issued 17,712 and 7,195 shares to its Group CEO and Group CFO, respectively, in accordance with their annual remuneration.

In June 2021 the Group issued 2,582 shares to its directors, Andrew Wignall (765 shares), Neil Flanzraich (765 shares), Lucy Lilley (765 shares) and David Fox (287 shares) as Scrip dividend on allocated shares.

In June 2021 Group Executive Management elected 5,751 shares as Scrip dividend.

In July 2021, the Group issued 22,473 shares to its directors, Andrew Wignall (7,491 shares), Neil Flanzraich (7,491 shares) and Lucy Lilley (7,491 shares) as part of their annual remuneration.

Mr Zvi Heifetz was nominated to the Board of Directors with effect from July 2021, as an independent non-executive director.

In September 2021, the Group issued 8,012 shares to its Group Managing Director of Retail, in accordance with his annual remuneration.

Also in September 2021 Group Executive Management elected 17,788 shares as Scrip dividend.

In recognition of the significant increase in services provided and time devoted to Atrium by each member of the Independent Committee in relation to the proposed Merger, Atrium's board of directors have approved, in accordance with Atrium's articles of association, that each member of the Independent Committee will receive, in addition to his/her current fees, a one time transaction-related fee in an amount equal to €50,000 per person together with standard meeting attendance fee.

2.17 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, although as at 30 September 2021, Atrium was not a party in any material proceedings.

Based on current knowledge and management assessment in conjunction with its advisors 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 €3.3 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. Additional uncertainty is triggered by the worldwide tax landscape changes, including potential landmark tax reform aimed at introduction of a global minimum tax. Depending on the scope of the corresponding changes implemented in the countries where the Group operates, they may have impact on Group's tax position in the next years.

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.

Certain subsidiaries within the Atrium Group are, or have been, like other companies operating in the real estate 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.

2.18 EVENTS AFTER THE PERIOD

In October 2021, the Independent Committee and the Board of Directors of Newco announced that they had signed a definitive merger agreement for a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Atrium that is not already owned directly or indirectly by Gazit-Globe or its affiliates for cash at a price of €3.63 per Atrium share (the "Offer Price"), including a payment in the amount of €3.03 per share in cash (the "Cash Offer Price") and €0.60 per share by way of a cash dividend paid by the Company as a capital repayment (the "Special Dividend").

In addition to the increase of the Offer Price, the Independent Committee has also negotiated that Atrium shareholders are entitled to receive the pro-rata AFFO generated between the date of the last dividend payment and completion of the Merger. All of Atrium's shareholders will be eligible for both the Offer Price and the AFFO.

All employees and directors outstanding (vested and unvested) entitlements to shares that are based on share schemes and share based remunerations, vest in full upon the completion of the Merger.

The Merger is subject to shareholders approval and other terms and conditions. Full details of the Merger will be set out in a shareholder circular which is expected to be published by the Company in November 2021.



INDEPENDENT REVIEW REPORT TO ATRIUM EUROPEAN REAL ESTATE LIMITED

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OUR CONCLUSION

We have reviewed Atrium European Real Estate Limited's condensed consolidated interim financial statements (the "interim financial statements") in the interim financial report of Atrium European Real Estate Limited for the 9-month period ended 30 September 2021. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

WHAT WE HAVE REVIEWED

The interim financial statements comprise

- the condensed consolidated statement of financial position as at 30 September 2021;
- the condensed consolidated statement of profit or loss for the period then ended;
- the condensed consolidated statement of other comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

As disclosed in note 2.2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is the Companies (Jersey) Law 1991 and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

The interim financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility is to express a conclusion on the interim financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the terms of our engagement and for no other purpose. We do not, in giving this conclusion, 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.

WHAT A REVIEW OF INTERIM FINANCIAL STATEMENTS INVOLVES

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers CI LLP

Chartered Accountants

Jersey, Channel Islands

15 November 2021

- 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 auditors accept 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.



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