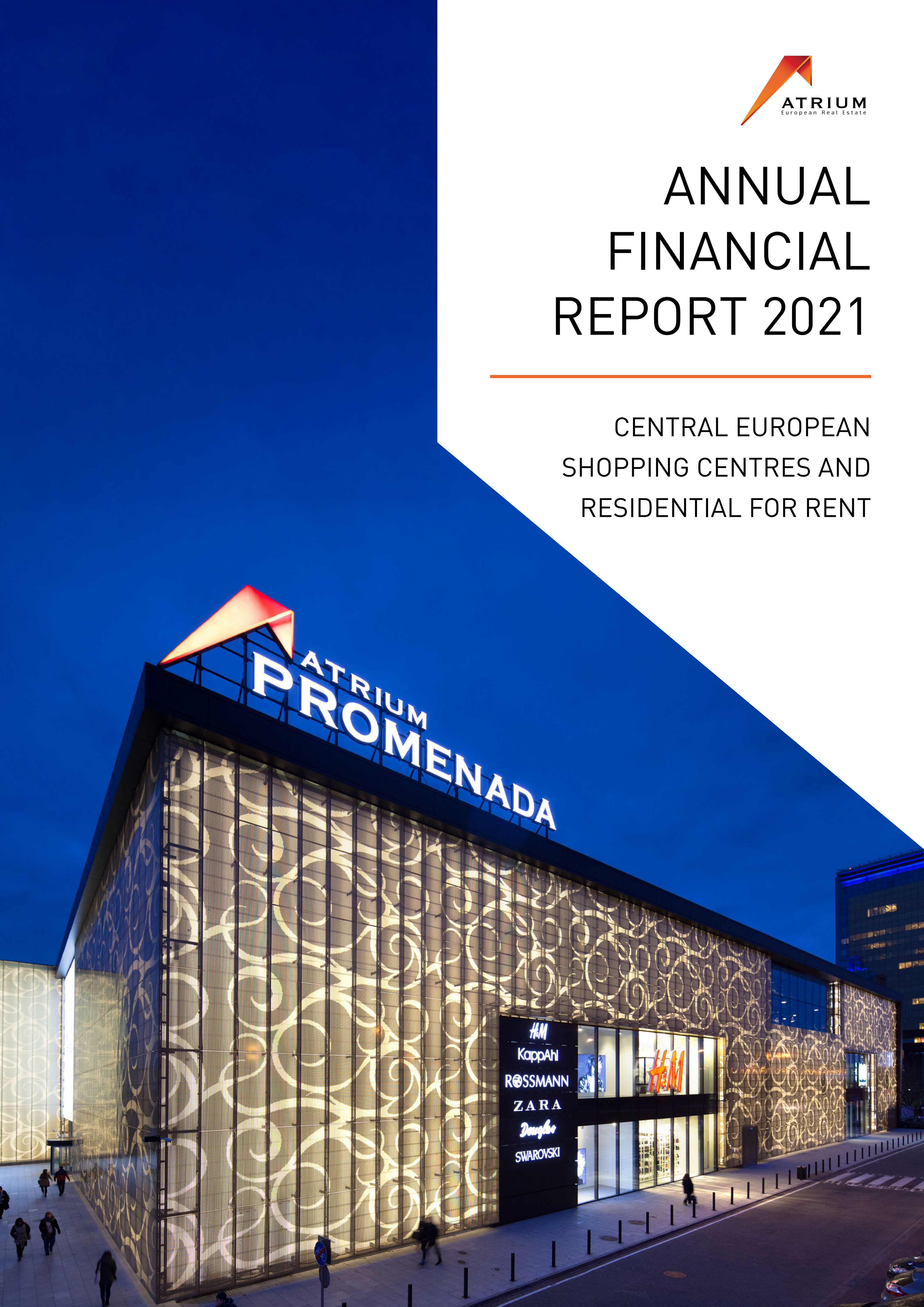
ATRIUM
European Real Estate

ANNUAL FINANCIAL REPORT 2021

CENTRAL EUROPEAN
SHOPPING CENTRES AND
RESIDENTIAL FOR RENT



ABOUT ATRIUM

Atrium is a owner, operator and redeveloper of shopping centres and residential for rent properties in Central Europe. Atrium specialises in dominant food, fashion and entertainment, anchored shopping centres in prime urban locations, with a focus on Warsaw and Prague. Organic growth within the shopping centre portfolio is driven by pro-active, hands-on asset management, upholding the Company's "retail is detail" approach.

In 2021 Atrium made progress in the execution of its residential for rent strategy by acquiring its first residential building in Krakow that has around 100 units and securing around 550 units in Warsaw for €53 million in aggregate. In addition Atrium broke ground in November 2021 on a development of 200 units adjacent to its flagship Atrium Promenada centre in Warsaw.

Atrium is incorporated in Jersey, Channel Islands, and had a dual listing on the Vienna and Euronext Amsterdam Stock Exchanges under the ticker ATRS. On 18 February 2022 Atrium was de-listed from the Vienna and Euronext Stock Exchanges.

OUR PROFILE

Atrium owns 26[1] retail properties with a total gross lettable area of around 809,000[1] sqm and with a total market value of approximately €2.5 billion[1]. 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, as part of 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 in Poland. The strategy targets a portfolio of more than 5,000 apartments by 2025. Atrium has secured around 650 units through acquisitions and broke ground on a development of its first 200 units.

MERGER WITH GAZIT HERCULES 2020 LIMITED ("NEWCO")

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 was 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 ("Newco"), an indirect wholly-owned subsidiary of Gazit-Globe, announced that they had reached an agreement on the terms and conditions for a recommended cash acquisition (the "Acquisition"). The Acquisition was implemented by means of a statutory merger ("Merger") between the Company and Newco. The Independent Committee unanimously recommended to vote in favour of the Merger at the Merger Extraordinary General Meeting.

On 23 December 2021 the Merger was approved by minority shareholders at an Extraordinary General Meeting,

On 18 February 2022 the completion and the effectiveness of the Merger with Newco and Reduction of Capital was registered.

For full details of the Merger and relevant ad hoc announcements please see the Company's website.

OUR FOCUS FOR 2022

- Proactively address the impact of COVID-19 on our operating assets.
- 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.
- Progress the asset improvement and extension programme.
- Implement our commitment to Environmental, Social and Governance (ESG) performance.

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

KEY PERFORMANCE INDICATORS

KEY FIGURES OF THE GROUP	Unit	2021	2020	Change %/ppt
OPERATIONAL FIGURES				
Cash net rental income - excl. straight line	€'000	129,311	115,879	11.6%
Net rental income	€'000	135,809	138,878	(2.2%)
EPRA like-for-like net rental income - excl. straight line	€'000	108,113	94,276	14.7%
EPRA like-for-like net rental income	€'000	112,995	113,280	(0.3%)
Operating margin	%	95.0	89.9	5.1%
EBITDA[1]	€'000	116,565	118,793	(1.9%)
Company adjusted EPRA earnings	€'000	57,750	74,265	(22.2%)
EPRA Costs ratio (including direct vacancy costs)	%	20.7	25.2	(4.5%)
FINANCIAL FIGURES				
Profit (loss) after taxation for the year	€'000	87,115	(142,420)	
Cash and cash equivalents[2]	€'000	500,375	55,221	806.1%
Net cash generated from operating activities	€'000	69,853	45,984	51.9%
Total assets	€'000	3,392,798	2,872,602	18.1%
Equity	€'000	1,923,048	1,545,900	24.4%
Borrowings	€'000	1,232,389	1,104,857	11.5%
LTV (net)[2]	%	26.1	38.6	(12.5%)
PORTFOLIO FIGURES				
Number of standing investment assets	Number	26	26	
Standing investments at fair value	€'000	2,523,443	2,450,661	3.0%
EPRA Net Initial Yield	%	6.1	6.2	(0.1%)
Occupancy rate[3]	%	93.9	92.3	1.6%
Redevelopments at fair value	€'000	93,863	87,825	6.9%
Land at fair value	€'000	150,520	160,427	(6.2%)
Revaluation of standing investments	€'000	49,021	(188,690)	
Revaluation of redevelopments and land	€'000	2,733	(18,994)	

1 Excluding revaluation, disposals, impairments, corporate fees and other costs.
2 As of 23 February 2022 the cash and cash equivalvents position is €240 million and the LTV (net) is 35.6%
3 The above Occupancy rate is defined as 100% less EPRA vacancy

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

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Our Markets

	Poland				Czech				Western Europe				Russia			
	2020	2021 (Previous)	2021 (Current)	2022 F	2020	2021 (Previous)	2021 (Current)	2022 F	2020	2021 (Previous)	2021 (Current)	2022 F	2020	2021 (Previous)	2021 (Current)	2022 F
GDP growth	(2.5%)	4.8%	5.7%	5.5%	(5.8%)	3.2%	3.3%	4.4%	(6.4%)	3.8%	5.3%	4.0%	(2.7%)	3.8%	4.5%	2.8%
Retail spend growth	(1.0%)	4.1%	4.2%	3.0%	(3.0%)	3.5%	1.5%	2.2%	(5.8%)	2.7%	6.0%	3.7%	(3.3%)	7.8%	4.2%	2.7%
Unemployment	6.2%	6.1%	5.5%	5.5%	4.0%	3.9%	3.7%	3.5%	5.2%	7.1%	7.9%	7.5%	5.9%	5.0%	4.3%	4.1%
Inflation	3.7%	4.2%	5.2%	6.8%	3.3%	2.7%	3.3%	5.8%	0.3%	1.4%	2.6%	3.5%	3.4%	3.0%	8.4%	4.8%

Nearly two years from the start of the pandemic, our markets rebounded from the depths of 2020 and are now forecasted to post considerable GDP growth. Emerging Europe rebounded from a 1.8% decline in 2020 to an expected growth of 6.5% and 3.5% in 2021 and 2022, respectively. The EU during the same period rebounded from a 5.9% GDP decline in 2020 to expected growth rates of 5.3% and 4.0% in 2021 and 2022, respectively.

Although the global economy is recovering, the pandemic has yet to wane with unsteady developments as COVID-19 re-surges through new variants. Vaccine take-up rates[2] have increased in the regions in which we operate, with Czech Republic leading with nearly 65% of the population fully vaccinated and 37% having received the booster dose as of the end of January 2022. The numbers in Poland (58% / 29%) and Russia (49% / 8%) lag behind. In comparison, the EU has fully vaccinated 72% of its population and 47% received the booster dose.

Despite the positive outlook for Emerging Europe, there are risks, such as new COVID-19 variants leading to the reintroduction of restrictions that will impact the economy – as we experienced in both 2020 and 2021. Rising inflation and labour shortages are also impacting the local economies in which we operate, not to mention the recent conflict between Russia and Ukraine. Rising inflation reflects pandemic-related supply-demand mismatches and higher commodity prices compared to their 2020 low base.

Poland

The Polish economy rebounded in the first half of 2021, with GDP gradually returning to pre-pandemic levels, driven by the increased confidence of businesses and consumers as the local Polish government gradually eased COVID-19 restrictions. Although supply disruptions and soaring commodity prices created difficulties for industries of various sectors in the second half of the year, consumer spending and labour market upticks bolstered the local economic activity, with GDP growing 5.7% in 2021.

Economic growth is expected to remain strong in 2022, with GDP forecasted to grow above 5.5%, mainly driven by consumer spending and private investment by local firms aiming to expand capacity. Rising energy prices and labour costs will continue to pressure inflation which is expected to accelerate to 6.8% in 2022, yet likely to regress in 2023.

There are nearly 550 retail and shopping centres in Poland, totalling 12 million sqm GLA. During the first nine months of 2021, approximately 140,000 sqm of GLA in new retail space was developed, including 15 new retail schemes and four expansion projects. There are currently around 250,000 sqm under construction, exceeding 2020 developments by 8% comparable to 2019 levels. The continued expansion in retail facilities is supported by the forecasted growth in retail sales in the coming years. According to Oxford Economics, retail sales are projected to grow by around 5% per annum until 2023, placing Poland in the forefront of European countries.

2 As of 14 February 2022

Retail facilities were closed for certain periods at the beginning of 2021. However, restrictions were eased and they were allowed to operate, footfall gradually increased and in September 2021 had almost returned to pre-pandemic levels seen in September 2019. Turnover levels have been relatively stronger when compared to drops in footfall for the entire pandemic period, as clients visiting shopping centres tend to be more focused on shopping than before the pandemic.

Residential for rent - Poland

The popularity of the residential sector continues to increase. In the first nine months of 2021, the purchases were estimated to amount over €600 million. As most of the residential transactions are forward-purchase types, these are not counted in the invested total thus far as they are still in the development pipeline.

During Q3 2021, sales of apartments in Warsaw – the primary residential market in Poland – significantly declined compared to past quarters, with just over 4,000 flats sold. Encouragingly, the decline was predominantly due to lack of supply, with just 11,500 units at the end of September 2021, an insufficient amount to supply the next three quarters at current levels of demand. The imbalance has led to an almost 11% year-on-year increase to the average offer price for flats to PLN 12,325 per sqm.

There are, however, headwinds that are currently affecting the market: an increase in inflation, construction materials supply chain issues, construction costs pressures, interest rate increases and the ability of developers to launch new projects.

Czech Republic

Although the Czech economy started recovering since the pandemic outbreak in 2020, supply-chain disruptions limited GDP growth to 3.3% in 2021. Economic activity is forecasted to accelerate in the first half of 2022, with GDP growth for the year reaching 4.4%, driven by both domestic and foreign demand, as well as public investments. Inflation is projected to rise further and peak at 5.8% in 2022, due to rising energy prices, supply-side bottlenecks and robust demand, but to slow thereafter.

The retail market in the Czech Republic is approaching maturity and is currently served by nearly 2.5 million sqm of shopping centre GLA, with one shopping centre of 14,500 sqm of GLA expected to open in the coming months.

The restrictions on shopping and retail centres operations during the first half of the year impacted footfall and tenant sales. In the first nine months of the year, footfall and tenant sales were 70% and 75% of pre-pandemic 2019 levels. Oxford Economics increased the forecast of the annual retail sales growth for 2021 to 4.5% year on year.

Russia

Despite a low vaccination rate, GDP in Russia surpassed its pre-pandemic level, growing 4.5% in 2021. Public transfers, rising real wages and spending accumulated savings drove private consumption up. For 2022 and beyond, household purchasing power is expected to be negatively affected by inflationary pressures, dampening the outlook for consumption. Imports are projected to grow moderately, as purchasing power is likely to be impacted by elevated inflation - forecasted to reach 8.4% in 2021 before receding to 4.8% in 2022 - and investment are set to grow slowly, reflecting long-standing weaknesses in the business climate, including the current tensions with Ukraine. Financial markets are currently on the back foot with Russia, which should lead to a Ruble depreciation over the course of the year. Russia is currently forecasted to grow close to 2.8% in 2022.

Sources: CBRE, European Commission, IMF, Statista, Oxford Economics

OPERATIONAL AND FINANCIAL PERFORMANCE

While 2021 results still heavly reflect the impact of the pandemic, all of the Group's Shopping Centres are open as of the date of this report and improvement has been made in operational and financial results during the year.

In Poland, the Czech Republic and Slovakia - 2021 commenced with severe restrictions and regional lockdowns. During the second quarter of the year all our Shopping centres were allowed to open, delivering positive results for the reminder of the year. Footfall and sales started to increase gradually and by September 2021, almost reached the pre-pandemic levels at 81% and 92%, respectively. In Russia all our Centres were open since July 2020.

Group NRI decreased by €3.1 million to €135.8 million in 2021 as the first-half of the year continued to be significantly impacted by the pandemic. **However, excluding the effect of straight lining and disposals in both periods Group NRI in 2021 was €15.4 million higher, showing 13% growth. This is attributable to the recovery that followed the reopening of our shopping centres during Q2 2021.**

In our key markets of Poland and the Czech Republic, the Group produced €94.3 million of cash NRI (excluding straight line), 10% increase compared to the prior year. This was largely driven by the encouraging recovery seen after lockdowns with a reduction in post pandemic discounts and lower credit risk on collections from tenants. In Russia, NRI excluding the effect of straight lining, increased by €5.2 million or 22.9% compared to 2020 as no lockdowns were imposed since July 2020.

Group like-for-like NRI decreased by 0.3%. Excluding the impact of accounting for straight-line, **Group like-for-like NRI increased by 14.7% in 2021.**

The Group operating margin returned to pre-covid levels and ended the year at 95.0% (2020: 89.9%).

Year-on-year EBITDA decreased by 1.9% to €116.6 million in 2021, mainly due to the decrease in NRI from lockdowns. EBITDA margin remains stable at 86%.

Company adjusted EPRA earnings decreased by 22% due to the impact of COVID-19 and hybrid interest costs.

The value of our standing investments increased in 2021 by 3.0%, with a €49.0 million valuation gain (2020: €188.7 million valuation loss), reflecting improved market conditions seen on income and collections.

The positive recovery helped generate a €87.1 million profit after tax during the period, compared to a loss of €142.4 million for 2020. The main impact on the net profit between the years was fair value adjustments to our Investment properties.

Net cash generated from operating activities was €69.9 million compared to €46.0 million for the prior year. The increase directly relates to the cash NRI uplift of €15.4 million in addition to improved debt collection following the completion of negotiations with tenants on COVID-19 support programs.

The Group's occupancy rate continues to recover, with an uplift of 110 bps to 93.9% as of 31 December 2021.

The balance sheet had a net LTV of 26.1%, as well as overall liquidity of over €800 million consisting of cash and cash equivalent of €500.4 million (2020: €55.2 million) and an unutilised revolving credit facility of €300 million as at 31 December 2021 (2020: €214 million). Following the distribution of the special dividend, Q4 AFFO and Pro Rata AFFO dividends, the Group's cash position decreased to €240 million and net LTV increased to 35.6%.

RESIDENTIAL FOR RENT

During the second half of 2021 and after the reporting period Atrium made progress in the execution of its residential for rent strategy by acquiring its first 100 units in Krakow and securing around 550 units in Warsaw for €53 million in aggregate. The apartments are expected to be fully operational in 2022-2023 after completing the appropriate fit-outs. In addition the Company secured permitting and broke ground in November on 200 units adjacent to its flagship Atrium Promenada centre in Warsaw. The acquisitions form part of the Group'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. 1,500 in our acquisition pipeline across Poland's major cities.

GREEN FINANCING AND ESG

In the first half of 2021, €650 million was raised under Atrium's Green Finance Framework to refinance existing debt and finance assets that are BREEAM certified. Currently over 70% of our portfolio value is BREEAM In-use "Very Good" or higher certified, which equals the amount of approximately €1.8 billion. The Group aims to have all currently owned assets and future acquisitions to be BREEAM In-Use 'Excellent' certified by 2030.

In 2021, our focus remained on managing the implications and impact of the pandemic. To reduce transmission and protect employees' and customers' health and safety.

During 2020 and 2021, the Group accelerated its commitment to enhance its ESG performance. This included initiatives such as performing a new materiality assessment, updating our ESG governance and developing a clear roadmap that outlines our ambitions moving forward. This roadmap was published in July 2021 in an extended ESG report and comprises reducing our carbon footprint, increasing green building certifications and rolling out tenant, community and employee engagement programmes, amongst other actions. This report is available on the Company's website.

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

Standing investments	No. of properties	Gross lettable area	Market value		Revaluation	Change	Cap rates[1]
	2021	2021	2021	2020	2021		2021
Country		in thousand sqm	€ million	€ million	€ million	%	%
Warsaw	5	179	978	941	23.6	2.5%	5.4%
Other Poland	10	254	650	642	2.4	0.4%	6.9%
Poland	**15**	**432**	**1,628**	**1,583**	**26.1**	**1.6%**	**6.0%**
Prague[2]	2	69	416	409	5.0	1.2%	6.3%
Other Czech Republic	1	21	102	102	(0.0)	0.0%	6.8%
Czech Republic	**3**	**90**	**518**	**511**	**5.0**	**1.0%**	**6.3%**
Slovakia	1	47	118	119	(1.3)	(1.1%)	7.3%
Total CE	**19**	**570**	**2,264**	**2,213**	**29.7**	**1.3%**	**6.2%**
Russia	7	239	259	238	19.3	8.1%	12.6%
Total	**26**	**809**	**2,523**	**2,451**	**49.0**	**2.0%**	**6.8%**

1 Exit Capitalisation Rate

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

The €49.0 million valuation gain results mainly from lower incentives to tenants, indexation and RUB appreciation in Russia (9% over 2021).

EPRA net initial yield and EPRA "topped up" NIY decreased by 10-20 bps to 6.1% and 6.4% respectively.

OCCUPANCY

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

	Occupancy rate		GLA Occupancy	
Country	2021	2020	2021	2020
Poland	93.8%	92.5%	93.7%	93.0%
Czech Republic	92.1%	92.9%	90.7%	90.9%
Slovakia	98.4%	99.2%	99.0%	99.5%
Russia	94.6%	89.4%	94.4%	91.7%
Total	**93.9%**	**92.3%**	**93.9%**	**92.8%**

As lockdowns and most restrictions ended during the second half of 2021 shopping centres returned to more normal operations, which is reflected in a 110bps improvement in GLA occupancy (2021: 93.9% vs 2020: 92.8%). Although lower than the 97% seen in 2019, Atrium's occupancy at 93.9% remains solid and is gradually improving, despite the unprecedented challenges the Group faced, reflecting Atrium's efforts to support its tenants.

LEASING ACTIVITY

In 2021 Atrium's asset management and leasing concentrated on pro-active response to the extended COVID-19 pandemic ensuring all shopping centres continued to operate within regional restrictions. Similar to prior year, this situation required a significantly higher level of work intensity that resulted in higher leasing activity than in a typical year. 1,958 leases were signed or agreed during the year, including COVID-19 driven legislation amendments (2020: 2,080 leases), of which 776 (2020: 1,001) were for previously occupied premises, 230 (2020: 93) were for vacant or newly restructured units and 952 were COVID-19 legislation amendments (2020: 986).

The 1,958 signed agreements represented approximately €56.0 million of annualised rental income at an average rent of €16.3 per sqm per month at passing rent which was just 1.8% below previous passing income demonstrating resilience of our portfolio. Take up of vacant space confirmed the quick tenant recovery and strong positioning of our shopping centres, with new brands showing interest in taking up retail space. New amendments to leases signed in 2021 were mainly to provide tenants with short term support that does not extend beyond 2021.

Leasing activity[1]	Unit	2021
Previously occupied (comparable units)		
Number of leases	Number	776
GLA leased	Sqm	216,810
New contracted monthly rental income per sqm	€	16.6
Prior contracted monthly rental income per sqm	€	16.3
Previously vacant/restructured units		
Number of leases	Number	230
GLA leased	Sqm	39,893
New contracted monthly rental income per sqm	€	12.9
Total New Leases		
Number of leases	Number	1,006
GLA leased	Sqm	256,702
New contracted monthly rental income per sqm	€	15.8

1 Excluding COVID-19 legislation amendments

LEASE EXPIRIES

The weighted average lease length ('WALT') across the portfolio at the end of 2021 was 5.0 years (2020: 5.1 years). The Group made significant process in maintaining a stable WALT throughout the pandemic, which reflects the flexible approach adopted to ensure both tenant mix and occupancy remained balanced. This is critical to driving centre performance and a full recovery after the pandemic.

Across the portfolio 30.4% of lease agreements have a remaining contract term of more than five years (2020: 31.3%). 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 2021. Additionally, the lease maturities between 2022 and 2026 are well spread, providing the Group with a high degree of visibility regarding likely future cash flows over the coming years.

Lease expiry schedule	% of ARI	Number of terminating lease agreements	Area in expiring agreements (in sqm '000)
2022	14.7%	580	90
2023	15.5%	358	90
2024	14.6%	347	67
2025	11.7%	259	59
2026	13.1%	268	93
> 2027	13.2%	225	125
Indefinite	17.2%	227	200
Total	**100%**	**2,264**	**724**

Lease agreements of the Group are 89.0% denominated in Euros (GRI basis), limiting the exposure to local currency fluctuations. Of the remainder, 3.5% is denominated in Polish Zlotys, 2.9% is denominated in Czech Korunas, 4.4% in Rouble and 0.2% in other currencies.

RENTAL INCOME

The Group's Standing investment properties produced €143.0 million of GRI during the period, a 7.5% or €11.5 million decrease compared to the same period last year.

In our key markets Poland and the Czech Republic GRI decreased by €9.4 million to €106.2 million (2020: €115.6 million) most notably due to the impacts of COVID-19 and the straight line amortisation of lease concessions granted in 2020. Excluding the impact of accounting straight line and disposals, cash GRI increased by €4.4 million (+2.2%) for our key markets.

In Russia, GRI decreased by €1.8 million, where the accounting straight line was the main contributor to the decrease. The cash GRI of Russia increased by almost €3.0 million (+11.7%), with limited restrictions and no lockdowns imposed during 2021.

In Poland the government imposed mandatory rent relief to tenants in 2021 which amounted to €10.8 million (2020: €13.1 million). The Group also granted €14.2 million in the form of cash basis discounts (2020: €26.9 million).

Group NRI was €135.8 million for the year, down 2.2% or -€3.1 million due to:

- +15.4 million higher cash NRI, mainly driven by lower rent reliefs and lease concession to tenants;
- -€16.5 million accounting straight-line effect; and
- -€2.0 million disposal of non-core assets.

GROSS RENTAL INCOME

	Number of properties		2021		2020	Change		Change excluding straight-line
	2021	2020	€'000	% of GRI	€'000	€'000	%	%
Poland	15	15	79,499	55.6%	86,795	(7,296)	(8.4%)	4.2%
Czech Republic[1]	3	3	26,679	18.6%	28,768	(2,089)	(7.3%)	(3.4%)
Subtotal	**18**	**18**	**106,178**	**74.2%**	**115,563**	**(9,385)**	**(8.1%)**	**2.2%**
Slovakia	1	1	7,961	5.6%	8,210	(249)	(3.0%)	(2.3%)
Russia	7	7	28,870	20.2%	30,750	(1,880)	(6.1%)	11.7%
Total gross rental income	**26**	**26**	**143,009**	**100.0%**	**154,523**	**(11,514)**	**(7.5%)**	**3.8%**

1 Including investment in Joint ventures (75%)

NET RENTAL INCOME

	Number of properties		2021		2020	Change		Change excluding straight-line
	2021	2020	€'000	% of NRI	€'000	€'000	%	%
Poland	15	15	73,605	54.2%	77,040	(3,435)	(4.5%)	11.1%
Czech Republic[1]	3	3	26,072	19.2%	25,696	376	1.5%	6.8%
Subtotal	**18**	**18**	**99,677**	**73.4%**	**102,736**	**(3,059)**	**(3.0%)**	**9.9%**
Slovakia	1	1	7,744	5.7%	8,115	(371)	(4.6%)	(4.0%)
Russia	7	7	28,388	20.9%	28,027	361	1.3%	22.9%
Total net rental income	**26**	**26**	**135,809**	**100.0%**	**138,878**	**(3,069)**	**(2.2%)**	**11.6%**

1 Including investment in Joint ventures (75%)

OPERATING MARGIN

Country	2021 in %	2020 in %	Change in %
Poland	92.6%	88.8%	3.8%
Czech Republic[1]	97.7%	89.3%	8.4%
Slovakia	97.3%	98.8%	(1.5%)
Russia	98.3%	91.1%	7.2%
Total operating margin	**95.0%**	**89.9%**	**5.1%**

1 Including Investment in Joint Ventures (75%)

Atrium's operating margin increased by 5.1% to 95% over the year (31 December 2020: 89.9%) due to lower losses on government imposed service charge reliefs in Poland during 2021 and improved collections related to 2020 credit losses.

Turnover rent was 5.2% of total GRI in 2021 (2020: 2.4%) which with the positive trends seen after the lockdowns translated into approximately €2.9 million of additional revenue in 2021.

EPRA LIKE-FOR-LIKE GROSS RENTAL INCOME

	2021		2020	Change		Change excluding straight-line
Country	€'000	% Total	€'000	€'000	%	%
Poland	62,359	43.6%	66,607	(4,248)	(6.4%)	7.3%
Czech Republic	17,548	12.3%	18,719	(1,171)	(6.3%)	(1.6%)
Subtotal	**79,907**	**55.9%**	**85,326**	**(5,419)**	**(6.4%)**	**5.2%**
Slovakia	7,961	5.6%	8,210	(249)	(3.0%)	(2.3%)
Russia	28,870	20.2%	30,393	(1,523)	(5.0%)	13.3%
Like-for-like gross rental income	**116,738**	**81.7%**	**123,929**	**(7,191)**	**(5.8%)**	**6.6%**
Remaining gross rental income	26,271	18.3%	30,142	(3,871)	(12.8%)	-
Exchange rate effect[1]	-	-	452	(452)	(100.0%)	-
Total gross rental income	**143,009**	**100.0%**	**154,523**	**(11,514)**	**(7.5%)**	**3.8%**

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

EPRA LIKE-FOR-LIKE NET RENTAL INCOME

	2021		2020	Change		Change excluding straight-line
Country	€'000	% Total	€'000	€'000	%	%
Poland	59,355	43.7%	59,716	(361)	(0.6%)	16.4%
Czech Republic	17,508	12.9%	17,345	163	0.9%	6.7%
Subtotal	**76,863**	**56.6%**	**77,061**	**(198)**	**(0.3%)**	**14.0%**
Slovakia	7,744	5.7%	8,115	(371)	(4.6%)	(4.0%)
Russia	28,388	20.9%	28,104	284	1.0%	22.5%
Like-for-like net rental income	**112,995**	**83.2%**	**113,280**	**(285)**	**(0.3%)**	**14.7%**
Remaining net rental income	22,815	16.8%	25,842	(3,027)	(11.7%)	-
Exchange rate effect[1]	-	-	(244)	-	-	-
Total net rental income	**135,810**	**100.0%**	**138,878**	**(3,068)**	**(2.2%)**	**11.6%**

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

Throughout the Group in 2021, like-for-like GRI and NRI were again significantly impacted by COVID-19, although in Poland the decrease in like-for-like NRI was marginal at 0.6%.

Without the effect of accounting straight-line, **like-for-like NRI growth for Poland and the entire group was at 16.4% and 14.7%,** respectively. This demonstrates the encouraging recovery made in 2021 and showcases how our operations are both improving and better placed than in 2020, despite still being considerably impacted by COVID-19.

COVID-19 UPDATE

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.

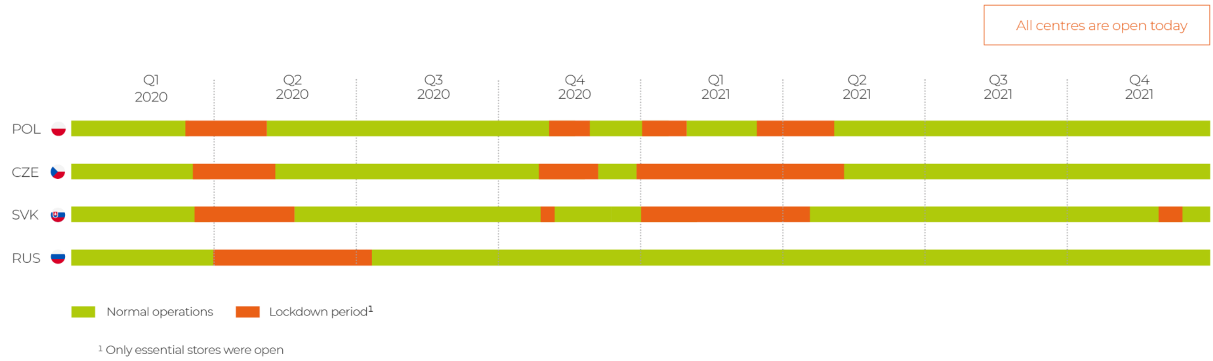
Having been lifted and then reinstated at the end of 2020, restrictions were in place again for the first quarter of 2021 in most of the Group's shopping centres. The exception being Russia where our assets have been open and operational since mid July 2020.

No additional lockdowns were imposed after May 2021, with the exception of Slovakia where a full lockdown took place from 25 November 2021 to 9 December 2021.

During 2021 our centres were closed for about 2.1 months of the year, other than for the sale of necessities (2020: 2.9 months). Vaccination roll-outs commenced in our countries of operation at the end of 2020 with the benefits becoming most notable during the second half of 2021 as lockdowns eased and businesses returned to the "new normal".

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 average Q3 2021 tenant sales and footfall reaching 92% and 81% respectively of 2019 levels.

During October and November 2021 the spread of Omicron variant together with the introduction of restrictions on unvaccinated customers in Russia, Czech Republic and Slovakia resulted in a decrease in footfall and sales. Nevertheless, Cash NRI in Q4 2021 alone was higher by €11.4 million compared to Q4 2020.



The Group has been engaged in close relationship with its tenants, supporting them to weather the impact of restrictions. The collection rate for 2021 invoices is at 97%[3] and for Q4 2021 at 95%[3]. The uncollected amount is partially covered by bank guarantees and deposits.

3 As of 18 February 2022

OTHER EVENTS IN 2021 AND AFTER

MERGER WITH GAZIT HERCULES 2020 LIMITED ("NEWCO")

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 ("Newco"), an indirect wholly-owned subsidiary of Gazit-Globe, announced that they had reached agreement on the terms and conditions for a recommended cash acquisition (the "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").

The Acquisition was implemented by means of a statutory merger ("Merger") between the Company and Newco under Part 18B of the Companies (Jersey) Law 1991. Post-completion of the Merger, Atrium will continue as the surviving entity, wholly-owned by Gazit.

The Independent Committee unanimously recommended to vote in favour of the Merger at the Merger Extraordinary General Meeting.

In addition to the increase of the Offer Price, Atrium shareholders were entitled to receive the Q4 AFFO (which is estimated to approximate adjusted EPRA earnings less recurring capex). All shareholders with the exception of Gazit-Globe were also eligable to the Pro-Rata AFFO generated between 1 January 2022 and 18 February 2022.

Full details of the Merger are contained in the shareholder circular issued on 23 November 2021, available on the Company's website.

On 23 December 2021 at the Extraordinary General Meeting held in connection with the Merger:

- the requisite majority of Atrium Shareholders voted in favour of the Merger; and
- the requisite majority of minority Atrium Shareholders (excluding Gazit and its affiliates) voted in favour of the Merger as required under the terms of the Merger Implementation Agreement between the Company and Newco dated 17 October 2021.

On 1 February 2022, the Company held an extraordinary general meeting (the "Reduction of Capital EGM") and approved certain ancillary resolutions in connection with the Merger, including the proposed reduction of the issued share capital of Atrium for the ordinary shares of no par value by €305,377,886 to occur at Closing and the payment of the Q4 AFFO and Pro Rata AFFO Dividends from 1 January 2022 to the Closing of the Merger.

On 18 February 2022 the completion and the effectiveness of the Merger and Reduction of Capital was registered. Atrium's delisting from the Amsterdam Stock Exchange and the Vienna Stock Exchange took place on the same day.

The Company incurred advisory transaction costs related to the Acquisition in the approximate amount of €8.0 million in 2021 and other costs related to acceleration of share base payment plans to Directors and employees of €3.4 million.

FINANCING ACTIVITIES

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. 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'[4]).

4 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

DIVIDENDS UNTIL 30 SEPTEMBER 2021

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 was 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 shares).

Q4 DIVIDEND AND SPECIAL DIVIDEND

On 4 February 2022 the Special Dividend of €0.60 per share, representing a total amount of €240.3 million was paid.

On 8 February 2022 the Q4 AFFO dividend of €0.036 per share which amounted to €14.4 million was paid.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid.

AWARDS

In 2021 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.

In 2021 Atrium retained its EPRA Gold award for the financial reporting, in line with the EPRA Best Practices Recommendations that facilitate the comparability of listed property companies. Atrium also received the gold medal in the EPRA Sustainability Best Practices Recommendations for the 3rd year running.

In May 2021 Atrium, became a member of the Polish Green Building Council (PLGBC).

Having voluntarily participated in the Global Real Estate Sustainability Benchmark (GRESB) for the sixth year, we are delighted to have achieved a 5 Green Star Award (2020: 3 Green stars).

STRATEGIC AND OPERATIONAL RISK FACTORS

COVID-19

Considerable uncertainty still surrounds the COVID-19 pandemic and its potential effects, as well as the extent and effectiveness of any responses taken on a national and local level together with the roll out of vaccinations. The impact of the COVID-19 pandemic on the Group's markets and the global economy still remains uncertain despite the economic downturn already experienced.

Since March 2020, government-imposed trading restrictions were regularly introduced in the Group's areas of operations to curb the spread of the COVID-19 virus. During the restriction periods only grocery stores/supermarkets, pharmacies/drugstores and other necessity services were allowed to operate. Since May 2021 all our shopping centres were open for trading, albeit with certain limitations and COVID-19 related safely regulations. The only exception is Slovakia where a lockdown was announced between 26 November and 10 December. It is evident that governments have already substantially responded to the COVID-19 pandemic and have through vaccination verification methods, developed strategies to allow society to continue in a more normalised way whilst preventing the spread of the virus.

COVID-19 has changed the global economic outlook for 2021 and 2022 and this will inevitably impact the Group's business. There is no doubt that additional restrictions will bring further commercial and financial challenges in 2022. Irrespective of the easing of the strict lockdown measures in the Group's regions, there is a risk that some governments which have reduced strict lockdown measures impose new or stricter temporary measures and regulations or prolong imposed quarantines and other government measures and regulations. The increase in e-commerce fuelled by COVID-19 may continue and previous consumer shopping habits may be permanently affected as a result of the pandemic.

Quarantines, vaccination efforts, states of emergencies and other government measures and regulations taken in response to the evolving COVID-19 situation within the Group's operational jurisdictions may negatively impact the business, cause a decrease in value of the Group's assets, financial condition, access to debt capital markets/loans, the ability to further execute the Group's asset rotation strategy, to expand Group's investment strategy into the residential for rent asset class, the result of operations and prospects of the Group.

The Group mitigated the risk by establishing an action plan with the main objective to conserve cash and extend its debt maturity. See Operating activities chapter under COVID-19 update.

FAIR VALUE OF PROPERTIES

The fair value of the Group's Investment properties is inherently uncertain due to the individual nature of each property and the characteristics of the local, regional and national real estate markets. The fair value is influenced by several factors, in particular the continuing spread of the COVID-19 pandemic and the related government-imposed trading restrictions in response to the pandemic could have a negative impact on the fair value of the Group's Investment properties. Consequently, less certainty and a higher degree of caution, should be attached to the valuation than would normally be the case.

DEVELOPMENT RISK

Since 2015, Atrium has focused on the redevelopment and extension of the Group's existing properties. The Group has a €0.5 billion pipeline of scheduled redevelopment projects, although these planned investments have been postponed from 2020 to 2022/2023 as part of the Group's action plan for strengthening its liquidity as a contingency against the impact of COVID-19 on its operations. The Group has also embarked on developments in growing its residential for rent portfolio.

The construction and redevelopment of properties is subject to a risk of defective construction, corrective or other works and associated adverse publicity, cost overruns, commercial related risks (lack of demand for new or redeveloped space or tenants wanting to step-out of projects), delays in construction work or other unforeseen delays and planning, permitting, zoning, procedural and compliance risks. Any claim brought against the Group, and the surrounding negative publicity concerning the quality of its properties or projects, irrespective of whether the claim is successful, or an inability to complete the construction of a project on schedule or on budget, could have a material adverse effect on how its business, properties and projects are perceived by target tenants. This could negatively affect the Group's ability to market and lease its properties in the future.

Due to COVID-19, global supply chain disruptions stretching from basic materials through to manufacturing and transportation could affect Atrium's development pipeline.

The Group has commissioned the construction of some of the properties that it owns. As the owner and developer, the Group is liable for possible defects found in such properties as well as other direct or indirect damage relating to such properties. Potential damage related to construction and consequent liabilities may affect the profitability of the Group's business and lower the fair value of affected properties owned by the Group. The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition, prospects, results of operations and net profits.

E-COMMERCE

The Group has a majority of food and fashion anchored shopping centres and retail properties that meet the everyday needs of consumers. This makes the Group vulnerable to changes in trends in the behaviour of consumers. The retail industry continues to transform as online retail grows and consumers increasingly use online shopping. In particular the continuing spread of the COVID-19 pandemic has pushed more consumers to shift their shopping habits online.

The growth of online sales may affect consumers' behaviour, demand for commercial retail premises, decrease in footfall and may also lead to higher investment needs and higher pressure on margins. Shopping centres are constantly adapting their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers.

An increase in online retail may lead to a decrease in footfall and tenant's sales, demand for commercial retail premises and the occupancy rate of the Group, which could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group aims to adapt its operations to the effects of increasing online retail by focusing on prime urban locations, in growing demographics which are more resilient to internet penetration. However, there can be no certainty as to the successful implementation of the strategy nor that the strategy will work which could result in lower cash flows and valuations.

RISK RELATED TO EMERGING AND DEVELOPING MARKETS

The Group operates in emerging and developing markets in CE 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. Recent conflict between Russia and Ukraine could lead to further sanctions and jeopardize the recovery of the CEE economy.

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

CYBER 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 partially 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

The Group faces competition from other owners, operators and developers of retail real estate. One of the primary areas of focus for the Group is the active management of its Standing Investments through optimising its tenant mix and ensuring asset attractiveness is achieved and improved by finding the right balance between retaining existing tenants and re-letting rental space to new tenants. The Group competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Other than the requirements for capital, there are few other barriers to entry to the property market.

The dominance of a shopping centre in a particular area is an important factor that determines the shopping centre's ability to compete for tenants. Increased competition is a higher risk in small cities. The Group remains focused on prime dominant shopping centres in capital cities.

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 real estate portfolio of the Group may be disproportionately impacted by events or market developments occurring in specific regions of the portfolio or by developments that affect 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 favourable labour market and strong GDP growth.

RESIDENTIAL FOR RENT STRATEGY

On 10 December 2019, following a strategic review, Atrium announced a change in its strategy for future investments, with a focus on, amongst other things, densification of core retail assets and diversification into other classes of real estate, including residential for rent. On 25 February 2020, the Directors endorsed the outcome of the aforementioned strategic review. Following the implementation of the strategic review, Atrium will invest in a new asset class, residential for rent, which might expose Atrium to new and additional industry and other risks to which it is currently not subject and are currently not known to Atrium and may be identified during the implementation phase. The change of strategy as a result of the implementation of the strategic review or the strategy not being properly implemented could have a material adverse effect on the Group's business, financial condition, 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 2.38 on Risk Management included in the consolidated financial statements.

STOCK EXCHANGE AND SHARE PRICE INFORMATION

In 2021 Atrium was dually listed on the Vienna Stock Exchange and Euronext Amsterdam ("Euronext").

On 18 February 2022 the completion and the effectiveness of the Merger with Newco and Reduction of Capital was registered. Atrium's delisting from the Euronext and the Vienna Stock Exchange took place on the same day.

ISIN:JE00B3DCF752
Bloomberg tickers:
VIENNA: ATRS AV
EURONEXT: ATRS NA

Reuters tickers
VIENNA: ATRS.VI
EURONEXT: ATRS.AS

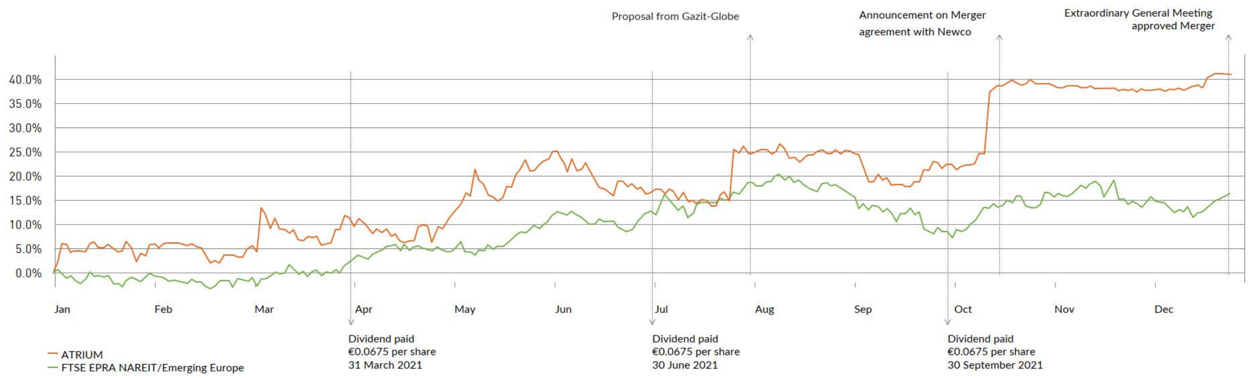
Total Return in 2021

Over 2021, Atrium's shareholder return was as follows:

VIENNA STOCK EXCHANGE

Closing price 2020	€ 2.51
Closing price 2021	€ 3.60
Movement in the share price	€ 1.09
Share return	43.4%
Dividend for year 2021	€ 0.24
Dividend return	9.5%
Total return per share invested on 31 December 2020	€1.33 or 53%
FTSE EPRA/NAREIT Emerging Europe price return	23.7%

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



1 Vienna Stock Exchange

Outstanding shares as at 31 December 2021	400,507,737
Market capitalisation as at 31 December 2021	€1,442 Million
2021 lowest closing share price	€2.60 quoted on 4 January 2021
2021 highest closing share price	€3.61 quoted on 28 December 2021

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 was 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 shares).

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

Period	End of election Period	Dividend Payment date	exchange ratio[1]	% of Election shareholders	Number of shares issued	Dividend in Cash (million)
Q1 2021	26/03/2021	31/03/2021	39.7932	46%	4,560,813	14.1
Q2 2021	25/06/2021	30/06/2021	44.5114	49%	4,393,648	13.5
Q3 2021	27/09/2021	30/09/2021	45.2848	3%	225,883	26.3

1 The number of new shares allotted to Shareholders that elect to receive the Scrip Dividend will be one new share for every certain amount of shares held by the electing Shareholder with a 2% discount on the share price.

On 4 February 2022 Atrium shareholders received the Special Dividend of €0.60 per share, representing a total amount of €240.3 million.

On 8 February 2022 the Q4 AFFO of €0.036 per share (Q4 2020: €0.0675), which amounted to €14.4 million was paid as capital repayment to Atrium shareholders.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid as capital repayment to Atrium shareholders, with the exception of Gazit-Globe .

MAJOR SHAREHOLDERS

To the best of the management's knowledge, as at 31 December 2021, the only shareholders of Atrium that held more than 5% of the Company's shares, is Gazit-Globe which held 74.89% (31 December 2020: 69.31%). On 18 February 2022 the Merger was effective and Gazit-Globe became an indirect sole shareholder of Atrium.

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 2021 €'000	31 December 2020 €'000
Earnings attributed to equity holders of the parent company	**87,115**	**(142,420)**
Changes in value of investment properties	(47,873)	208,840
Net result on disposals of investment properties	600	2,472
Amortisation of intangible assets	1,925	1,692
Deferred tax in respect of EPRA adjustments	(7,957)	(30,503)
Changes in fair value of financial instruments, debt and associated close-out costs	3,401	6,347
Joint venture interest in respect of the above adjustments	(3,881)	2,814
EPRA Earnings	**33,330**	**49,242**
Weighted average number of shares	396,970,182	381,012,716
EPRA Earnings per share (in €cents)	**8.4**	**12.9**

Company adjustments[1]		
Foreign exchange differences	(735)	(1,292)
Deferred tax not related to revaluations	21,162	26,315
Hybrid interest	(9,380)	-
Corporate costs and business restructuring[2]	13,373	-
Company adjusted EPRA earnings	**57,750**	**74,265**
Company adjusted EPRA earnings per share (in €cents)	**14.5**	**19.5**

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

2 Corporate costs mainly include advisory transaction costs related to the Merger with Newco in the approximate amount of €8.0 million and other costs related to acceleration of share base payment plans to Directors and employees of €3.4 million.

B. EPRA NET ASSET MEASUREMENTS

EPRA Net Reinstatement Value ('NRV'), EPRA Net Tangible Assets ('NTA') and EPRA Net Disposal Value ('NDV') are disclosed below:

B. EPRA Net Asset Value	31 December 2021			31 December 2020		
	EPRA NRV	EPRA NTA[1]	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
	€'000			€'000		
Equity per the financial statements	**1,923,048**	**1,923,048**	**1,923,048**	**1,545,900**	**1,545,900**	**1,545,900**
Effect of exercise of options	-	-	-	10,924	10,924	10,924
Fair value of financial instruments	11,847	11,847	-	22,722	22,722	-
Deferred tax	103,376	103,376	-	85,203	85,203	-
Other intangible assets	-	(7,135)	-	-	(8,940)	-
Fair value of fixed interest rate debt	-	-	(29,257)	-	-	(19,533)
Hybrid instrument	(340,858)	(340,858)	(340,858)	-	-	-
Purchasers' costs	8,858	-	-	9,399	-	-
EPRA benchmark	**1,706,271**	**1,690,278**	**1,552,933**	**1,674,148**	**1,655,809**	**1,537,291**
Number of outstanding shares and options		400,507,737			394,369,915	
Diluted net assets per share	**4.26**	**4.22**	**3.88**	**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 31/12/2021 and 31/12/2020.

C. EPRA NIY AND "TOPPED UP" NIY

C. EPRA NIY and "topped up" NIY	31 December 2021 €'000	31 December 2020 €'000
Investment property – wholly owned	2,584,451	2,518,937
Investment in Joint Venture (75%)	183,375	179,976
Less redevelopments and land	(244,383)	(248,252)
Completed property portfolio	**2,523,443**	**2,450,661**
Allowance for estimated purchasers' costs	37,852	39,711
Gross up completed property portfolio valuation (B)	**2,561,295**	**2,490,372**
Annualised cash passing rental income	164,680	161,793
Property outgoings	(8,979)	(6,758)
Annualised net rents (A)	**155,702**	**155,035**
Add: notional rent expiration of rent free periods or other lease incentives	8,798	7,780
Topped-up net annualised rent (C)	**164,500**	**162,815**
EPRA NIY A/B	**6.1%**	**6.2%**
EPRA "topped up" NIY C/B	**6.4%**	**6.5%**

D. EPRA VACANCY RATE

D. EPRA vacancy rate	31 December 2021 €'000	31 December 2020 €'000
Estimated rental value of vacant space	9,517	12,302
Estimated rental value of the whole portfolio	155,308	158,744
EPRA vacancy rate	**6.1%**	**7.7%**

E. EPRA COST RATIO

E. EPRA Cost Ratio	31 December 2021 €'000	31 December 2020 €'000
Administrative expenses	31,471	19,029
Exclude non-recurring cost[1]	(13,373)	-
Depreciation and amortisation	3,641	3,449
Costs connected with development	668	856
Net property expenses net of service charge income	6,630	13,912
Share of Joint Venture's expenses	568	1,733
EPRA Costs (including direct vacancy costs) (A)	**29,605**	**38,979**
Direct vacancy cost	(4,064)	(3,847)
EPRA Costs (excluding direct vacancy costs) (B)	**25,541**	**35,132**
Share of Joint Venture's income	9,129	10,121
Gross rental income	133,880	144,402
Total income (C)	**143,009**	**154,523**
EPRA Costs ratio (including direct vacancy costs) (A/C)	**20.7%**	**25.2%**
EPRA Costs ratio (excluding direct vacancy costs) (B/C)	**17.9%**	**22.7%**

1 Mainly include advisory transaction costs related to the Merger with Newco in the approximate amount of €8.0 million and other costs related to acceleration of share base payment plans to Directors and employees of €3.4 million.

F. EPRA CAPITAL EXPENDITURES

F. EPRA Capital Expenditures	31 December 2021			31 December 2020		
	Group	Joint Ventures	Total Group	Group	Joint Ventures	Total Group
Acquistions	-	-	-	-	-	-
Development	**17,000**	-	**17,000**	**12,701**	-	**12,701**
Investment Properties:	**13,109**	**483**	**13,592**	**9,211**	**2,639**	**11,850**
Incremental lettable space	-	-	-	-	-	-
No incremental lettable space	10,898	322	11,220	5,547	2,639	8,186
Tenant incentives	2,129	-	2,129	3,569	-	3,569
Other material non-allocated types of expenditure	82	161	243	95	-	95
Total Capex	**30,109**	**483**	**30,592**	**21,912**	**2,639**	**24,551**
Conversion from accrual to cash basis	(2,954)	(142)	(3,096)	2,695	(103)	2,592
Total Capex on cash basis	**27,155**	**341**	**27,496**	**24,607**	**2,536**	**27,143**

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

OREN HOD
Director

ZVI HEIFETZ
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.

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ANNUAL FINANCIAL STATEMENTS


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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 2021.

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 shopping centres and residential for rent properties in Central Europe. The Group operates mainly in Poland, the Czech Republic, Slovakia and Russia.

RESULTS

The results for the year ended 31 December 2021 are shown in the consolidated statement of profit or loss on page 33.

DIVIDENDS UNTIL 30 SEPTEMBER 2021

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 shares[5]).

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

Period	End of election Period	Dividend Payment date	exchange ratio[1]	% of Election shareholders	Number of shares issued	Dividend in Cash (million)
Q1 2021	26/03/2021	31/03/2021	39.79	46%	4,560,813	14.1
Q2 2021	25/06/2021	30/06/2021	44.51	49%	4,393,648	13.5
Q3 2021	27/09/2021	30/09/2021	45.28	3%	225,883	26.3

1 The number of new shares allotted to Shareholders that elect to receive the Scrip Dividend will be one new share for every certain amount of shares held by the electing Shareholder. The exchange ratio includes a 2% discount on the share price.

Q4 DIVIDEND AND SPECIAL DIVIDEND

In October 2021, the Independent Committee and Newco had reached an agreement on the terms and conditions for the Acquisition 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"). The Special Dividend in the amount of €240.3 million was paid on 4 February 2022 - ***See note 2.4.***

On 8 February 2022 the Q4 AFFO of €0.036 per share (Q4 2020: €cents 0.0675) , which amounted to €14.4 million was paid as capital repayment to Atrium shareholders.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid as capital repayment to Atrium shareholders, with the exception of Gazit-Globe .

DIRECTORS

Atrium's Directors who served as of the date of approving these financial statements are listed on page 25.

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 2021, 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

5 For further information regarding the Special Dividend and AFFO refer to note 2.4- Merger with Gazit Hercules 2020 Limited (Newco)

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 the keeping of 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

23 February 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021		31 December 2020	
		€'000	€'000	€'000	€'000
ASSETS					
Standing investments	2.6	2,340,068		2,270,685	
Redevelopments and land	2.7	244,383		248,252	
Property and equipment		679		1,183	
Intangible assets	2.8	7,135		8,940	
Equity-accounted investment in joint ventures	2.9	192,773		186,313	
Deferred tax assets	2.18	1,482		2,931	
Financial assets at amortised cost	2.10	19,760		20,177	
Other long term assets	2.11	36,689		35,185	
Non-current assets			**2,842,969**		**2,773,666**
Receivables from tenants	2.12	19,472		22,034	
Other receivables	2.13	20,321		12,758	
Financial assets at amortised cost	2.10	558		416	
Financial assets at FVOCI	2.14	9,103		8,507	
Cash and cash equivalents		500,375		55,221	
Current assets			**549,829**		**98,936**
TOTAL ASSETS			**3,392,798**		**2,872,602**
EQUITY AND LIABILITIES					
Stated capital	2.15	1,885,713		1,944,947	
Capital reserves	2.15	(23,169)		(31,578)	
Retained deficit		(207,249)		(294,364)	
Currency translation reserve		(73,105)		(73,105)	
Hybrid bonds reserve	2.15	340,858		-	
Equity			**1,923,048**		**1,545,900**
Long term borrowings	2.16	1,073,897		1,015,321	
Derivatives	2.17	11,847		22,722	
Deferred tax liabilities	2.18	90,334		77,129	
Long term liabilities from leases	2.19	41,820		41,333	
Other long term liabilities	2.20	13,339		10,842	
Non-current liabilities			**1,231,237**		**1,167,347**
Trade and other payables	2.21	35,582		27,170	
Accrued expenditure	2.22	39,837		33,932	
Short term borrowings	2.16	158,492		89,536	
Income tax payable		1,486		4,386	
Provisions	2.23	3,116		4,331	
Current liabilities			**238,513**		**159,355**
TOTAL EQUITY AND LIABILITIES			**3,392,798**		**2,872,602**

The financial statements were approved and authorised for issue by the Board of Directors on 23 February 2022 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, and Liad Barzilai, Group Chief Executive Officer.

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

		2021		2020	
	Note	€'000	€'000	€'000	€'000
Gross rental income	2.24	133,880		144,402	
Service charge income	2.25	50,143		50,671	
Property expenses	2.26	(56,773)		(64,584)	
Net rental income			**127,250**		**130,489**
Revaluation of standing investments, net	2.6	45,140		(189,846)	
Revaluation of redevelopments and land, net	2.7	2,733		(18,994)	
Depreciation, amortisation and impairments		(3,641)		(3,449)	
Administrative expenses	2.27	(31,471)		(19,029)	
Share of profit of equity-accounted investment in joint ventures	2.9	12,323		5,375	
Net result on disposals	2.28	(600)		(2,472)	
Costs connected with developments		(668)		(856)	
Net operating profit/(loss)			**151,066**		**(98,782)**
Interest expense, net	2.29	(39,024)		(36,527)	
Foreign currency differences		735		1,292	
Other financial expense, net	2.30	(8,363)		(10,814)	
Profit/(loss) before taxation			**104,414**		**(144,831)**
(Charge)/benefit for the year	2.31	(17,299)		2,411	
Profit/(loss) for the year			**87,115**		**(142,420)**
Basic and diluted earnings (loss) per share in €cents attributable to shareholders	2.32		19.6		(37.3)

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

	2021		2020	
	€'000	€'000	€'000	€'000
Profit/(loss) for the year	**87,115**		**(142,420)**	
Items that will not be reclassified to the statement of profit or loss:				
Movement in financial assets at FVOCI reserve	550		(5,352)	
Items that are or may be reclassified to the statement of profit or loss:				
Movements in hedging reserves (net of deferred tax)	9,424		(4,342)	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the year	-		3,395	
Total comprehensive (expense)/income for the year		**97,089**		**(148,719)**

CONSOLIDATED CASH FLOW STATEMENT

	2021 €'000	2020 €'000
Cash flows from operating activities		
Profit/(loss) before taxation	104,414	(144,831)
Adjustments for:		
Revaluation of standing investments, net	(45,140)	189,846
Revaluation of redevelopments and land, net	(2,733)	18,994
Depreciation, amortisation and impairments	3,641	3,449
Dividends from listed equity securities, net	(264)	(285)
Other Income	(1,671)	(800)
Foreign exchange (profit)/loss, net	(735)	(1,292)
Change in legal provisions, net of amounts paid	(1,215)	(200)
Share based payment expenses	4,463	933
Share of profit of equity-accounted investments in joint ventures	(12,323)	(5,375)
Net result on disposals	600	2,472
Lease interest expense	3,250	3,333
Net loss from bonds buy back and early repayments of loans	3,401	6,347
Interest expense	40,000	37,167
Interest income	(976)	(640)
Operating cash flows before working capital changes	**94,712**	**109,118**
Decrease/(Increase) in trade other receivables and prepayments net	4,254	(16,924)
(Decrease)/Increase in trade other payables and accrued expenditure net	10,313	(7,146)
Cash generated from operations	**109,279**	**85,048**
Interest paid	(39,357)	(39,447)
Interest received	946	598
Dividends received (mainly dividends from Joint Ventures)	6,210	3,861
Corporate taxes paid, net	(7,225)	(4,076)
Net cash generated from operating activities	**69,853**	**45,984**
Cash flows from investing activities		
Payments related to investment properties and other assets	(38,090)	(25,597)
Proceeds from the disposal of investment properties	14,555	96,011
Repayment of loans provided	270	7,339
Loans provided to a third party	-	(28,027)
Net cash generated from/(used in) investing activities	**(23,265)**	**49,726**
Net cash flow before financing activities	**46,588**	**95,710**
Cash flows from financing activities		
Share buy back	-	(1,874)
Repayment of long term borrowings	(85,532)	(367,743)
Receipt of long term borrowings	292,200	191,572
Proceeds from Hybrid bonds issuance	340,858	-
Utilisation (repayment) of a revolving credit facility, net	(87,090)	84,987
Repayments of leases	(1,136)	(1,102)
Dividends paid[1]	(53,998)	(71,105)
Hybrid Bonds interest paid	(6,360)	-
Net cash generated from (used in) financing activities	**398,942**	**(165,265)**
Net increase/(decrease) in cash and cash equivalents	**445,530**	**(69,555)**
Cash and cash equivalents at the beginning of year	**55,221**	**126,851**
Effect of exchange rate fluctuations on cash held	(376)	(2,075)
Cash and cash equivalents at the end of year	**500,375**	**55,221**

1 For non-cash movement due to Scrip dividend issuance, see note 2.15

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	Equity attributable to the owners of the Company €'000	Hybrid bonds reserve €'000	Total Shareholders Equity €'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 year		-	-	-	-	87,115	-	87,115	-	87,115
Other comprehensive income		-	-	9,424	550	-	-	9,974	-	9,974
Total comprehensive income		**-**	**-**	**9,424**	**550**	**87,115**	**-**	**97,089**	**-**	**97,089**
Transaction with owners of the Company										
Share based payment	2.15	-	1,732	-	-	-	-	1,732	-	1,732
Issue of shares	2.15	1,124	(747)	-	-	-	-	377	-	377
Dividends distribution	2.15	(80,132)	-	-	-	-	-	(80,132)	-	(80,132)
Scrip dividend	2.15	26,134	-	-	-	-	-	26,134	-	26,134
Reclassification of a share based payment to a cash settlement	2.15	-	(2,550)	-	-	-	-	(2,550)	-	(2,550)
Net proceeds from Hybrid bonds issuance	2.15	-	-	-	-	-	-	-	340,858	340,858
Hybrid bonds interest distribution	2.15	(6,360)	-	-	-	-	-	(6,360)	-	(6,360)
Balance as at 31 December 2021		**1,885,713**	**-**	**(10,297)**	**(12,871)**	**(207,249)**	**(73,105)**	**1,582,191**	**340,858**	**1,923,048**

	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 2020		**2,016,603**	**1,303**	**(15,379)**	**(8,069)**	**(151,944)**	**(73,509)**	**(2,991)**	**1,766,014**
Profit for the year		-	-	-	-	(142,420)	-	-	(142,420)
Other comprehensive (expense)/income		-	-	(4,342)	(5,352)	-	404	2,991	(6,299)
Total comprehensive (expense)/income		**-**	**-**	**(4,342)**	**(5,352)**	**(142,420)**	**404**	**2,991**	**(148,719)**
Transaction with owners of the Company									
Share based payment	2.15	-	933	-	-	-	-	-	933
Share buy back	2.15	(1,924)	-	-	-	-	-	-	(1,924)
Issue of shares	2.15	1,306	(672)	-	-	-	-	-	634
Dividends distribution	2.15	(102,877)	-	-	-	-	-	-	(102,877)
Scrip dividend	2.15	31,839	-	-	-	-	-	-	31,839
Balance as at 31 December 2020		**1,944,947**	**1,564**	**(19,721)**	**(13,421)**	**(294,364)**	**(73,105)**	**-**	**1,545,900**

NOTES TO THE FINANCIAL STATEMENTS

2.1 REPORTING ENTITY

Atrium European Real Estate Limited ("Atrium" or the "Company") is a company incorporated and domiciled in Jersey, and whose shares were publicly traded until 18 February 2022 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. On 18 February 2022 the shares of the Company were de-listed, see Note 2.4.

The consolidated financial statements of Atrium as at and for the year ended 31 December 2021 comprise Atrium and its subsidiaries, collectively the "Group".

Atrium is an owner, operator and redeveloper of shopping centres and residential for rent properties in Central Europe. 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, except share and per share information.

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 financial statements of the Group.

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. 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 Annual Report.

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*** 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. These amendments should be applied for annual periods beginning on or after 1 January 2023. Earlier application is permitted.
- The IASB amended ***IAS 1 Presentation of Financial Statements*** requiring disclosing material rather than significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. Immaterial accounting policy information does not need to be disclosed. These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted.
- Amendments to ***IAS 8 Accounting policies, Changes in Accounting Estimates and Errors*** clarifies a distinction between changes in accounting policies and changes in accounting estimates. The amendments become effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- The IASB amended ***IAS 12 Income taxes*** require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. Deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities should be recognised at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:
  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of these adjustments should be recognised in retained earnings, or another component of equity. The amendments apply for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- The IASB issued several minor amendments to IFRS Standards. The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. All amendments are effective 1 January 2022.
- Amendments to ***IFRS 3 Business Combinations*** update a reference in ***IFRS 3*** to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to ***IAS 16 Property, Plant and Equipment*** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to ***IAS 37 Provisions, Contingent Liabilities and Contingent Assets*** specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to ***IFRS 1 First-time Adoption of International Financial Reporting Standards***, ***IFRS 9 Financial Instruments***, ***IAS 41 Agriculture*** and the Illustrative Examples accompanying ***IFRS 16 Leases***.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Board of 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. In 2021 there were no significant acquisitions.

- **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 majority of operating entities within the Group. The Group considered all primary and secondary indicators and, as the indicators varied, the judgement was taken that the Euro is acceptable as the functional currency as it 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 – investment property** is presented at fair value in the statement of financial position. The majority of 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 redevelopments and land fair value as Level 3 within the fair value hierarchy.
- **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.
- **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 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 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 2021:

Company name	Country	Ownership
ATRIUM HOLDING 1 LIMITED	Cyprus	100%
ATRIUM FINANCE LIMITED	Cyprus	100%
ATRIUM RESI LIMITED[2]	Cyprus	100%
ATRIUM RETAIL LIMITED[2]	Cyprus	100%
MD CE 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%
ATRIUM EUROPE B.V.	Netherlands	100%
ATRIUM GROUP SERVICES B.V.	Netherlands	100%
ATRIUM POLAND HOLDING B.V.	Netherlands	100%
ATRIUM POLAND HOLDING 1 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 1 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 2 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 5 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 6 B.V.	Netherlands	100%
ATRIUM TURKEY GOETZTEPE B.V.	Netherlands	100%
ATRIUM FINANCE B.V.	Netherlands	100%
ATRIUM FINANCE 2 B.V.	Netherlands	100%
ATRIUM FINANCE ISSUER B.V.	Netherlands	100%
ATRIUMAGROMEX DEVELOPMENT SP. Z O.O.	Poland	100%
ATRIUMBIAŁA SP. Z O.O.	Poland	100%
ATRIUM BYDGOSZCZ SP. Z O.O.	Poland	100%
ATRIUM COPERNICUS SP. Z O.O.	Poland	100%
ATRIUMDOMINIKANSKA SP. Z O.O.	Poland	100%
ATRIUM KALISZ SP. Z O.O.	Poland	100%
ATRIUM MOLO SP. Z O.O.	Poland	100%
ATRIUM MOSTY SP. Z O.O.[2]	Poland	100%
ATRIUM PLEJADA SP. Z O.O.	Poland	100%
ATRIUM PLOCK SP. Z O.O.[2]	Poland	100%
ATRIUM PROMENADA SP. Z O.O.	Poland	100%
ATRIUM REDUTA SP. Z O.O.	Poland	100%
ATRIUM RESIDENTIAL 1 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 2 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 3 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 4 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 5 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 6 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 7 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL 8 SP. Z O.O.[2]	Poland	100%
ATRIUM RETAIL 1 SP. Z O.O.[2]	Poland	100%
ATRIUM RESIDENTIAL OSTROBRAMSKA SP. Z O.O.[2]	Poland	100%
ATRIUMTARGÓWEK SP. Z O.O.	Poland	100%
ATRIUM GALERIA LUBLIN SP. Z O.O.	Poland	100%
ATRIUM JASTRZĘBIE SP. Z O.O.	Poland	100%
ATRIUM KING CROSS SP. Z O.O.[2]	Poland	100%
ATRIUM POLAND 1 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%

Company name	Country	Ownership
MANHATTAN DEVELOPMENT SP. Z O.O.	Poland	100%
MD POLAND II SP. Z O.O.	Poland	100%
PROJEKT ECHO-35 SP. Z O.O.	Poland	100%
SANDROCK INVESTMENTS SP. Z O.O.	Poland	100%
ATRIUM CHMIELNA SP. Z O.O.[2]	Poland	100%
PROPERTY DEVELOPMENT ONE SRL	Romania	100%
PROPERTY DEVELOPMENT TWO SRL	Romania	100%
OOO BUGRY	Russia	100%
OOO BUGRY 1[2]	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%
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 New companies in 2021

The majority of the Group's Investment properties are held directly by a Cypriot entity via holding in local entities.

During 2021 the Board of Directors approved a business restructuring which involved the closure of the Group's office in Amsterdam with relocation of certain functions to Cyprus and Poland.

FUNCTIONAL AND PRESENTATION CURRENCY

FOREIGN CURRENCY TRANSACTIONS

The Group’s consolidated financial statements are presented in Euro, which is also the 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 is 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 most of the 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's investment properties comprise completed properties ("standing investments") and properties under construction or re-development and land ("redevelopments 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 redevelopments 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 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 Savills and Cushman & Wakefield (C&W) during the year. The fair values of most of the redevelopments and land, as at 31 December 2021, were determined on the basis of independent external valuations received from Savills, C&W or CBRE.

Savills, C&W and CBRE are 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.

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 2.28.

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.

RIGHT-OF-USE ASSETS

Where the Group is subject to a lease as the lessee, it recognizes a right-of-use asset and a lease liability at the commencement 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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement 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.

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***. In the case IAS 16 is applied 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 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.

Right-of-use assets are subject to impairment testing under ***IAS 36.***

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 fair value through profit or loss ("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 or 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 the Board of Directors. 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 assets 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 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 Other Comprehensive Income 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 when 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 the expected 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 are 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 debtor, borrower or issuer;
- a breach of contract such as a default or when the receivables are past due;
- collection rate;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor or 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.

Scrip dividends are accounted for on the date of payment. The Group recognises the value of the announced dividend and scrip dividend issuance on a gross basis in equity movement.

Shares bought back are cancelled upon purchase and recognized as a reduction in stated capital.

Interest from perpetual debt is deducted from the stated capital, similar to discretionary dividends.

HYBRID 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 is recorded as an equity distribution when this payment becomes non-discretionary or when interest is paid in cash. Any principal repayments are recognised as changes in Hybrid reserve. This includes any gains or losses on any potential refinancing in the future which are recongnised directly in equity.

In regard to the Hybrid Notes issued in 2021, additional information is disclosed in note 2.15.

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 the Group.

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

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

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 expenses are accounted for using the effective interest method.

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

TAXATION

GENERAL

The Group is subject to income 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.

Interest on Hybrid Bonds is deducted from the basic earnings per share calculation.

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 is a leading owner and manager of high-quality retail and leisure shopping centres.

The retail operations are split into two reportable segments:

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

The segment 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. The CoDM represents the Board of Directors.

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 for €53 million in aggregate. In addition, the Group has secured permitting and broke ground in November 2021 on a development of 200 units adjacent to an asset in Poland. The residential operations are not qualified as a separate segment for the year 2021.

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 MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

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 ("Newco"), an indirect wholly-owned subsidiary of Gazit-Globe, announced that they had reached agreement on the terms and conditions for a recommended cash acquisition (the "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").

The Acquisition was implemented by means of a statutory merger ("Merger") between the Company and Newco under Part 18B of the Companies (Jersey) Law 1991. Post-completion of the Merger, Atrium will continue as the surviving entity, wholly-owned by Gazit.

The Independent Committee unanimously recommended to vote in favour of the Merger at the Merger Extraordinary General Meeting.

In addition to the increase of the Offer Price, Atrium shareholders were entitled to receive the Q4 AFFO (which is estimated to approximate adjusted EPRA earnings less recurring capex). All shareholders with the exception of Gazit-Globe were eligable to the Pro-Rata AFFO generated between 1 January 2022 and 18 February 2022.

Full details of the Merger are contained in the shareholder circular issued on 23 November 2021, available on the Company's website.

On 23 December 2021 at the Extraordinary General Meeting held in connection with the Merger:

- the requisite majority of Atrium Shareholders voted in favour of the Merger; and
- the requisite majority of minority Atrium Shareholders (excluding Gazit and its affiliates) voted in favour of the Merger as required under the terms of the Merger Implementation Agreement between the Company and Newco dated 17 October 2021.

On 1 February 2022, the Company held an extraordinary general meeting (the "Reduction of Capital EGM") and approved certain ancillary resolutions in connection with the Merger, including the proposed reduction of the issued share capital of Atrium for the ordinary shares of no par value by €305,377,886 to occur at Closing and the payment of the Q4 AFFO and Pro Rata AFFO Dividends from 1 January 2022 to the Closing of the Merger. The Special dividend was declared and approved by the Board.

On 4 February 2022 the Special Dividend of €0.60 per share, representing a total amount of €240.3 million was paid.

On 8 February 2022 the Q4 AFFO dividend of €0.036 per share which amounted to €14.4 million was paid.

On 18 February 2022 the completion and the effectiveness of the Merger and Reduction of Capital was registered. Atrium's delisting from the Amsterdam Stock Exchange and the Vienna Stock Exchange took place on the same day.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid.

2.5 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, with the exception of Slovakia where a full lockdown took place from 25 November 2021 to 9 December 2021.

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 average Q3 2021 tenant sales and footfall reaching 92% and 81% respectively of 2019 levels. During October and November 2021 the spread of Omicron variant together with the introduction of restrictions on unvaccinated customers in Russia, Czech Republic and Slovakia resulted in a decrease in footfall and sales. This has been stabilised with December sales and footfall peaked back to 90% and 74% respectively of 2019 levels.

LEASE CONCESSIONS

During 2021, the Group granted cash basis discounts of €13.0 million (2020: €25.9 million) and mandatory rent relief in Poland of €10.8 million (2020: €13.1 million).

The net impact of lease concessions after straight-lining reduced the Group's gross rental income by €17.8 million (2020: €16.7 million). For the outstanding straight-line assets refer to notes 2.11 and 2.12.

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 invoked on 30 September 2020 or later under certain conditions. The law came into force on 23 July 2021.

The Group accounted for the law changes by applying the lease modification guidance and shortening the period for the tenants who decided to use the New 15ze legislation. Average decrease in remaining lease was approximately 14 months. The new 15ze legislation also includes a roadmap for any future lockdowns. 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 2021 invoices is at 97%[6] and for Q4 2021 at 95%[6]. The uncollected amount is partially covered by bank guarantees and deposits.

The Group carried out a detailed review of its largest tenants accounting for 41% 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 net loss from doubtful debtors in 2021 (€0.2 million) was significantly lower than 2020 following the positive collection in 2021 which reversed part of the losses recorded in the prior year (2020 : €5.6 million)

LIQUIDITY AND BALANCE SHEET

As at 31 December 2021 the Group has a net LTV of 26.1%, €500.4 million cash, access to €300 million of unutilised credit facilities and 4.2 years until maturity of its debt on average. The cash balance as of 23 February 2022 following the Special Dividend and AFFO dividend payments is €240 million.

2.6 STANDING INVESTMENTS

The current portfolio of standing investments consists of 25 properties (2020: 25) which comprises 15 properties in Poland, 2 properties in the Czech Republic, 1 property in Slovakia, 7 properties in Russia. In addition, the Group has a Standing Investment property in Prague that is held in a joint venture (for details see note 2.9)

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

Standing investments	31 December 2021 €'000	31 December 2020 €'000
Balance as at 1 January	2,270,685	2,445,280
Additions - technical improvements extensions	13,109	9,211
Movement in leases	1,388	(185)
Transfers from redevelopments and land	9,746	2,251
Transfer to redevelopments and land	-	-
Revaluation of standing investments	45,140	(185,872)
Balance as at 31 December	**2,340,068**	**2,270,685**

The €45.1 million valuation gain results mainly from lower incentives to tenants, indexation and RUB appreciation in Russia (9% over 2021).

The total value of land leases was €38.6 million as at 31 December 2021 (31 December 2020: €38.9 million).

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

CAP RATES (WEIGHTED AVERAGE)

Standing investments	2021[1]	2020[2]
Poland	6.0%	6.1%
Czech Republic	6.2%	5.8%
Slovakia	7.3%	6.8%
Russia	12.6%	12.6%
Weighted average	**6.8%**	**6.8%**

1 Exit Capitalisation Rate
2 Net equivalent yield

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

FAIR VALUE OF COLLATERAL

Two assets have been provided as collateral against Atrium's two bank loans, see note 2.16. The analysis of assets pledged as collateral is as follows:

6 As of 18 February 2022

2021	Book value of bank loans €'000	No. of assets pledged as collateral	Fair value of collateral €'000
Collateralised bank loans	294,460	2	538,717
Total	**294,460**	**2**	**538,717**

2020	Book value of bank loans €'000	No. of assets pledged as collateral	Fair value of collateral €'000
Collateralised bank loans	298,070	2	526,690
Total	**298,070**	**2**	**526,690**

2.7 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €93.9 million (2020: €87.8 million) redevelopments and €150.5 million (2020: €160.4 million) land.

Redevelopments and land	31 December 2021 €'000	31 December 2020 €'000
Balance as at 1 January	248,252	266,093
Additions - cost of land and construction	17,000	12,701
Transfer to standing investments	(9,746)	(2,251)
Disposals	(13,856)	(9,297)
Revaluation of redevelopments and land	2,733	(18,994)
Balance as at 31 December	**244,383**	**248,252**

Valuation gain of €3.4 million derived from the Group's Land banks across Poland, Russia and Romania. This was offset by a devaluation in Turkey €0.7 million. The positive movement in the Group's redevelopments and Land results from market and FX changes.

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

In December 2021, the Group completed the sale of a land plot in Lublin, Poland for €10.1 million at approximately its fair value.

The total value of land leases was €6.8 million as at 31 December 2021 (31 December 2020: €7.2 million).

2.8 INTANGIBLE ASSETS

Intangible assets[1]	31 December 2021 €'000	31 December 2020 €'000
Cost	16,901	16,879
Accumulated amortisation	(9,766)	(7,939)
Net book amount	**7,135**	**8,940**

1 Intangible assets mainly consists of software and licenses

2.9 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 2021 and 2020	Investment in joint venture 31 December 2021 €'000	Investment in joint venture 31 December 2020 €'000
Pankrac Shopping Centre k.s	Czech Republic	75%	189,858	183,813
EKZ 11 k.s.	Czech Republic	75%	2,915	2,500
Total			**192,773**	**186,313**

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

	31 December 2021 €'000	31 December 2020 €'000
Standing investment	244,500	239,968
Other long term assets	1,262	926
Cash and cash equivalents	11,187	9,415
Other current assets	3,667	2,723
Non-current liabilities	(1,275)	(1,195)
Current liabilities	(2,310)	(3,420)
Net assets (100%)	**257,031**	**248,417**
Group share of net assets (75%)	**192,773**	**186,313**
Carrying amount of interest in joint ventures	**192,773**	**186,313**

	31 December 2021 €'000	31 December 2020 €'000
Net rental income	11,420	11,185
Other items mainly revaluation	5,010	(4,018)
Profit of the Joint Ventures (100%)	**16,430**	**7,167**
Share of profit of equity-accounted investment in joint ventures (75%)	**12,323**	**5,375**
Dividends received by the Group	**5,946**	**3,563**

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.

2.10 FINANCIAL ASSETS AT AMORTISED COST

Loans	31 December 2021 €'000	31 December 2020 €'000
Loans to third parties	20,318	20,593
Total	**20,318**	**20,593**
Amount due within 12 months (included under current assets)	558	416
Amount due after more than 12 months	19,760	20,177

The Group's financial assets at amortised cost pertains to a secured vendor loan granted to the purchaser of the portfolio of 5 assets in Poland which was completed in July 2020. The term of the loan is 4 years and the principal bears interest at 4.5% per annum in the first year, and 4.8% in subsequent years. The loan is measured at amortised cost which is not significantly different from its fair value.

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 mortgage as collateral and a pledge over ownership in exchange of the borrower's rights as a security for the performance of the obligations under the loan agreement. The value of collateral exceeds the outstanding amount of the loan.

2.11 OTHER LONG TERM ASSETS

Other assets	31 December 2021 €'000	31 December 2020 €'000
Long term advances	17,857	17,791
Straight line of lease incentives to tenants	17,413	14,798
Other	1,419	2,596
Total	**36,689**	**35,185**

The Group has notified to a third party partner in 2020 of its intention to exercise an option to acquire the controlling stake in a residential development project. The conversion of the option is delayed due to ongoing discussions with the third party. The outstanding amount of €17.9 million at 31 December 2021 (31 December 2020: €17.8 million) is presented as a long term advance.

Straight lining of lease incentives to tenants include the long term portion of discounts spread on the remaining lease term in accordance with IFRS 16. The short term portion is disclosed under note 2.12 receivable from tenants. Discounts mainly arise as a result of COVID-19 support to tenants (see note 2.5).

2.12 RECEIVABLES FROM TENANTS

Receivables from tenants 2021 Receivables aging:	Gross €'000	Allowances for impaired balances €'000	Net €'000	%
Due within term	4,397	(54)	4,343	49.6%
Overdue 0-30 days	1,269	(350)	919	10.5%
Overdue 31-90 days	2,029	(563)	1,466	16.7%
Overdue 91-180 days	1,379	(789)	590	6.7%
Overdue 181-360 days	3,340	(1,980)	1,360	15.5%
Overdue 361 days and more	5,189	(5,114)	75	0.9%
Sub-total	**17,603**	**(8,850)**	**8,753**	**100%**
Straight lining[1]	10,719	-	10,719	
Total	**28,322**	**(8,850)**	**19,472**	

1 See note 2.5

Receivables from tenants 2020 Receivables aging:	Gross €'000	Allowances for impaired balances €'000	Net €'000	%
Due within term	5,433	(154)	5,279	36.0%
Overdue 0-30 days	4,821	(529)	4,292	29.3%
Overdue 31-90 days	4,017	(940)	3,077	21.0%
Overdue 91-180 days	3,937	(2,488)	1,449	9.9%
Overdue 181-360 days	2,180	(1,677)	503	3.4%
Overdue 361 days and more	3,466	(3,404)	62	0.4%
Sub-total	**23,854**	**(9,192)**	**14,662**	**100%**
Straight lining[1]	7,372	-	7,372	
Total	**31,226**	**(9,192)**	**22,034**	

1 See note 2.5

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

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 2021 €'000	31 December 2020 €'000
At 1 January	**(9,192)**	**(5,299)**
Release	519	1,706
Addition net	(177)	(5,599)
At 31 December	**(8,850)**	**(9,192)**

2.13 OTHER RECEIVABLES

Other receivables	31 December 2021 €'000	31 December 2020 €'000
Prepayments	12,494	2,798
VAT receivables	4,596	3,491
Restricted cash in banks	342	386
Income tax receivable	302	306
Alternative minimum tax	55	2,339
Deferred purchase price on disposed assets	-	1,100
Others	2,532	2,338
Total	**20,321**	**12,758**

Increase in prepayments in 2021 mainly related to securing 650 residential units as of the balance sheet date.

2.14 FINANCIAL ASSETS AT FVOCI

The Group's financial assets at FVOCI as at 31 December 2021 and 31 December 2020, include investments 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 2021, financial assets at FVOCI amounted to: €9.1 million (2020: €8.5 million).

2.15 STATED CAPITAL AND RESERVES

STATED CAPITAL

As at 31 December 2021, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2021, the total number of ordinary shares issued was 400,507,737 (2020: 390,976,608 shares), of which 400,497,736 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 10,000 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 2021 were as follows:

- Issue of shares to satisfy the exercise of options and shares issued as part of the share participation plan €0.8 million (2020: 0.7 million);
- Issue of shares as part of the Group Executive Management's and directors' remuneration €0.3 million (2020: €0.6 million);
- Dividends declared in a total of €80.1 million (2020: €102.9 million) are offset with the Scrip dividend;
- Dividend payments of €54.0 million in cash and €26.1 million in new shares (2020: €70.8 million in cash and €32.1 million in new shares);
- Hybrid interest repayment of €6.4 million.

DIVIDENDS UNTIL 30 SEPTEMBER 2021

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 would have been 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 shares[1]).

The following table summarise the Scrip Divdend Alternative information for Q1,Q2 and Q3:

Period	End of election Period	Dividend Payment date	exchange ratio[1]	% of Election shareholders	Number of shares issued	Dividend in Cash (million)
Q1 2021	26/03/2021	31/03/2021	39.79	46%	4,560,813	14.1
Q2 2021	25/06/2021	30/06/2021	44.51	49%	4,393,648	13.5
Q3 2021	27/09/2021	30/09/2021	45.28	3%	225,883	26.3

1 The number of new shares allotted to Shareholders that elect to receive the Scrip Dividend will be one new share for every certain amount of shares held by the electing Shareholder. The exchange ratio includes a 2% discount on the share price.

Q4 DIVIDEND AND SPECIAL DIVIDEND

In October 2021, the Independent Committee and Newco had reached agreement on the terms and conditions of the Acquisition 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"). The Special Dividend in the amount of €240.3 million was paid on 4 February 2022 - *See note 2.4.*

On 8 February 2022 the Q4 AFFO of €0.036 per share (Q4 2020: €cents 0.0675) , which amounted to €14.4 million was paid as capital repayment to Atrium shareholders.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid as capital repayment to Atrium shareholders, with the exception of Gazit-Globe.

SHARE BASED PAYMENT RESERVE

As part of the Merger with Newco, outstanding options and awards under the Share based payment plans vested in full and were cash settled in conjunction with the Merger.

For the financial year ended 31 December 2021, the Group accelerated all deemed share base payment expenses to the Profit and Loss and classified the share base payment reserve to a cash liability settlements, in accordance with the Merger agreement.

ESOP 2013

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.

As the exercise price of options outstanding under the ESOP 2013 was higher than the Merger Price payable for each Merger Share under the terms of the Merger, no payment was made in respect of the cancellation of those options.

Key Employee Share Remuneration

The Compensation and Nominating Committee approved an annual remuneration plan to the Group CEO and Group CFO in March 2018 and to the Group Managing Director of Retail in August 2018. The plan entitled the participants to receive ordinary shares of the Company to the value of €60,000, €30,000 and €25,000 per annum, respectively. In 2021, 32,919 ordinary shares were issued (2020: 37,143 ordinary shares).

The right to receive these share allocations continued up to Closing of the Merger (pro-rated for any fraction of a semi-annual period), and then will continue in cash, instead of shares (post Closing).

ESPP

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 ("ESPP"). 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 2021 the Group issued 359,311 matching shares in relation to the 2018 ESPP. Also in March 2021, 483,452 rights of matching shares were granted to the participants in relation of 2020 annual bonus.

All awards outstanding under the ESPP on the closing date of the Merger automatically vested, in accordance with the rules of the ESPP, and were cancelled on Closing in consideration of a cash payment equal to the amount that a participant would have received if they had received the Atrium Shares due in respect of their award and participated in the Acquisition.

ESOP 2020

In November 2020, the Compensation and Nominating Committee implemented an Employee Share Option Plan ("ESOP 2020") for some members of the Group Executive Team and other key senior executives. The program operates through the participants being granted a right to the allotment of ordinary shares in the Company, which vest after the first, second and third anniversary of the grant date, subject to specific conditions. The exercise price of the options granted was based on the average market value over the 30 days immediately preceding the date of grant otherwise determined by the Board of Directors.

The Board determined that all options outstanding under the ESOP 2020 were exercisable in full immediately before the closing of the Merger. The Board has also determined that all options were cancelled on Closing in consideration of a cash payment equal to the amount that an option holder would have received if they had exercised their option and participated in the Acquisition.

Directors’ Share Remuneration

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. In 2021 and 2020 none of the Directors elected to receive shares instead of cash remuneration.

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 changed their entitlement to receive an allocation of ordinary shares in the Company to a value of €50,000 per annum.

All awards of Atrium shares that were outstanding on the closing date of the merger transaction had vested before the closing date of the merger, in accordance with the merger agreement and were paid in cash to the directors.

In 2021, 43,476 ordinary shares were issued to non-executive Directors (2020: 40,453 ordinary shares).

Provisions of the Share plans and Share based remunerations as of 31 December 2021:

Share Scheme / Share Based Remuneration	Acknowledged and agreed treatment	Outstanding (vested and unvested) entitlements to Shares[1]	Share base payment expenses (income) in 2021 €'000	Cash liability payables as of 31 December 2021 €'000
ESOP 2013	Vest in full (but options underwater as strike price is €3.96)	643,333	(387)	-
ESPP	Vest in full and shares acquired as part of Merger	673,067	3,163	3,958
ESOP 2020	Vest in full options exercised and shares acquired as part of Merger	1,525,000	2,021	2,089
Directors’ Share Remuneration	Paid in full and shares acquired as part of Merger	159,979	479	614
Key Employee Share Remuneration	Paid in full and shares acquired as part of Merger	22,065	193	174
Total		**3,023,444**	**5,469**	**6,835**

1 At a transaction price of €3.63 per share in accordance with the Merger agreement.

RESERVES

HEDGING RESERVE

The hedging 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 2.14.

CURRENCY TRANSLATION RESERVE

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

Currency translation reserve	2021 €'000	2020 €'000
Poland	(6,955)	(6,955)
Czech Republic	2,929	2,929
Slovakia	(7,355)	(7,355)
Russia	(57,331)	(57,331)
Romania	(907)	(907)
Turkey	(3,486)	(3,486)
Total	**(73,105)**	**(73,105)**

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.

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. Earnings per share are adjusted for the Hybrid Notes coupon.

In November 2021, the Company deducted from its stated capital and paid in cash its first Coupon in an amount of €6.4 million.

The Hybrid Note has an off-balance sheet accrued interest of €2.0 million as of 31 December 2021.

2.16 BORROWINGS

Borrowings	31 December 2021 €'000	31 December 2020 €'000
Bonds	783,094	720,787
Bank loans	290,803	294,534
Long-term liabilities	**1,073,897**	**1,015,321**
Bonds	154,835	-
Bank loans	3,657	3,536
Utilised revolving credit facility	-	86,000
Short term liabilities	**158,492**	**89,536**
Total	**1,232,389**	**1,104,857**

The borrowings are repayable as follows:

Borrowings total	31 December 2021 €'000	31 December 2020 €'000
Due within one year	158,492	89,536
Due in second year	3,663	235,326
Due within third to fifth year inclusive	661,014	498,475
Due after five years	409,220	281,520
Total	**1,232,389**	**1,104,857**

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.

The bonds 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. All covenants were met as at 31 December 2021.

BONDS 2021

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 2022	EUR	3.625%	0.8	2022	154,835	157,411	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	3.7	2025	489,922	514,700	3.4%
Atrium European Real Estate Limited 2027	EUR	2.625%	5.7	2027	293,172	294,399	3.1%
Total/Weighted average		**3.0%**	**3.8**		**937,929**	**966,510**	**3.4%**

BONDS 2020

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 2022	EUR	3.625%	1.8	2022	233,364	237,626	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	4.7	2025	487,423	502,694	3.4%
Total/Weighted average		**3.2%**	**3.8**		**720,787**	**740,320**	**3.4%**

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 conditions were met as at 31 December 2021.

During 2021 the Group repaid €3.7m of the principal amount of bank loans.

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 2021.

BANK LOANS 2021

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]	4.9	2026	165,532	165,914	2.5%
Berlin-Hannoversche Hypothekenbank AG	EUR	1.9%[1]	5.9	2027	128,928	129,225	2.0%
Total/Weighted average		**2.1%**	**5.3**		**294,460**	**295,139**	**2.3%**

1 Hedged interest rate

BANK LOANS 2020

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]	5.9	2026	167,158	167,911	2.5%
Berlin-Hannoversche Hypothekenbank AG	EUR	1.9%[1]	6.9	2027	130,912	131,227	2.0%
Total/Weighted average		**2.1%**	**6.4**		**298,070**	**299,138**	**2.3%**

1 Hedged interest rate

Collateral	Fair value of pledged investment properties 31 December 2021 €'000	Fair value of pledged investment properties 31 December 2020 €'000
Landesbank Hessen-Thüringen Girozentrale	306,334	297,224
Berlin-Hannoversche Hypothekenbank AG	232,383	229,466
Total	**538,717**	**526,690**

REVOLVING CREDIT FACILITY

The total amount of the revolving credit facility is €300 million with an expiry date in 2023, including an option to extend up to May 2024. As at 31 December 2021, the facility was not utilised (31 December 2020: €86.0 million utilised). Following the downgrade of Atrium's corporate rating by Fitch from 'BBB' to 'BB' in January 2022 (see note 2.40 subsequent events), any utilisation of the revolving credit facility in the future shall require a step up of 65 bps on interest and 22.75 bps on commitment fee.

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 2021 €'000	31 December 2020 €'000
Carrying amount (liability)	11,847	22,722
Notional amount	295,545	299,710
Change in fair value of outstanding hedging instruments since 1 January	(10,875)	4,969

2.18 DEFERRED TAX

Deferred tax liabilities 2021	Balance as at 1 January 2021 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Balance as at 31 December 2021 €'000
Deferred tax liabilities arise from the following temporary differences:			
Investment properties	(88,024)	(16,299)	**(104,323)**
Other assets	(1,377)	(333)	**(1,710)**
Liabilities and provisions	6,741	(249)	**6,492**
Tax losses carried forward	4,920	3,965	**8,885**
Other	611	(288)	**323**
Total deferred tax liabilities	**(77,129)**	**(13,205)**	**(90,334)**

The main driver for the increase in deferred tax liabilities charged to the statement of profit and loss is the change in fair value of the investment properties and tax depreciation partially offset by the recognition of the tax losses carried forward.

The Group recognised a deferred tax asset of €1.5 million as at 31 December 2021 (2020: €2.9 million). The main movement during the year was €1.4 million related to the deferred tax on hedging instruments that is recognised through other comprehensive income ("OCI").

Deferred tax liabilities 2020	Balance as at 1 January 2020 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Balance as at 31 December 2020 €'000
Deferred tax liabilities arise from the following temporary differences:			
Investment properties	(92,213)	4,304	**(88,024)**
Other assets	(257)	(1,120)	**(1,377)**
Liabilities and provisions	6,472	223	**6,741**
Tax losses carried forward	4,557	363	**4,920**
Other	(7)	618	**611**
Total deferred tax liabilities	**(81,448)**	**4,188**	**(77,129)**

2.19 LEASE LIABILITIES

The liabilities from leases as at 31 December 2021 predominantly consisted of liabilities related to long term land leases in Poland and Russia. The short term portion of lease liabilities was disclosed as Trade and other payables (see note 2.21).

Lease payments are due as follows:

Liabilities from leases	31 December 2021 Net present value €'000	31 December 2021 Undiscounted lease payments €'000	31 December 2020 Net present value €'000	31 December 2020 Undiscounted lease payments €'000
Due within one year	2,832	2,970	4,633	5,054
Due within two to five years	10,807	13,418	10,686	12,959
Due after five years	31,013	191,651	30,647	190,386
Total	**44,652**	**208,039**	**45,966**	**208,399**
Amount due within 12 months	2,832	2,970	4,633	5,054
Amount due after more than 12 months	41,820	205,069	41,333	203,345

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 €19.6 million (2020: €19.7 million) and Wars Sawa Junior, with a NPV of €9.2 million (2020: €9.8 million).

2.20 OTHER LONG TERM LIABILITIES

Other long term liabilities of €13.4 million (2020: €10.8 million) principally comprise of long term deposits from tenants amounting to €11.4 million (2020: €9.7 million).

2.21 TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2021 €'000	31 December 2020 €'000
Deferred revenue	5,887	4,417
Short term deposits from tenants	5,181	5,540
VAT	3,993	1,630
Short term liabilities from leasing	3,765	5,497
Payables to tenants	2,768	2,072
Payables connected with development/construction	1,762	2,007
Other taxes and fees	1,289	1,939
Cash share based payments[1]	6,835	-
Other	4,102	4,068
Total	**35,582**	**27,170**

1 See note 2.15

2.22 ACCRUED EXPENDITURE

Accrued expenditure	31 December 2021 €'000	31 December 2020 €'000
Bonds interest	8,294	6,379
Construction services	5,684	3,926
Employee compensation	5,070	4,435
Transaction cost[1]	5,301	-
Maintenance security cleaning and marketing	2,178	2,446
Consultancy and audit services	1,418	1,515
Utilities	1,208	1,379
Other	10,684	13,852
Total	**39,837**	**33,932**

1 Transaction cost relates to Merger with Newco, see Note 2.4

Other accrued expenditures includes €5.2 million (2020: €5.6 million) for amounts that are to be settled and billed to tenants as part of service charge revenues and turnover rent.

2.23 PROVISIONS

Provisions	Legacy legal provision €'000	Other legal provision €'000	Total €'000
Balance as at 1 January 2021	3,892	439	4,331
Movement in provision during the period	(1,215)	-	(1,215)
Amounts paid during the period	-	-	-
Balance as at 31 December 2021	**2,677**	**439**	**3,116**
Of which:			
Current portion	2,677	439	3,116
Non-current portion	-	-	-
Total provisions	**2,677**	**439**	**3,116**

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 2021		Year ended 31 December 2020	
	€'000	% of total GRI	€'000	% of total GRI
Poland	79,499	59.4%	86,795	60.1%
Czech Republic	17,550	13.1%	18,647	12.9%
Slovakia	7,961	5.9%	8,210	5.7%
Russia	28,870	21.6%	30,750	21.3%
Total	**133,880**	**100%**	**144,402**	**100%**

Undiscounted cash flows expected from rental contracts:

Expected undiscounted cash flows from rental contracts 2021	Total €'000
Received within 1 year	140,685
Received between 1 and 2 years	117,997
Received between 2 and 3 years	96,482
Received between 3 and 4 years	75,679
Received between 4 and 5 years	59,548
Received later than 5 years	233,281
Total	**723,672**

Expected undiscounted cash flows from rental contracts 2020	Total €'000
Received within 1 year	142,058
Received between 1 and 2 years	119,719
Received between 2 and 3 years	102,874
Received between 3 and 4 years	80,763
Received between 4 and 5 years	59,990
Received later than 5 years	202,264
Total	**707,668**

The undiscounted cash flows assume the following assumptions:

- rental income is based on contractual base rent only
- indexation and turnover rent have been ignored
- includes occupied GLA as of 31 December.

2.25 SERVICE CHARGE INCOME

Service charge income of €50.1 million (2020: €50.7 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.

During 2021, the Polish government imposed rental and service charge relief as an option for tenants for the periods of closures. The loss in Poland from service charge relief amounted to €2.8 (2020: €3.4 million). For further information refer to note 2.5 COVID-19.

2.26 PROPERTY EXPENSES

Net property expenses	Year ended 31 December	
	2021	2020
	€'000	€'000
Utilities	(16,352)	(17,111)
Security cleaning and other facility related costs	(11,472)	(11,643)
Real estate tax	(7,002)	(7,761)
Repairs and maintenance	(6,736)	(6,960)
Direct employment costs	(7,279)	(7,680)
Marketing and other consulting	(5,694)	(5,862)
Office related expenses	(220)	(179)
Bad debts allowance of receivables from tenants, net	(177)	(5,599)
Other	(1,841)	(1,789)
Total	**(56,773)**	**(64,584)**

2.27 ADMINISTRATIVE EXPENSES

Administrative expenses	Year ended 31 December	
	2021	2020
	€'000	€'000
Employee costs	(12,788)	(10,781)
Consultancy and other advisory fees	(2,127)	(2,945)
Legal costs	(1,448)	(1,406)
Audit audit related and review fees	(1,034)	(942)
Expenses related to directors	(1,455)	(1,555)
Communication and IT	(1,248)	(1,246)
Marketing costs	(787)	(605)
Travel expenses	(306)	(101)
Office costs	(191)	(248)
Gazit-Globe Acquisition - transaction costs	(8,000)	-
Acceleration share based payments	(3,377)	-
Other income	1,671	800
Decrease in provisions	1,256	-
Other corporate fees, net	(1,637)	-
Total	**(31,471)**	**(19,029)**

The annual remuneration for 2021 to the Group Executive Team of the Company was in a total amount of €3.3 million which includes base salary, allowances, benefits and annual target bonus. In addition, their share based payment compensation for 2021 including an acceleration of the equity awards payable at the completion of the Merger (see note 2.15) amounted €3.8 million.

For a retention bonus award provided to key employees we refer you to the shareholder circular that has been published on 23 November 2021 and available on the Company's website.

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

2.28 NET RESULT ON DISPOSALS

Net result on disposals	Year ended 31 December	
	2021	2020
	€'000	€'000
Land plot in Lublin Poland	(258)	-
Land plot in Pitesti Romania	(117)	-
Five assets in Poland	-	(1,155)
Atrium Felicity and Atrium Koszalin Poland	-	(300)
Atrium Duben	-	(40)
Land plot in Romania	-	(714)
Others	(225)	(263)
Loss on disposals	**(600)**	**(2,472)**

2.29 INTEREST EXPENSE, NET

Interest expense net	Year ended 31 December	
	2021	2020
	€'000	€'000
Interest income	976	640
Interest expense	(40,000)	(37,167)
Total	**(39,024)**	**(36,527)**

The Group's interest expense of €40.0 million (2020: €37.2 million) consists of finance expense on bank loans of €6.5 million (2020: €6.7 million), on bonds of €31.4 million (2020: €27.6 million) and on the utilised credit facility and bank deposits of €2.1 million (2020: €2.0 million).

Interest income in 2021 of €1.0 million pertains to interest on the loan provided to a third party (2020: €0.6 million).

2.30 OTHER FINANCIAL EXPENSE, NET

Other financial income and expense	Year ended 31 December	
	2021 €'000	2020 €'000
Net loss from bond buy back	(3,401)	(6,347)
Interest on financial leases	(3,250)	(3,333)
RCF commitment fees	(1,134)	(653)
Bank costs	(339)	(249)
Dividend income from financial assets	264	285
Other financial (expense)/ income net	(503)	(517)
Total	**(8,363)**	**(10,814)**

2.31 TAXATION CHARGE FOR THE YEAR

Taxation charge for the year	Year ended 31 December	
	2021 €'000	2020 €'000
Corporate income tax current year	(5,084)	(4,001)
Deferred tax credit/(charge)	(13,205)	4,188
Adjustments to corporate income tax previous years	990	2,224
Income tax charged to the statement of profit or loss	**(17,299)**	**2,411**
Income tax on hedging instrument charged to comprehensive income	**(1,450)**	**628**

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions. The changes may potentially have a negative impact on the Group and could result in additional tax charges.

POLISH CORPORATE INCOME TAX LAW AMENDMENTS

Effective 1 January 2022 several amendments to Polish tax legislation came into force, including the taxation of real estate investments. The following amendments may potentially have a negative impact on the Group and could result in additional tax charges :

- changes to corporate income tax such as tax depreciation, thin capitalization rules and withholding taxes
- 19% tax on so called 'shifted income' to low tax jurisdictions
- transfer pricing, restructuring and international taxes
- A new type of 'minimum tax' (revenue tax)

Effective tax rate

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

	2021 €'000	2021 %	2020 €'000	2020 %
Profit (loss) before taxation	104,414		(144,831)	
Income tax (charge)/credit using the weighted average applicable tax rates	(19,734)	18.9%	25,924	17.9%
Tax effect of non-taxable income/(non-deductible expenses)	(7,234)		1,668	
Tax effect of losses previously not recognised	12,912		1,032	
Deferred tax asset not recognised	(5,076)		(2,287)	
Tax adjustment of previous years	990		2,224	
FX impact on non financial tax base	2,383		(26,962)	
Others	(1,540)		812	
Tax charge	**(17,299)**		**2,411**	
Effective tax rate		**16.6%**		**1.7%**

Unrecognised deferred tax assets and liabilities:

As at 31 December 2021, deferred tax liabilities of €94.2 million (2020: €92.2 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 €62.8 million (2020: €72.1 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 2021 €'000	31 December 2020 €'000
Poland	30,075	39,227
Czech Republic	49	565
Russia	21,435	20,115
Romania	2,721	3,433
Turkey	7,273	4,976
Others	1,252	3,830
Total	**62,805**	**72,146**

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

Corporate income tax rates	31 December 2021 €'000	31 December 2020 €'000
Poland	19.0%	19.0%
Czech Republic	19.0%	19.0%
Slovakia	21.0%	21.0%
Russia	20.0%	20.0%
Romania	16.0%	16.0%
Turkey	25.0%	22.0%
Cyprus	12.5%	12.5%
Jersey	0.0%	0.0%
Netherlands	25.0%	25.0%

2.32 EARNINGS PER SHARE

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

Earnings per share	Year ended 31 December	
	2021	2020
Profit (loss) for the year attributable to the owners of the Company for basic and diluted earnings per share in (€'000)	87,115	(142,420)
Hybrid interest	(9,380)	-
Sub total	**77,735**	**(142,420)**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	396,970,182	381,012,716
Adjustments		
Dilutive options	-	448,092
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	396,970,182	381,460,808
Basic and diluted earnings per share in €cents	**19.6**	**(37.3)**

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

Number of shares if exercised	Year ended 31 December	
	2021	2020
Options	-[1]	2,691,663

1 All options were settled in cash as part of the Merger, see Note 2.4.

2.33 SEGMENT REPORTING

Reportable segments For the year ended 31 December 2021	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	143,009	-	(9,129)	133,880
Service charge income	52,243	-	(2,100)	50,143
Net property expenses	(59,443)	-	2,670	(56,773)
Net rental income	**135,809**	**-**	**(8,559)**	**127,250**
Net result on disposals	-	(600)	-	(600)
Costs connected with developments	-	(668)	-	(668)
Revaluation of investment properties	48,056	2,733	(2,916)	47,873
Depreciation, amortisation and impairments	(1,933)	-	(1,708)	(3,641)
Administrative expenses	(12,862)	(116)	(18,493)	(31,471)
Share of profit of equity-accounted investment in joint ventures	-	-	12,323	12,323
Net operating (loss)/profit	**169,070**	**1,349**	**(19,353)**	**151,066**
Interest expense, net	-	-	-	(39,024)
Foreign currency differences	-	-	-	735
Other financial expenses	-	-	-	(8,363)
Profit before taxation for the year	**-**	**-**	**-**	**104,414**
Taxation charge for the year	-	-	-	(17,299)
Profit after taxation for the year	**-**	**-**	**-**	**87,115**
Investment properties	2,523,443	244,383	(183,375)[1]	2,584,451
Additions to investment properties	13,592	17,000	(483)	30,109

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

Reportable segments For the year ended 31 December 2020	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	154,523	-	(10,121)	144,402
Service charge income	52,732	-	(2,061)	50,671
Net property expenses	(68,300)	-	3,716	(64,584)
Net rental income	**138,955**	**-**	**(8,466)**	**130,489**
Net result on disposals	(1,508)	(964)	-	(2,472)
Costs connected with developments	-	(856)	-	(856)
Revaluation of investment properties	(187,032)	(18,994)	(2,814)	(208,840)
Depreciation, amortisation and impairments	(2,054)	-	(1,395)	(3,449)
Administrative expenses	(11,435)	(106)	(7,488)	(19,029)
Share of profit of equity-accounted investment in joint ventures	-	-	5,375	5,375
Net operating loss	**(63,075)**	**(20,919)**	**(14,788)**	**(98,782)**
Interest expense, net	-	-	-	(36,527)
Foreign currency differences	-	-	-	1,292
Other financial expenses	-	-	-	(10,814)
Loss before taxation for the year	**-**	**-**	**-**	**(144,831)**
Taxation credit for the year	-	-	-	2,411
Loss after taxation for the year	**-**	**-**	**-**	**(142,420)**
Investment properties	2,450,661	248,252	(179,976)[1]	2,518,937
Additions to investment properties	11,850	12,701	(2,639)	21,912

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

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2021

For the year ended 31 December 2021	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	79,499	-	-	79,499	26,679	-	(9,129)	17,550
Service charge income	25,821	-	-	25,821	8,968	-	(2,100)	6,868
Net property expenses	(31,715)	-	-	(31,715)	(9,575)	-	2,670	(6,905)
Net rental income	**73,605**	**-**	**-**	**73,605**	**26,072**	**-**	**(8,559)**	**17,513**
Net result on disposals	-	(412)	-	(412)	-	-	-	-
Costs connected with developments	-	(160)	-	(160)	-	-	-	-
Revaluation of investment properties, net	26,060	1,541	-	27,601	4,029	3	(2,916)	1,116
Depreciation, amortisation and impairments	(1,242)	-	-	(1,242)	(203)	-	-	(203)
Administrative expenses	(9,995)	-	-	(9,995)	(1,787)	-	-	(1,787)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	12,323	12,323
Net operating profit	**88,428**	**969**	**-**	**89,397**	**28,110**	**3**	**848**	**28,962**
Investment properties	1,628,333	122,802	-	1,751,134	518,358	17,220	(183,375)[1]	352,203
Additions to investment properties	8,129	9,552	-	17,681	2,969	7,442	(483)	9,928

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

For the year ended 31 December 2021	SLOVAKIA Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	RUSSIA Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	7,961	-	-	7,961	28,870	-	-	28,870
Service charge income	4,243	-	-	4,243	13,211	-	-	13,211
Net property expenses	(4,460)	-	-	(4,460)	(13,693)	-	-	(13,693)
Net rental income	**7,744**	**-**	**-**	**7,744**	**28,388**	**-**	**-**	**28,388**
Net result on disposals	-	-	-	-	-	-	-	-
Costs connected with developments	-	-	-	-	-	(337)	-	(337)
Revaluation of investment properties, net	(1,327)	-	-	(1,327)	19,295	1,502	-	20,797
Depreciation, amortisation and impairments	-	-	-	-	(462)	-	-	(462)
Administrative expenses	(316)	-	-	(316)	(764)	-	-	(764)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit	**6,101**	**-**	**-**	**6,101**	**46,457**	**1,165**	**-**	**47,622**
Investment properties	118,000	-	-	118,000	258,752	24,881	-	283,633
Additions to investment properties	163	-	-	163	2,331	6	-	2,337

For the year ended 31 December 2021	OTHER COUNTRIES Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	RECONCILING Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	-	-	-	-	-	-	-	-
Service charge income	-	-	-	-	-	-	-	-
Net property expenses	-	-	-	-	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result on disposals	-	(188)	-	(188)	-	-	-	-
Costs connected with developments	-	(171)	-	(171)	-	-	-	-
Revaluation of investment properties, net	-	(313)	-	(313)	-	-	-	-
Depreciation, amortisation and impairments	(25)	-	-	(25)	-	-	(1,708)	(1,708)
Administrative expenses	-	(116)	-	(116)	-	-	(18,493)[1]	(18,493)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/ (loss)	**(25)**	**(788)**	**-**	**(813)**	**-**	**-**	**(20,201)**	**(20,201)**
Investment properties	-	79,482	-	79,482	-	-	-	-
Additions to investment properties	-	-	-	-	-	-	-	-

1 Corporate expenses and advisory transaction costs related to the Acquisition of Gazit-Globe

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2020

	POLAND				CZECH REPUBLIC			
For the year ended 31 December 2020	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	86,795	-	-	86,795	28,768	-	(10,121)	18,647
Service charge income	26,705	-	-	26,705	8,889	-	(2,061)	6,828
Net property expenses	(36,458)	-	-	(36,458)	(11,884)	-	3,716	(8,168)
Net rental income	**77,042**	**-**	**-**	**77,042**	**25,773**	**-**	**(8,466)**	**17,307**
Net result on disposals	(1,468)	(250)	-	(1,718)	-	-	-	-
Costs connected with developments	-	(259)	-	(259)	-	-	-	-
Revaluation of investment properties, net	(125,162)	(14,810)	-	(139,972)	(9,077)	-	(2,814)	(11,891)
Depreciation, amortisation and impairments	(1,369)	-	-	(1,369)	(199)	-	-	(199)
Administrative expenses	(8,117)	-	-	(8,117)	(1,724)	-	-	(1,724)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	5,375	5,375
Net operating profit/(loss)	**(59,074)**	**(15,319)**	**-**	**(74,393)**	**14,773**	**-**	**(5,905)**	**8,868**
Investment properties	1,582,471	131,650	-	1,714,121	511,387	9,757	(179,976)[1]	341,168
Additions to investment properties	5,917	11,124	-	17,041	4,238	1,577	(2,639)	3,176

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

For the year ended 31 December 2020	SLOVAKIA Standing investment segment	Redevelopments and land segment	Reconciling item	Total	RUSSIA Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	8,210	-	-	8,210	30,750	-	-	30,750
Service charge income	4,350	-	-	4,350	12,788	-	-	12,788
Net property expenses	(4,446)	-	-	(4,446)	(15,512)	-	-	(15,512)
Net rental income	**8,114**	**-**	**-**	**8,114**	**28,026**	**-**	**-**	**28,026**
Net result on disposals	(40)	-	-	(40)	-	-	-	-
Costs connected with developments	-	-	-	-	-	(393)	-	(393)
Revaluation of investment properties, net	(1,745)	-	-	(1,745)	(51,049)	(3,216)	-	(54,265)
Depreciation, amortisation and impairments	-	-	-	-	(486)	-	-	(486)
Administrative expenses	(267)	-	-	(267)	(1,327)	-	-	(1,327)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**6,062**	**-**	**-**	**6,062**	**(24,836)**	**(3,609)**	**-**	**(28,445)**
Investment properties	119,156	-	-	119,156	237,647	23,373	-	261,020
Additions to investment properties	197	-	-	197	1,498	-	-	1,498

For the year ended 31 December 2020	OTHER COUNTRIES				RECONCILING			
	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	-	-	-	-	-	-	-	-
Service charge income	-	-	-	-	-	-	-	-
Net property expenses	-	-	-	-	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result on disposals	-	(714)	-	(714)	-	-	-	-
Costs connected with developments	-	(204)	-	(204)	-	-	-	-
Revaluation of investment properties, net	-	(967)	-	(967)	-	-	-	-
Depreciation, amortisation and impairments	-	-	-	-	-	-	(1,395)	(1,395)
Administrative expenses	-	(106)		(106)	-	-	(7,488)	(7,488)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/ (loss)	**-**	**(1,991)**	**-**	**(1,991)**	**-**	**-**	**(8,883)**	**(8,883)**
Investment properties	-	83,472	-	83,472	-	-	-	-
Additions to investment properties	-	-	-	-	-	-	-	-

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 2021, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2021 €'000
Standing investments	2.6				
Poland		-	-	1,628,333	1,628,333
Czech Republic		-	-	334,983	334,983
Slovakia		-	-	118,000	118,000
Russia		-	-	258,752	258,752
Total standing investments		**-**	**-**	**2,340,068**	**2,340,068**
Redevelopments and land	2.7				
Poland		-	-	122,809	122,809
Russia		-	-	24,875	24,875
Turkey		-	-	75,746	75,746
Others		-	-	20,954	20,954
Total redevelopments and land		**-**	**-**	**244,383**	**244,383**
Financial assets at FVOCI	2.14	**9,103**	**-**	**-**	**9,103**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.17	**-**	**11,847**	**-**	**11,847**

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2021.

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 2020, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2020 €'000
Standing investments	2.5				
Poland		-	-	1,582,471	1,582,471
Czech Republic		-	-	331,411	331,411
Slovakia		-	-	119,156	119,156
Russia		-	-	237,647	237,647
Total standing investments		**-**	**-**	**2,270,685**	**2,270,685**
Redevelopments and land	2.6				
Poland		-	-	131,650	131,650
Russia		-	-	23,373	23,373
Turkey		-	-	76,454	76,454
Others		-	-	16,775	16,775
Total redevelopments and land		**-**	**-**	**248,252**	**248,252**
Assets and liabilities net of disposal group held for sale	2.16	**-**	**-**	**-**	**-**
Financial assets at FVOCI	2.15	**8,507**	**-**	**-**	**8,507**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.19	**-**	**22,722**	**-**	**22,722**

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2020.

Investment properties measured at level 3 fair value:

	2021		2020	
	Standing investments €'000	Redevelopments and land €'000	Standing investments €'000	Redevelopments and land €'000
Balance as at 1 January	**2,270,685**	**248,252**	**2,445,280**	**266,093**
Profit (loss) included in the Statement of profit or loss Revaluation of investment properties	45,140	2,733	(185,872)	(18,994)
Additions and Disposals				
New Properties	-	-	-	-
Construction technical improvements and extensions	13,109	17,000	9,211	12,701
Disposals	-	(13,856)	-	(9,297)
Other movements				
Movements in financial leases	1,388	-	(185)	-
Interest capitalised	-	-	-	-
Transfers from redevelopments and land to standing Investments	9,746	(9,746)	2,251	(2,251)
Transfers to redevelopments and land from standing Investments	-	-	-	-
Transfer (to)/ from assets held for sale		-	-	-
Balance as at 31 December	**2,340,068**	**244,383**	**2,270,685**	**248,252**

A description of the Investment Properties' valuation process:

The policies and procedures for standing investments and redevelopments and land valuations are approved by the Board of Directors.

The criteria for selecting the valuation companies includes 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. The last valuation date was 31 December 2021, where all of the Standing Investments were revalued.

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 Savills and Cushman & Wakefield. The fair values of most of the redevelopments and land, as at 31 December 2021, were determined on the basis of independent external valuations received from Savills, Cushman & Wakefield and CBRE. Approximately 86% (2020: 77%) of the land properties were valued externally. Savills, Cushman & Wakefield and CBRE are all 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 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 Cap rates diversification across the Group's income producing portfolio see note 2.6.

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 2021:
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 capitalisation rate that is based on the recent property transactions, general knowledge of the market and investment funds' expectations. This Cap rate is considered an 'all risks yield' and accounts for the investors view of the specifics of the property and it's leasing status. 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 2021	Range	Weighted average
Estimated rental value ("ERV")	€1-€240 per sqm per month	€15 per sqm per month
Capitalisation rate	4.5%-13.7%	6.8%

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

2021	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	115.1	2,455.1
Decrease of 5% in ERV[1]	(115.1)	2,225.0
Increase of 25bp in Cap rates[2]	(85.3)	2,254.8
Decrease of 25bp in Cap rates[3]	92.3	2,432.4

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

2 The distribution of the estimated decrease (in € millions): Poland-63.5, Czech Republic-12.9, Slovakia-3.9, Russia-5.0

3 The distribution of the estimated increase (in € millions): Poland 68.9, Czech Republic 14.0, Slovakia 4.2, Russia 5.2

Significant unobservable inputs 2020	Range	Weighted average
Estimated rental value ("ERV")	€1-€230 per sqm per month	€16 per sqm per month
Equivalent yield	4.6%-13.8%	6.7%

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

2020	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	111.6	2,382.3
Decrease of 5% in ERV[1]	(111.6)	2,159.1
Increase of 25bp in equivalent yield[2]	(83.8)	2,186.9
Decrease of 25bp in equivalent yield[3]	90.8	2,361.5

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

2 The distribution of the estimated decrease (in € millions): Poland -61.2, Czech Republic -13.8, Slovakia -4.2, Russia -4.6

3 The distribution of the estimated increase (in € millions): Poland 66.4, Czech Republic 15.1, Slovakia 4.5, Russia 4.7

Redevelopments and land:

The fair value of 22% of redevelopments and land (31 December 2020: 19%) 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 2021	Range	Weighted average
Price[1]	€13-€61 per sqm	€59 per sqm

1 One outlying value of €785/m² of land is excluded from the range.

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

2021	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	2.5	56.5
Decrease of 5% in price[1]	(2.5)	51.5

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 2020	Range	Weighted average
Price[1]	€12-€60 per sqm	€52 per sqm

1 One outlying value of €542/m² of land is excluded from the range.

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

2020	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	2.2	50.2
Decrease of 5% in price[1]	(2.2)	45.7

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 78% of redevelopments and land (31 December 2020: 81%) 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 2021	Range	Weighted average
ERV	€13.6-€14.4 per sqm per month	€14.19 per sqm per month
Capitalisation rate	8.0%	8.0%
Construction costs	€597-€1,430 per sqm GLA	€716 per sqm GLA
Development Time Frame	2 - 6.25 years	5.56 years

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

2021	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	5.6	195.3
Decrease of 5% in ERV[1]	(2.8)	187.0
Increase of 25bp in Cap rates[2]	(1.1)	188.7
Decrease of 25bp in Cap rates[3]	3.9	193.7
Increase of 5% in expected construction costs[4]	(4.1)	185.7
Decrease of 5% in expected construction costs[5]	9.9	199.7
Increase of +1 year in development timeframe[6]	(10.7)	179.1
Decrease of - 1 year in development timeframe[7]	11.7	201.5

1 The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € million): Poland -1.1
3 The distribution of the estimated increase (in € million): Poland 3.9
4 The distribution of the estimated decrease (in € million): Poland -1.5, Turkey -2.6
5 The distribution of the estimated increase (in € million): Poland 4.3, Turkey 5.6
6 The distribution of the estimated decrease (in € million): Poland -1.4, Turkey -9.3
7 The distribution of the estimated increase (in € million): Poland 1.5, Turkey 10.2

Significant unobservable inputs 2020	Range	Weighted average
ERV	€13.6-€14.3 per sqm per month	€14.08 per sqm per month
Equivalent yield	7.75%-8.0%	7.9%
Construction costs	€549-€1,320 per sqm GLA	€710 per sqm GLA
Development Time Frame	2 - 6.25 years	5.35 years

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

2020	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	4.2	204.5
Decrease of 5% in ERV[1]	(4.2)	196.1
Increase of 25bp in equivalent yield[2]	(2.5)	197.8
Decrease of 25bp in equivalent yield[3]	2.6	202.9
Increase of 5% in expected construction costs[4]	(9.6)	190.7
Decrease of 5% in expected construction costs[5]	9.6	209.9
Increase of +1 year in development timeframe[6]	4.9	195.4
Decrease of - 1 year in development timeframe[7]	5.0	205.3

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 -2.5
3 The distribution of the estimated increase (in € million): Poland 2.6
4 The distribution of the estimated decrease (in € million): Poland -5.8, Turkey -3.8
5 The distribution of the estimated increase (in € million): Poland 5.8, Turkey 3.8
6 The distribution of the estimated decrease (in € million): Poland -3.3, Turkey -1.6
7 The distribution of the estimated increase (in € million): Poland 3.4, Turkey 1.6

Assets and liabilities, net of disposal group held for sale

As at 31 December 2021 and 31 December 2020, disposal group held for sale was nil. 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.

Financial assets at FVOCI

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

Interest rate swaps used for hedging

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

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 2021, including their levels in the fair value hierarchy:

	Level	2021		2020	
		Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	937,929	966,510	720,787	740,320
Bank loans	2	294,460	295,139	298,070	299,138
Total		**1,232,389**	**1,261,649**	**1,018,857**	**1,039,458**

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:

2021	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets					
Other assets	18,832	18,832	-	-	-
Receivables from tenants	19,472	19,472	-	-	-
Other receivables	1,777	1,777	-	-	-
Cash and cash equivalents	500,375	500,375	-	-	-
Financial Assets at amortised cost	20,318	20,318	-	-	-
Financial assets at FVOCI	9,103	-	9,103	-	-
Total financial assets	**569,877**	**560,774**	**9,103**	**-**	**-**
Financial liabilities					
Long term borrowings	1,073,897	-	-	1,073,897	-
Derivatives	11,847	-	-	-	11,847
Long term liabilities from leases	41,820	-	-	41,820	-
Other long term liabilities	13,339	-	-	13,339	-
Trade and other payables	21,175	-	-	21,175	-
Accrued expenditure	39,837	-	-	39,837	-
Short term borrowings	158,492	-	-	158,492	-
Total financial liabilities	**1,360,407**	**-**	**-**	**1,348,560**	**11,847**

2020	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets					
Other assets	17,394	17,394	-	-	-
Receivables from tenants	22,034	22,034	-	-	-
Other receivables	3,754	3,754	-	-	-
Cash and cash equivalents	55,221	55,221	-	-	-
Financial assets at FVPL	20,593	20,593	-	-	-
Financial assets at FVOCI	8,507	-	8,507	-	-
Total financial assets	**127,503**	**118,996**	**8,507**	**-**	**-**
Financial liabilities					
Long term borrowings	1,015,321	-	-	1,015,321	-
Derivatives	22,722	-	-	-	22,722
Long term liabilities from leases	41,333	-	-	41,333	-
Other long term liabilities	10,843	-	-	10,843	-
Trade and other payables	17,174	-	-	17,174	-
Accrued expenditure	33,932	-	-	33,932	-
Short term borrowings	89,536	-	-	89,536	-
Total financial liabilities	**1,230,861**	**-**	**-**	**1,208,139**	**22,722**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.16. 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 capital structure of the Group consists of borrowings (as detailed in note 2.16), cash and cash equivalents and equity.

In January 2021, the Group has priced €300 million inaugural green bond offering due 5 September 2027 under its EMTN Programme (the "New Green Notes") carrying a fixed 2.625% coupon and bought back €78.2 miilion of the outstanding 2022 bonds.

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. Hybrid Notes are treated as part of shareholder's equity in the Company's financial statements.

The capital structure of the Group is reviewed regularly. 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 was downgraded in January 2022 from 'BBB' to 'BB' with a stable outlook. The downgrading reflects the financial profile of the Company following Gazit Globe's acquisition of the remaining 25% shareholding in the Company (see note 2.4).

The corporate rating of Moody's remains unchanged at Baa3 with negative outlook.

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 and residential for rent in Central Europe and Russia in order to increase their intrinsic value.

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.

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

The creditworthiness of a tenant can decline over the short or medium term, for example as a result of change in the economic environment or the COVID-19 pandemic, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. In particular, the government-imposed trading restrictions in response to the evolving COVID-19 pandemic in the Group's areas of operations, which have been introduced at all shopping centres with only grocery stores/supermarkets, pharmacies/drugstores and other necessity services allowed to operate have a negative impact on the Group's tenants and their profitability which could have a direct impact on the earning of the Group, as some tenants' rent is based on the turnover generated. Although the Group receives and holds advance deposits, such deposits may be insufficient and the amounts payable to the Group under its lease agreements with tenants that are not secured (by deposits, bank guarantees or corporate guarantees) bear the risk that these tenants may be unable to pay such amounts when due. The Group is not insured against this credit risk. If a tenant seeks bankruptcy protection, the Group may be subject to delays in receipt of rental and other contractual payments, if it is able to collect such payments at all, and the Group may not be able to secure vacant possession of the property without a court order, thus preventing the Group from re-letting that property to a new tenant. The Group may not be able to limit its potential loss of revenues from tenants who are unable to make their lease payments. The Group's credit losses may increase in the future. Any significant credit losses could have a material adverse effect on the Group's business, financial condition, cash flows, prospects and results of operations. For the impact of COVID-19 on the Group's assessment of expected credit lossess, refer to note 2.5.

As described above, 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 2021, the Group had secured long term deposits from tenants amounting to €11.4 million (2020: €9.7 million) and short term deposits amounting to €5.2 million (2020: €5.5 million) and secured bank guarantees.

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

The credit 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 residential strategy, redevelopment projects, other 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 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 2021 (2020: €214 million).

Liquid funds, comprising cash and cash equivalents amounted to €500.9 million as at 31 December 2021 (2020: €55.2 million). The short term borrowings amounted to €158.5 million (2020: €89.5 million) which mainly represent the next bond repayment due in October 2022. There are no bond repayments due between October 2022 and October 2025.

As of 23 Februrary 2022 the cash and cash equivalents of the Group decerased to €240 million following the distribution of the Special Dividend and AFFO.

The Group performs solvency statements on an "as needed" basis and at each quarter end, where it assesses its cash flows and liquidity needs. The Group required to file the relevant solvency statements with the Registrar of Companies (Registrar) in Jersey as part of the Merger and the Reduction of Capital EGM (see note 2.4).

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

2021	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and derivatives[1]	1,252,530	1,396,045	193,356	32,940	743,670	426,079
Other liabilities[2]	107,876	272,955	55,687	6,578	15,538	195,152
Total	**1,360,406**	**1,669,000**	**249,043**	**39,518**	**759,208**	**621,231**

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.

2020	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and derivatives[1]	1,133,957	1,250,993	119,877	265,071	576,220	289,825
Other liabilities[2]	96,904	263,186	49,781	5,540	15,476	192,389
Total	**1,230,861**	**1,514,179**	**169,658**	**270,611**	**591,696**	**482,214**

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 operates in emerging and developing markets in CE 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. Conflict between Russia and Ukraine could lead to further sanctions and FX volatility.

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 evident by the COVID-19 pandemic 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 notes 2.6 and 2.34.

There can be no guarantee that the Group will be able to execute future disposals at acceptable prices or at prices that are similar or higher than the fair market valuation of a particular property, in particular in the current economic environment driven by the impact of the COVID-19 pandemic on the Group's markets and world economies. The inability of the Group to sell at acceptable prices, or any such shortfall, delay or restriction, or any claim under the sale agreement, or any failure by a buyer to repay vendor loans could have an unfavourable impact of the Group's balance sheet and may have a material adverse effect on the Group's business, financial condition, prospects and results of operations and execution of its strategy.

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:

2021	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	3,534	(3,742)	(208)
PLN	59,578	(54,531)	5,047
RUB	6,466	(11,256)	(4,790)
Other	300	(86)	214

2020	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	2,042	(2,440)	(397)
PLN	33,198	(52,273)	(19,075)
RON	2,005	(20)	1,985
RUB	6,980	(11,617)	(4,637)
Other	37	-	37

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2021 and 31 December 2020 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.

	2021 Gain/(Loss) €'000	2020 Gain/(Loss) €'000
CZK	(21)	(40)
PLN	505	(1,908)
RUB	(479)	(464)
Other	21	202

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 2021, there were no fair value movements due to interest rate risk fluctuations in 2021. 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 2021 (2020: €86 million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2021, all of the Group's borrowings with the exception of the revolving credit facilities were effectively at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

Adjustment to the fixed interest rate of the 2025 bonds could be required in the event that the rating given by two Rating Agencies is below Investment Grade (a "Rate of Interest Step Up Trigger") then each Note shall bear interest on its outstanding principal amount at the rate per annum equal to the rate of interest plus 1.25 per cent. per annum. The Rate of Interest Step Up Trigger could increase the Group's annulised financing costs by €6.25 million.

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 individual countries. Various supra-national initiatives which impact national tax systems intend to counter certain tax structures such as Base Erosion and Profit Shifting projects ("**BEPS**" and **BEPS 2.0**), EU Directive on mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements ("**DAC6**") and European Union legislation aimed at counteracting aggressive tax planning such as Anti-Tax Avoidance Directive I and Anti-Tax Avoidance Directive II, followed by the proposals for the EU directives addressing global minimum tax and so called "shelf entities" issued in December 2021. On the top of supranational tax landmark reforms, local legislations are enacted in the countries, e.g. imposing economic substance requirements and tests to assess the purpose and motives behind taxpayers actions or aimed at taxation of certain cross-border payments which are assumed to erode the local tax base.

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.

For instance, the Group's future effective tax rates may be adversely affected by a number of factors, including unilateral changes to double taxation treaties or changes in the value of Atrium's deferred tax assets and liabilities, increases in expenses not deductible for tax purposes, the outcome of any potential discussions with the relevant tax authorities, changes in relation to taxation laws or tax rates or the interpretation of such taxation laws and changes in generally accepted accounting principles.

The Company monitors the implications of these initiatives on the various jurisdictions in which it operates and anticipates potential adverse consequences currently resulting mainly from the newly implemented tax changes in Poland. The Company cannot preclude that this may further change going forward.

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

MERGER WITH NEWCO

In October 2021, the Independent Committee of Atrium and Newco announced that they had reached an agreement on the terms and conditions for the Acquisition for cash at a price of €3.63 per Atrium share. **For further information refer to note 2.4 .**

OTHER RELATED PARTY TRANSACATIONS

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, as of 31 December 2021 Gazit-Globe directly or indirectly held a total of 299,743,869 ordinary shares in Atrium, comprising 74.89% (31 December 2020: 69.31%) of the issued and outstanding shares and voting rights in Atrium. In February 2022 Atrium and Newco merged (see note 2.40- subsequent events). 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 €0.4 million (2020: €0.2 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 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.

C. 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.

D. 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.

E. 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.

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

G. 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 attendence fees.

- 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 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.

B. 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. Also in March 2021 Group Executive Management elected 1,564 shares as Scrip dividend.

C. 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.

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

E. 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.

F. Gazit-Globe reimbursed Atrium for I-SOX and reporting expenses of €0.3 million which were paid by Atrium (2020: €0.2 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 these investigations and proceedings, 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 31 December 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 €2.7 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. 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. Recent geopolitical conflict between Russia and

Ukraine could have a significant impact on the Group's business, where approximately 22% of the Group's 2021 NRI is derived from Russia. As of date of this report the Group cannot reliably quantify the impact of potential escalation between Russia and Ukraine and possible sancations on the Russian economy.

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, changes in the interpretation of rules around sales and transfer taxes applicable on the purchase and sale of assets, introduction of changes to the withholding tax regime, shifted income, minimum tax and limitation on interest deductability . For more information on the latest amendment to the Polish corporate income tax law refer to note 2.31.

Certain 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

MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

On 1 February 2022, the Company held an extraordinary general meeting (the "Reduction of Capital EGM") and approved certain ancillary resolutions in connection with the Merger, including the proposed reduction of the issued share capital of Atrium for the ordinary shares of no par value by €305,377,886 to occur at Closing and the payment of the Q4 AFFO and Pro Rata AFFO Dividend from 1 Janaury 2022 to the Closing of the Merger.

On 4 February 2022 the Special Dividend of €0.60 per share, representing a total amount of €240.3 million was paid.

On 8 February 2022 the Q4 AFFO dividend of €0.036 per share which amounted to €14.4 million was paid.

On 18 February 2022 the completion and the effectiveness of the Merger and Reduction of Capital was registered. Atrium's delisting from the Amsterdam Stock Exchange and the Vienna Stock Exchange took place on the same date. Following the Merger with Newco, the Borrowings of the Group increased by €305.4 million due to a related party loan of Newco from Gazit-Globe.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid.

The Board of Directors of the Company upon completion of the Merger as at 18 February 2022 is Chaim Katzman, Lucy Lilley and Andrew Wignall. Oren Hod and Zvi Hefietz were re-appointed as from 23 February 2022.

OTHER SUBSEQUENT EVENTS

In January 2022 Atrium's corporate credit rating by Fitch was downgraded from 'BBB' to 'BB' with a stable outlook. The downgrading reflects the financial profile of the Company following Gazit Globe's acquisition of the remaining 25% shareholding in the Company.

In January 2022 Atrium completed its first residential acquisition in Krakow for €13 million.

In 2021, Atrium signed an agreement to sell Atrium Optima in Kostice Slovakia for €118.0 million, in line with its book value, which has been subject to the fulfillment of certain conditions precedent including a third party financing. An amendment to the agreement has been signed **in January 2022** settling part of the conditions precedent.

3

ATRIUM'S STANDALONE FINANCIAL REPORT


Jedź ostrożnie
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APART

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

		31 December 2021		31 December 2020	
	Note	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Fixed assets		36		10	
Financial investments in subsidiaries	3.2	1,277,999		727,531	
Loans and receivables	3.3	1,539,121		1,551,030	
Derivative	3.4	-		9,256	
Other long term assets		18,024		18,393	
			2,835,180		**2,306,220**
Current assets					
Other receivables	3.5	3,927		14,385	
Financial assets at FVOCI	3.6	9,103		8,507	
Cash and cash equivalents		410,462		16,001	
			423,492		**38,893**
TOTAL ASSETS			**3,258,672**		**2,345,113**
EQUITY AND LIABILITIES					
Equity					
Stated capital		1,885,713		1,944,947	
Hybrid reserve		340,858		-	
Other reserves		(12,869)		(11,858)	
Retained Earnings		(325,240)		(410,106)	
			1,888,462		**1,522,983**
Non-current liabilities					
Derivative	3.4	9,726		-	
Bonds	3.7	783,094		720,787	
			792,820		**720,787**
Current liabilities					
Short term borrowings	3.7	154,835		86,000	
Deposits to fellow subsidiaries	3.7	397,059		-	
Other payables	3.8	7,322		424	
Accrued expenditure	3.9	15,497		11,027	
Provisions	3.10	2,677		3,892	
			577,390		**101,343**
Total liabilities			**1,370,210**		**822,130**
TOTAL EQUITY AND LIABILITIES			**3,258,672**		**2,345,113**

Statement of Profit or Loss of Atrium European Real Estate Limited

		2021		2020	
	Note	€'000	€'000	€'000	€'000
Administrative expenses	3.11	(13,882)		(6,378)	
(Impairment)/reversal of impairment of loans and receivables	3.12	(795)		172,194	
Fair value changes of financial asset at FVTPL	3.13	61,623		(271,684)	
Net operating (loss) / gain			**46,946**		**(105,868)**
Interest income	3.14	78,682		93,175	
Interest expense	3.14	(32,491)		(30,389)	
Other financial expense, net	3.15	(8,271)		(106,764)	
Total net financial income / (loss)			**37,920**		**(43,978)**
Profit / (loss) before and after taxation for the year			**84,866**		**(149,846)**

Statement of Other Comprehensive Income of Atrium European Real Estate Limited

		2021		2020	
	Note	€'000	€'000	€'000	€'000
Profit / (loss) for the year			84,866		(149,846)
Items that will not be reclassified to the statement of profit or loss:					
Movement in financial assets at FVOCI reserve		555		(5,355)	
Total comprehensive profit / (loss) for the year			**85,421**		**(155,201)**

Cash Flow Statement of Atrium European Real Estate Limited

	2021 €'000	2020 €'000
Cash flows from operating activities		
Profit / (loss) before taxation	84,866	(149,846)
Adjustments for:		
Dividend from listed equity securities, net	(264)	(285)
Change in fair value of derivative	12,720	6,437
Foreign exchange (profit)/ loss, net	(9,133)	87,975
Change in legal provision, net of amounts paid	(1,215)	-
Share based payments expenses	478	933
impairment/(reversal) of loans and receivables	795	(172,194)
Fair value changes of financial assets as FVTPL	(61,623)	271,684
Net loss from bonds buy back	3,401	6,347
Net results of intra-group disposals	-	6,291
Interest expense	32,491	30,389
Interest income	(78,682)	(93,175)
Operating cash flows before working capital changes	**(16,166)**	**(5,444)**
Decrease/ (increase) in trade, other receivables and prepayments, net	2,122	(797)
Increase/ (decrease) in trade, other payables and accrued expenditure, net	3,519	323
Cash used in operations	**(10,525)**	**(5,918)**
Interest paid	(27,786)	(32,449)
Interest received	83,468	83,014
Swap fees received	6,262	-
Dividend received	264	285
Net cash generated from operating activities	**51,683**	**44,932**
Cash flows from investing activities		
Payments related to financial investments in subsidiaries	(483,547)	(30,144)
Repayment of long term borrowings from subsidiaries, net	27,214	69,728
Loans repaid from / (provided to) a third party	-	1,156
Net cash generated from investing activities	**(456,333)**	**40,740**
Net cash flow before financing activities	**(404,650)**	**85,672**
Cash flows from financing activities		
Share buy back	-	(1,874)
Utilisation / (repayment) of a revolving credit facility, net	(87,090)	84,987
Repayment of long term borrowings	(81,626)	(365,841)
Receipt of long term borrowings	633,058	191,572
Receipt of short term deposits to fellow subsidaries	397,899	-
Dividends paid	(53,998)	(71,105)
Hybrid bond interest paid	(6,360)	-
Net cash used in financing activities	**801,883**	**(162,261)**
Net (decrease) / increase in cash and cash equivalents	**397,233**	**(76,589)**
Cash and cash equivalents at the beginning of year	**16,001**	**93,264**
Effect of exchange rate fluctuations on cash held	(2,772)	(674)
Cash and cash equivalents at the end of year	**410,462**	**16,001**

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	Equity attributable to the owners of the Company	Hybrid reserve	Total shareholders equity €'000
Balance as at 1 January 2021	**1,944,947**	**1,566**	**(13,424)**	**(410,106)**	**1,522,983**	**-**	**1,522,983**
Profit / (loss) for the year	-	-	-	84,866	84,866	-	84,866
Other comprehensive expense	-	-	555	-	555	-	555
Total comprehensive income/(expense)	**-**	**-**	**555**	**84,866**	**85,421**	**-**	**85,421**
Transaction with owners of the Company							
Share based payment	-	1,731	-	-	1,731	-	1,731
Issuance of shares	1,123	(747)	-	-	376	-	376
Reclassification of a share based payment to a cash settlement		(2,550)	-	-	(2,550)	-	(2,550)
Dividends distribution	(80,131)	-	-	-	(80,131)	-	(80,131)
Scrip dividend	26,134	-	-	-	26,134	-	26,134
Net proceeds from Hybrid bonds issuance	-	-	-	-	-	340,858	340,858
Hybrid bond interest distribution	(6,360)	-	-	-	(6,360)	-	(6,360)
Balance as at 31 December 2021	**1,885,713**	**-**	**(12,869)**	**(325,240)**	**1,547,605**	**340,858**	**1,888,462**

	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 2020	**2,016,603**	**1,303**	**(8,069)**	**(260,260)**	**1,749,577**
Profit / (loss) for the year	-	-	-	(149,846)	(149,846)
Other comprehensive expense	-	-	(5,355)	-	(5,355)
Total comprehensive income/(expense)	**-**	**-**	**(5,355)**	**(149,846)**	**(155,201)**
Transaction with owners of the Company					
Share based payment	-	933	-	-	933
Share buy back	(1,924)	-	-	-	(1,924)
Issuance of shares	1,306	(670)	-	-	636
Dividends distribution	(102,877)	-	-	-	(102,877)
Scrip dividend	31,839	-			31,839
Balance as at 31 December 2020	**1,944,947**	**1,566**	**(13,424)**	**(410,106)**	**1,522,983**

3.2 FINANCIAL INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership 2021 %	Ownership 2020 %	Carrying amount 2021 €'000	Carrying amount 2020 €'000
Atrium Slovakia Real Estate Management SK s.r.o	Slovakia	Management company	-	1%	-	-
Atrium Holding 1 Limited	Cyprus	Holding Company	100%	100%	1,277,999	727,531
Total net value					**1,277,999**	**727,531**

- In 2021 the Company contributed €483.6 million to Atrium Holding 1 Limited.
- The shares of Atrium Slovakia Real Estate Management SK s.r.o were contributed by the Company to a Subsidiary.

3.3 LOANS AND RECEIVABLES

	2021 €'000	2020 €'000
Amounts due from subsidiary undertakings	1,555,907	1,567,123
Accumulated impairment of amounts due from subsidiary undertakings	(16,786)	(16,093)
Total	**1,539,121**	**1,551,030**

The Company recognizes impairment for expected credit loss on amount 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 5.06% p.a (2020: 5.5%). The maturity dates range from 2022 to 2028.

Movements in the gross carrying on loans and receivable for the years 2021 and 2020 are presented below:

	2021 €'000	2020 €'000
Gross carrying balances at 1 January	**1,567,123**	**1,892,005**
Interest accrued	4,131	8,116
Write offs	-	(177)
Loan redemption / (repayment)	-	(175,912)
Loans given to subsidiaries	83,873	39,602
Foreign exchange differences	11,868	(87,181)
Loans repaid from subsidiaries	(111,087)	(109,330)
Gross carrying balances at 31 December	**1,555,907**	**1,567,123**

3.4 DERIVATIVE SWAP

The Company has foreign currency swap agreement with its subsidiaries to hedge the risk on the PLN and CZK denominated debt, the hedged item (the swap transaction) is subject to the recognition and measurement principles of IFRS 9.

As at 31 December 2021, the Company's financial liability is valued at €9.7 million (2020: €9.3 million asset).

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. The valuation method uses level 2 inputs as classified by IFRS 13.

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

3.5 OTHER RECEIVABLES

	2021 €'000	2020 €'000
Prepayments	1,057	1,143
Accrued interest	2,832	12,114
Other receivables	38	1,128
Total	**3,927**	**14,385**

3.6 FINANCIAL ASSETS AT FVOCI

The Company's financial assets at FVOCI as at 31 December 2021 and 31 December 2020, 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 2021, financial assets at FVOCI amounted to €9.1 million (2020: €8.5 million).

3.7 BORROWINGS

Borrowings	31 December 2021 €'000	31 December 2020 €'000
Bonds	783,094	720,787
Long-term liabilities	**783,094**	**720,787**
Bonds	154,835	-
Deposits to fellow subsidiaries	397,059	-
Utilised revolving credit facility	-	86,000
Short term liabilities	**551,894**	**86,000**
Total	**1,334,988**	**806,787**

2021 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 2022	EUR	3.625%	0.8	2022	154,835	157,411	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	3.7	2025	489,922	514,700	3.4%
Atrium European Real Estate Limited 2027[1]	EUR	2.625%	5.7	2027	293,172	294,399	3.1%
Total/Average		**3.0%**	**3.8**		**937,929**	**966,510**	**3.4%**

1 Borrowed via Atrium Finance Issuer B.V., an indirect wholly owned subsidary of the Company

2020 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 2022	EUR	3.6%	1.8	2022	233,364	237,626	3.5%
Atrium European Real Estate Limited 2025	EUR	3.0%	4.7	2025	487,423	502,694	3.4%
Total/Average		**3.2%**	**3.8**		**720,787**	**740,320**	**3.4%**

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

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. The New Green Notes were on-lend from Atrium Finance Issuer B.V. to the Company. Simultaneously, the Company bought back €78.2 million of the outstanding 2022 Notes.

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. All covenants were met as of 31 December 2021.

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 amount of the revolving credit facility is €300 million with an expiry date in 2023, including an option to extend up to May 2024. As at 31 December 2021, the facility was not utilised (31 December 2020: €86.0 million utilised). For additional details see note 2.16 of the Group consolidated financial statements.

Deposits to fellow subsidaries

During the year 2021 Atrium Finance Limited, an indirect subsidiary of the Company, and Atrium Holding 1 Limited, deposited with the Company a total amount of €397.1 million. The deposit bears interest linked to ECB interest rate and can be withdrawn on maturity of each deposit which is in three months time at maximum.

3.8 OTHER PAYABLES

As part of the Merger with Newco (see note 2.15 of the consolidated financial statements), outstanding options and awards under the Share based payment plans will vest in full and be cash cancelled in conjunction with the Merger. The payables to Group Companies employees and Directors as of 31 December 2021 amounted to €6.5 million.

3.9 ACCRUED EXPENDITURE

	2021 €'000	2020 €'000
Accrued interest	8,294	6,379
Accrued consultancy and audit fees	1,538	4,594
Other accrued expenditure[1]	5,665	54
Total	**15,497**	**11,027**

[1] Mainly transacation costs related to the Merger with Newco, see note 2.4 in the consolidated financial statements

3.10 PROVISIONS

Legacy legal provision	2021 €'000	2020 €'000
Balance as at 1 January	**3,892**	**3,892**
Movements in provisions during the period	(1,215)	-
Amounts paid during the period		-
Balance as at 31 December	**2,677**	**3,892**
Of which current portion	2,677	3,892
Non-current portion	-	-
Total provisions	**2,677**	**3,892**

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

3.11 ADMINISTRATIVE EXPENSES

	2021 €'000	2020 €'000
Employee costs	(288)	(599)
Directors' fees and expenses	(1,555)	(1,477)
Legal fees	(623)	(251)
Audit fees	(772)	(683)
Consultancy and other corporate fees	(3,810)	(3,161)
Gazit - Globe Acquisition - transaction costs	(8,000)	-
Legacy legal matters	1,166	(207)
Total	**(13,882)**	**(6,378)**

3.12 IMPAIRMENT FOR LOANS AND RECEIVABLES

During 2021 the Company recorded an impairment of €0.8 million on a loans to subsidary (2020: reversed a net €172.2 million of impairment on loans to subsidiaries, the majority (€171.1 million) relating to a reversal of impairment provision following a loan repayment by its subsidiary).

3.13 FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FVPL

€61.6 million gain arising from the fair value changes of the investment in subsidiaries are recorded to the statement of profit or loss. This drives mainly comes from the increase in Net Asset Value of Atrium Holding 1 Limited.

3.14 INTEREST INCOME AND INTEREST EXPENSE

	2021 €'000	2020 €'000
Interest income		
From loans to subsidiary undertakings	78,682	93,175
Total	**78,682**	**93,175**
Interest expense		
Interest on bonds	(30,572)	(27,624)
Other interest expense	(1,919)	(2,765)
Total	**(32,491)**	**(30,389)**

3.15 OTHER FINANCIAL EXPENSE, NET

	2021 €'000	2020 €'000
Net loss from bond buy back	(3,401)	(6,347)
Dividend income	264	285
Derivative swap	(12,720)	(6,437)
Foreign exchange gains, net	9,133	(87,975)
Other financial expenses, net	(1,547)	(6,290)
Total	**(8,271)**	**(106,764)**

The foreign exchange income in 2021 is primarily derived from loans to subsidiaries denominated in Czech Korona €12.3 million (2020: foreign exchange loss €7.0 million), Russian Roubles €6.3 million (2020: foreign exchange loss €23.9 million). The income was reduced by loss in Polish Zloty €6.9 million (2020: foreign exchange loss €57.0 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

2021	Carrying amount €'000	Loans and receivables €'000	Financial assets/liabilites at FVPL €'000	Financial assets at FVOCI €'000	Financial liabilities at amortized cost €'000
Financial assets					
Financial investments in subsidiaries	1,277,999	-	1,277,999	-	-
Loans and receivables	1,539,121	1,539,121	-	-	-
Financial assets at FVOCI	9,103	-	-	9,103	-
Other receivables	2,870	2,870	-	-	-
Cash and cash equivalents	410,462	410,462	-	-	-
Total financial assets	**3,239,555**	**1,952,453**	**1,277,999**	**9,103**	**-**
Financial liabilities					
Long/short term borrowings	1,334,988	-	-	-	1,334,988
Derivative	9,726	-	9,726	-	-
Other payables	7,322	-	-	-	7,322
Accrued expenditure	15,497	-	-	-	15,497
Total financial liabilities	**1,367,533**	**-**	**9,726**	**-**	**1,357,807**

2020	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	727,531	-	727,531	-	-
Loans and receivables	1,551,030	1,551,030	-	-	-
Derivative	9,256	-	9,256	-	-
Financial assets at FVOCI	8,507	-	-	8,507	-
Other receivables	12,114	12,114	-	-	-
Cash and cash equivalents	16,001	16,001	-	-	-
Total financial assets	**2,324,439**	**1,579,145**	**736,787**	**8,507**	**-**
Financial liabilities					
Long/short term borrowings	806,786	-	-	-	806,786
Other payables	424	-	-	-	424
Accrued expenditure	11,028	-	-	-	11,028
Total financial liabilities	**818,238**	**-**	**-**	**-**	**818,238**

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 amortised cost are subject to impairment and are presented below.

	2021 €'000	2020 €'000
Gross carrying amount	**1,969,201**	**1,595,238**
Loans and receivables	1,555,907	1,567,123
Other Receivables	2,832	12,114
Cash and cash equivalents	410,462	16,001
Impairment	**(16,786)**	**(16,093)**
Loans and receivables	(16,786)	(16,093)
Carrying amount	**1,952,415**	**1,579,145**

Movements in the provision for impairment of loans and receivables for the years 2021 and 2020 is presented as follows:

	2021 €'000	2020 €'000
Opening impairment at 1 January	**(16,093)**	**(188,293)**
Additions	(2,075)	(210)
Reversals	1,382	172,410
Closing impairment at 31 December	**(16,786)**	**(16,093)**

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.

2021	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	1,343,282	1,464,842	580,392	22,890	553,670	307,890
Other liabilities	14,525	14,525	14,525	-	-	-
Total	**1,357,807**	**1,479,367**	**594,916**	**22,890**	**553,670**	**307,890**

2020	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	813,165	911,253	109,444	256,809	545,000	-
Other liabilities	5,072	5,072	5,072			
Total	**818,237**	**916,325**	**114,516**	**256,809**	**545,000**	**-**

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 €410.5 million (2020: €16.0 million) and the listed equity securities at the amount of €9.1 million (2020:8.5 million). The Company also has access to €300 un-utilised credit facilities.

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:

2021	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
RUB	56,194	-	56,194
CZK	232,883	-	232,883
PLN	799,978	-	799,978

2020	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	214,846	-	214,846
PLN	783,257	-	783,257
RUB	78,032	-	78,032

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2021 and 31 December 2020 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

	2021 (Loss) €'000	2020 (Loss) €'000
RUB	(5,619)	(7,803)
CZK	(23,288)	(21,485)
PLN	(79,998)	(78,326)

A 10 percentage point weakening of the Euro against the above currencies at 31 December 2021 and 31 December 2020 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 of the consolidated financial statements. 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 of the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT


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BEZ VAT
BEZ VAT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2021, 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 consolidated statement of financial position as at 31 December 2021;
- the company and consolidated statement of profit or loss for the year then ended;
- the company and consolidated statement of other comprehensive income for the year then ended;
- the company and consolidated cash flow statement for the year then ended;
- the company and consolidated statement of changes in equity for the year then ended; an
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 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 directly and indirectly holds subsidiaries whose principal activity is the operation, ownership and management of investment properties. 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 2021, the group owned a €2.5 billion portfolio of investment properties, which generated €133.9 million of rental income for the year then ended. These properties are located throughout Central and Eastern Europe, predominantly Poland, the Czech Republic, Slovakia and Russia.

Audit scope

- The Company is incorporated in Jersey, Channel Islands 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 directing, supervising and challenging 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, the Czech Republic, Slovakia 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 properties (group)
- The consideration by the directors of the company of the impact of Covid-19 (company and group)

Materiality

- Overall group materiality: €16.9 million (2020: €14.3 million) based on 0.5% of total assets.
- Overall company materiality: €16.9 million (2020: €14.3 million) based on 0.5% of total assets.
- Performance materiality: €12.7 million (group) and €12.7 million (company).

THE SCOPE OF OUR AUDIT

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.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment properties (group) ***Refer to Note 2.2 (Key sources of estimation uncertainty), Note 2.3 (Significant accounting policies), Note 2.6 (Standing investments), Note 2.7 (Redevelopments and land), and Note 2.34 (Fair value) to the financial statements.*** The group's investment property portfolio is split between standing investments, redevelopments and land. 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 future income and returns expected by investors from the property. For redevelopments and land, factors include projected future investment to completion as well as costs and timing of completion.	We engaged PwC valuation experts in relevant jurisdictions to review all internal and external valuation reports for all standing investments, redevelopments and land. We assessed whether the valuation approach used was in accordance with RICS standards and was 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.

The valuations for all standing investments and the majority of the redevelopments and land portfolio were carried out by external third party valuers, Savills, Cushman & Wakefield and CBRE (the “external valuers”). The external valuers were engaged by the directors and performed their work in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards ("RICS Standards") which incorporate the International Valuation Standards 2017. The directors consider that external valuers used by the group have relevant experience of the markets in which the group operates.

Approximately 4% of investment properties were valued by the group’s internal valuation team. The results of the external and internal valuations were reviewed and approved by the directors.

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 estimated market rent to vacant space and for periods after lease expiries. To arrive at the final value of the property they apply relevant assumptions for exit capitalisation rates and discount rates resulting from comparable market transactions, investor sentiment and forecasted capital expenditure. 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 comparable assets in the market, adjusted to reflect the characteristics of the valued property.

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 attended meetings with management, our internal PwC valuation experts 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 exit capitalisation rates and discount rates 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.

We compared the investment exit capitalisation rates and discount rates used by management and the external valuers with the range of expected rates 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 based on our internal sources.

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.

For a selected investment property, our auditor’s expert performed a full independent valuation and compared its results to those of management.

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

The consideration by the directors of the company of the impact of Covid-19 (company and group)
Refer to Note 2.5 (Covid-19) to the financial statements
The directors, in conjunction with group and country-level management, has considered the impact of events that have been caused by the Covid-19 pandemic on the current and future operations of the company and the group. In doing so, the directors have made estimates and judgements relating to the outcomes of these considerations, including on the company's and group's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements.

Restrictions put in place by governments around Europe in order to mitigate the impact of the Covid-19 pandemic have had a direct impact on the company and the group. As a result of these restrictions, management has considered and taken actions in the area of going concern and liquidity, investment property valuation, the recognition of revenue, and for the company, the value of investments in and loans to subsidiary entities.

The directors have taken actions during the pandemic in order to mitigate the impact to the company and the group. This includes a programme of cost reduction and cash conservation during the initial phases of the pandemic, debt refinancing, deferring capital expenditure projects and negotiating lease extensions and discounts with tenants to maintain high levels of occupancy. The net impact of lease concessions after straight-lining reduced the group's gross rental income by €17.8 million.

As a result of the impact of Covid-19 on property markets and the income of the group, we have determined the directors' consideration of the impact of Covid-19 (including their associated estimates and judgements) to be a key audit matter.

In relation to the directors' consideration of the impact of the Covid-19 pandemic, we have undertaken the following audit procedures:

We obtained the latest financial reports from management regarding solvency, liquidity risk, estimated cash flow forecasts and the impact on the income of the group. We inspected the financial reports to assess their consistency with our understanding of the operations of the group, the investment property portfolio and the commentary already made by the company.

We reperformed management's calculations of financial covenants attached to the bonds and bank loans of the group to confirm whether there were any breaches as at the date of the statement of financial position.

We considered the appropriateness of the disclosures made in the financial statements in respect to the impact of the pandemic during the year and the current and potential impact of the pandemic on the company and the group.

We reviewed relevant items in the information presented in the Annual Financial Report but outside of the financial statements for any inconsistencies with the information included in the financial statements.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give 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. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements - company
Overall materiality	€16.9 million (2020: €14.3 million)	€16.9 million (2020: €14.3 million)
How we determined it	0.5% of total assets	0.5% of total assets
Rationale for benchmark applied	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 investments 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 of €16.9 million.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was €12.5 million to €16.9 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to €12.7 million (2020: €10.7 million) for the group financial statements and €12.7 million (2020: €10.7 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €840,000 (2020: €710,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

REPORTING ON OTHER INFORMATION

The other information comprises all the information included in the Annual Financial Report 2021 (the "Annual Report") 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 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 based on these responsibilities.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities section of the directors' report, 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 related 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected

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 over a period of at least twelve months from the date of approval of the financial statements. 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 consolidated 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.

USE OF THIS REPORT

This report, including the opinions, 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 these opinions, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIRMENTS

Company Law exception reporting

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.

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 2021 contains the statement by directors in accordance with section 124 par.1 sub para.3 of the Austrian Stock Exchange Act 2018.

Other Matter

These financial statements may form part of the ESEF-prepared annual financial report released by the company in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
23 February 2022

- 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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DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS


ДРАГОЦЕНТР

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Oren Hod
Zvi Heifetz
Lucy Lilley
Andrew Wignall

ADMINISTRATOR AND REGISTRAR

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