

# INTERIM FINANCIAL STATEMENTS 31 MARCH 2022

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# CONTENTS

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|   |    |
|---|----|
| CONDENSED CONSOLIDATED<br>INTERIM FINANCIAL STATEMENTS                        | 03 |
| NOTES TO THE CONDENSED<br>CONSOLIDATED INTERIM FINANCIAL<br>STATEMENTS        | 07 |
| REPORT ON REVIEW OF CONDENSED<br>CONSOLIDATED INTERIM FINANCIAL<br>STATEMENTS | 14 |

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# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |      | 31 March 2022 |                  | 31 December 2021 |                  |
|---|------|---------------|------------------|------------------|------------------|
|   | Note | €'000         | €'000            | €'000            | €'000            |
|   |      | Unaudited     | Unaudited        | Audited          | Audited          |
| <b>ASSETS</b>                                 |      |               |                  |                  |                  |
| <b>Non-current assets</b>                     |      |               |                  |                  |                  |
| Standing investments                          | 4    | 2,203,992     |                  | 2,340,068        |                  |
| Redevelopments and land                       | 5    | 263,081       |                  | 244,383          |                  |
| Equity-accounted investment in joint ventures |      | 194,902       |                  | 192,773          |                  |
| Derivatives                                   | 11   | 2,366         |                  | -                |                  |
| Other non-current assets                      | 6    | 60,151        |                  | 65,745           |                  |
|   |      |               | <b>2,724,492</b> |                  | <b>2,842,969</b> |
| <b>Current assets</b>                         |      |               |                  |                  |                  |
| Cash and cash equivalents                     |      | 231,687       |                  | 500,375          |                  |
| Other current assets                          | 7    | 34,414        |                  | 40,351           |                  |
| Financial assets at FVOCI                     |      | 9,757         |                  | 9,103            |                  |
| Assets held for sale                          | 8    | 134,432       |                  | -                |                  |
|   |      |               | <b>410,290</b>   |                  | <b>549,829</b>   |
| <b>TOTAL ASSETS</b>                           |      |               | <b>3,134,782</b> |                  | <b>3,392,798</b> |
| <b>EQUITY AND LIABILITIES</b>                 |      |               |                  |                  |                  |
| <b>Equity</b>                                 | 9    |               | <b>1,373,295</b> |                  | <b>1,923,048</b> |
| <b>Non-current liabilities</b>                |      |               |                  |                  |                  |
| Long term borrowings                          | 10   | 1,379,309     |                  | 1,073,897        |                  |
| Derivatives                                   | 11   | -             |                  | 11,847           |                  |
| Other non-current liabilities                 | 12   | 125,779       |                  | 145,493          |                  |
|   |      |               | <b>1,505,088</b> |                  | <b>1,231,237</b> |
| <b>Current liabilities</b>                    |      |               |                  |                  |                  |
| Short term borrowings                         | 10   | 158,456       |                  | 158,492          |                  |
| Other current liabilities                     | 13   | 73,147        |                  | 76,905           |                  |
| Provisions                                    |      | 3,139         |                  | 3,116            |                  |
| Liabilities held for sale                     | 8    | 21,656        |                  | -                |                  |
|   |      |               | <b>256,398</b>   |                  | <b>238,513</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |      |               | <b>3,134,782</b> |                  | <b>3,392,798</b> |

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 18 May 2022 and were signed on the Board's behalf by Chaim Katzman, Chairman of the Board.



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| (Unaudited)  | Note | Three months ended<br>31 March 2022 |               | Three months ended<br>31 March 2021 |               |
|--|------|-------------------------------------|---------------|-------------------------------------|---------------|
|  |      | €'000                               | €'000         | €'000                               | €'000         |
| Gross rental income  |      | 32,719                              |               | 32,491                              |               |
| Service charge income  |      | 13,966                              |               | 10,718                              |               |
| Net property expenses  |      | (16,519)                            |               | (13,025)                            |               |
| <b>Net rental income</b>   |      |                                     | <b>30,166</b> |                                     | <b>30,184</b> |
| Costs connected with developments                                |      | (155)                               |               | (233)                               |               |
| Revaluation of standing investments, net                         | 4    | (9,621)                             |               | -                                   |               |
| Depreciation, amortisation and impairments                       |      | (732)                               |               | (828)                               |               |
| Administrative expenses  |      | (6,927)                             |               | (5,245)                             |               |
| Share of profit of equity-accounted investment in joint ventures |      | 2,129                               |               | 2,033                               |               |
| <b>Net operating profit</b>                                      |      |                                     | <b>14,860</b> |                                     | <b>25,911</b> |
| Interest expenses, net   |      | (9,998)                             |               | (8,875)                             |               |
| Foreign currency differences                                     |      | (157)                               |               | 271                                 |               |
| Other financial expenses, net                                    |      | (1,509)                             |               | (4,757)                             |               |
| <b>Profit before taxation</b>                                    |      |                                     | <b>3,196</b>  |                                     | <b>12,550</b> |
| Taxation charge for the period                                   | 14   | (3,793)                             |               | (6,606)                             |               |
| <b>Profit (loss) after taxation for the period</b>               |      |                                     | <b>(597)</b>  |                                     | <b>5,944</b>  |

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| Unaudited  | Three months ended<br>31 March 2022 |        | Three months ended<br>31 March 2021 |               |
|--|-------------------------------------|--------|-------------------------------------|---------------|
|  | €'000                               | €'000  | €'000                               | €'000         |
| <b>Profit (loss) for the period</b>  | <b>(597)</b>                        |        | <b>5,944</b>                        |               |
| <b>Items that will not be reclassified to the statement of profit or loss:</b>   |                                     |        |                                     |               |
| Movement in financial assets at FVOCI reserve                                    |                                     | 700    |                                     | 1,726         |
| <b>Items that are or may be reclassified to the statement of profit or loss:</b> |                                     |        |                                     |               |
| Exchange differences arising on translation of foreign operations                |                                     | (260)  |                                     | -             |
| Movements in hedging reserves (net of deferred tax)                              |                                     | 12,357 |                                     | 3,264         |
| <b>Total comprehensive income for the period</b>                                 |                                     |        | <b>12,200</b>                       | <b>10,934</b> |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| (Unaudited)   | Three months ended<br>31 March 2022<br>€'000 | Three months ended<br>31 March 2021<br>€'000 |
|---|--|--|
| <b>Cash flows from operating activities</b>                               |  |  |
| Profit before taxation  | 3,196  | 12,550                                       |
| <b>Adjustments for:</b>   |  |  |
| Other depreciation, amortisation and impairments                          | 732  | 828  |
| Revaluation of standing investments                                       | 9,621  | -  |
| Foreign exchange differences  | 157  | (271)  |
| Change in legal provisions, net of amounts paid                           | -  | (228)  |
| Share based payment expenses  | -  | 419  |
| Share of profit of equity-accounted investments in joint ventures         | (2,129)                                      | (2,033)                                      |
| Net loss from bonds buy back  | -  | 3,459  |
| Finance lease interest expense  | 796  | 819  |
| Interest expense  | 10,301                                       | 8,997  |
| Interest income   | (303)  | (122)  |
| <b>Operating cash flows before working capital changes</b>                | <b>22,371</b>                                | <b>24,418</b>                                |
| (Increase) / Decrease in trade, other receivables and prepayments         | 2,643  | (8,214)                                      |
| Increase (Decrease) in trade, other payables and accrued expenditure, net | (11,529)                                     | (30)   |
| <b>Net cash generated from operations</b>                                 | <b>13,485</b>                                | <b>16,174</b>                                |
| Interest paid   | (4,731)                                      | (5,880)                                      |
| Interest received   | 243  | 228  |
| Corporation taxes paid, net   | (1,103)                                      | (891)  |
| <b>Net cash generated from operating activities</b>                       | <b>7,894</b>                                 | <b>9,631</b>                                 |
| <b>Cash flows from investing activities</b>                               |  |  |
| Payments related to investment properties, capex and acquisitions         | (16,234)                                     | (4,478)                                      |
| Repayment of loans provided   | 104  | 104  |
| <b>Net cash generated used in investing activities</b>                    | <b>(16,130)</b>                              | <b>(4,374)</b>                               |
| <b>Net cash flow before financing activities</b>                          | <b>(8,236)</b>                               | <b>5,257</b>                                 |
| <b>Cash flows from financing activities</b>                               |  |  |
| Reduction of capital  | (305,378)                                    | -  |
| Repayment of long term borrowings   | (935)  | (82,695)                                     |
| Receipt of long term borrowings   | 305,378                                      | 292,374                                      |
| (Repayment)/Utilisation of a revolving credit facility                    | -  | (86,252)                                     |
| Repayments of lease liabilities   | (221)  | (259)  |
| Dividends paid  | (256,651)                                    | (14,152)                                     |
| <b>Net cash generated from financing activities</b>                       | <b>(257,807)</b>                             | <b>109,016</b>                               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>               | <b>(266,043)</b>                             | <b>114,273</b>                               |
| <b>Cash and cash equivalents at the beginning of period</b>               | <b>500,375</b>                               | <b>55,221</b>                                |
| Cash and cash equivalents classified as held for sale                     | (1,350)                                      | -  |
| Effect of exchange rate fluctuations on cash held                         | (1,295)                                      | (490)  |
| <b>Cash and cash equivalents at the end of period</b>                     | <b>231,687</b>                               | <b>169,004</b>                               |





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2022

|   |      | Stated<br>capital | Hedging<br>reserve | Financial<br>assets at<br>FVOCI<br>reserve | Retained<br>deficit | Currency<br>translation<br>reserve | Currency<br>translation<br>reserve<br>for<br>disposal<br>group<br>held for<br>sale | Equity<br>attributable<br>to the<br>owners of<br>the<br>Company | Hybrid<br>Reserve | Total<br>Shareholders<br>Equity |
|---|------|-------------------|--------------------|--|---------------------|------------------------------------|--|---|-------------------|---------------------------------|
| Unaudited   | Note | €'000             | €'000              | €'000                                      | €'000               | €'000                              | €'000  | €'000   | €'000             |                                 |
| <b>Balance as at<br/>1 January 2022</b>           |      | <b>1,885,713</b>  | <b>(10,297)</b>    | <b>(12,871)</b>                            | <b>(207,249)</b>    | <b>(73,105)</b>                    | <b>-</b>   | <b>1,582,191</b>  | <b>340,858</b>    | <b>1,923,049</b>                |
| Profit for the period                             |      | -                 | -                  | -  | (597)               | -                                  |  | (597)   | -                 | (597)                           |
| Other comprehensive<br>income                     |      | -                 | 12,357             | 700  | -                   | (260)                              | -  | 12,797  | -                 | 12,797                          |
| <b>Total comprehensive<br/>income</b>             |      | <b>-</b>          | <b>12,357</b>      | <b>700</b>                                 | <b>(597)</b>        | <b>(260)</b>                       | <b>-</b>   | <b>12,200</b>   | <b>-</b>          | <b>12,200</b>                   |
| <b>Transaction with owners<br/>of the Company</b> |      |                   |                    |  |                     |                                    |  |   |                   |                                 |
| Issue of shares                                   |      | 75                | -                  | -  | -                   | -                                  | -  | 75  | -                 | 75                              |
| Capital repayment                                 | 9    | (305,378)         | -                  | -  | -                   | -                                  | -  | (305,378)   | -                 | (305,378)                       |
| Disposal group held for<br>sale                   | 8    | -                 | -                  | -  | -                   | 7,343                              | (7,343)  | -   | -                 | -                               |
| Dividends   | 9    | (256,651)         | -                  | -  | -                   | -                                  | -  | (256,651)   | -                 | (256,651)                       |
| <b>Balance as at<br/>31 March 2022</b>            |      | <b>1,323,759</b>  | <b>2,060</b>       | <b>(12,171)</b>                            | <b>(207,846)</b>    | <b>(66,022)</b>                    | <b>(7,343)</b>   | <b>1,032,437</b>  | <b>340,858</b>    | <b>1,373,295</b>                |

FOR THE PERIOD ENDED 31 MARCH 2021

|   |      | Stated<br>capital | Share based<br>payment<br>reserve | Hedging<br>reserve | Financial<br>assets at<br>FVOCI<br>reserve | Retained<br>earnings/<br>(deficit) | Currency<br>translation<br>reserve | Equity<br>attributable<br>to the<br>owners of<br>the<br>Company |
|---|------|-------------------|-----------------------------------|--------------------|--|------------------------------------|------------------------------------|---|
| Unaudited                                       | Note | €'000             | €'000                             | €'000              | €'000                                      | €'000                              | €'000                              | €'000   |
| <b>Balance as at<br/>1 January 2021</b>         |      | <b>1,944,947</b>  | <b>1,564</b>                      | <b>(19,721)</b>    | <b>(13,421)</b>                            | <b>(294,364)</b>                   | <b>(73,105)</b>                    | <b>1,545,900</b>  |
| Profit for the period                           |      | -                 | -                                 | -                  | -  | 5,944                              | -                                  | 5,944   |
| Other comprehensive<br>income (expense)         |      | -                 | -                                 | 3,264              | 1,726                                      | -                                  | -                                  | 4,990   |
| <b>Total comprehensive<br/>income (expense)</b> |      | <b>-</b>          | <b>-</b>                          | <b>3,264</b>       | <b>1,726</b>                               | <b>5,944</b>                       | <b>-</b>                           | <b>10,934</b>   |
| <b>Transaction with owners of the Company</b>   |      |                   |                                   |                    |  |                                    |                                    |   |
| Share based payment                             |      | -                 | 419                               | -                  | -  | -                                  | -                                  | 419   |
| Issue of no par value<br>shares                 |      | 923               | (496)                             | -                  | -  | -                                  | -                                  | 427   |
| Dividends                                       |      | (26,392)          | -                                 | -                  | -  | -                                  | -                                  | (26,392)  |
| Scrip dividend                                  |      | 12,240            |                                   |                    |  |                                    |                                    | 12,240  |
| <b>Balance as at<br/>31 March 2021</b>          |      | <b>1,931,718</b>  | <b>1,487</b>                      | <b>(16,457)</b>    | <b>(11,695)</b>                            | <b>(288,420)</b>                   | <b>(73,105)</b>                    | <b>1,543,528</b>  |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## UNAUDITED

### 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. On 18 February 2022 the shares of the Company were de-listed, see Note 4 of the consolidated annual financial statements of the Group as at and for the year ended 31 December 2021.

The condensed consolidated interim financial statements of Atrium for the period ended 31 March 2022 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.

### 2 BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements do not include all of the information required for full set of IFRS annual consolidated financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2021.

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

Gazit Hercules 2020 Limited ("Newco") entity did not meet the definition of the business under IFRS 3 and therefore Merger was accounted for as a capital reorganisation and not a business combination, See note 9 and 10.

Except for share and per share amounts, the financial statements are presented in thousands of Euros ("€'000"), rounded off to the nearest thousand, unless stated otherwise.

The preparation of interim financial statements requires the company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

### 3 CHANGES IN ACCOUNTING POLICIES

#### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2022

##### Amendments to IFRS Standards

New standards, interpretations and amendments effective, and endorsed by the EU, as of 1 January 2022, did not have a material impact on the Group's condensed consolidated interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. For more information refer to note 2.2 in the 2021 Annual report.

### 4 STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 25 properties (31 December 2021: 25).

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

| Standing investments                           | 31 March<br>2022<br>€'000 | 31 December<br>2021<br>€'000 |
|--|---------------------------|------------------------------|
| Balance as at 1 January                        | 2,340,068                 | 2,270,685                    |
| Additions - technical improvements, extensions | 2,472                     | 13,109                       |
| Movement in leases                             | 491                       | 1,388                        |
| Transfers to/from redevelopments and land      | -                         | 9,746                        |
| Transfers to assets held for sale              | (129,418)                 | -                            |
| Revaluation of standing investments            | (9,621)                   | 45,140                       |
| <b>Balance at the end of the period</b>        | <b>2,203,992</b>          | <b>2,340,068</b>             |

For additional information on the Russian-Ukraine conflict and its impact on Atrium, refer to note 18.



## 5 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group comprises €112.4 million (31 December 2021: €93.9 million) redevelopments and €150.7 million land (31 December 2021: €150.5 million).

| Redevelopments and land                 | 31 March<br>2022<br>€'000 | 31 December<br>2021<br>€'000 |
|---|---------------------------|------------------------------|
| Balance as at 1 January                 | 244,383                   | 248,252                      |
| Additions                               | 18,698                    | 17,000                       |
| Transfer from/to standing investments   | -                         | (9,746)                      |
| Disposals                               | -                         | (13,856)                     |
| Revaluation of redevelopments and land  | -                         | 2,733                        |
| <b>Balance at the end of the period</b> | <b>263,081</b>            | <b>244,383</b>               |

Additions include a residential acquisition of €12.8 million.

## 6 OTHER NON-CURRENT ASSETS

| Other non-current assets                     | 31 March<br>2022<br>€'000 | 31 December<br>2021<br>€'000 |
|--|---------------------------|------------------------------|
| Financial assets at amortised cost           | 19,656                    | 19,760                       |
| Long term advances                           | 17,857                    | 17,857                       |
| Straight line of lease incentives to tenants | 13,971                    | 17,413                       |
| Intangible assets                            | 6,759                     | 7,135                        |
| Deferred tax assets                          | -                         | 1,482                        |
| Other  | 1,908                     | 2,098                        |
| <b>Balance at the end of the period</b>      | <b>60,151</b>             | <b>65,745</b>                |

## 7 OTHER CURRENT ASSETS

| Other current assets                    | 31 March<br>2022<br>€'000 | 31 December<br>2021<br>€'000 |
|---|---------------------------|------------------------------|
| Receivables from tenants <sup>1</sup>   | 16,966                    | 19,472                       |
| Prepayments                             | 9,014                     | 12,494                       |
| VAT receivables                         | 4,497                     | 4,596                        |
| Income tax receivable                   | 650                       | 302                          |
| Other receivables                       | 3,287                     | 3,487                        |
| <b>Balance at the end of the period</b> | <b>34,414</b>             | <b>40,351</b>                |

<sup>1</sup> Includes Straight-line asset of lease incentives €8.8 million (31 December 2021: €10.7 million)



## 8 ASSETS AND LIABILITIES HELD FOR SALE

|   | 31 March 2022<br>€'000 | 31 December 2021<br>€'000 |
|---|------------------------|---------------------------|
| <b>Non-current assets</b>                                     |                        |                           |
| Standing investments  | 129,418                | -                         |
| Other non-current assets                                      | 1,023                  | -                         |
| <b>Current assets</b>   |                        |                           |
| Receivables from tenants                                      | 1,990                  | -                         |
| Cash and cash equivalents                                     | 1,350                  | -                         |
| Other current assets  | 651                    | -                         |
| <b>Assets held for sale</b>                                   | <b>134,432</b>         | -                         |
| <b>Non-current liabilities</b>                                |                        |                           |
| Deferred tax liabilities                                      | 19,040                 | -                         |
| Other non-current liabilities                                 | 1,456                  | -                         |
| <b>Current liabilities</b>                                    | <b>1,160</b>           | -                         |
| <b>Liabilities held for sale</b>                              | <b>21,656</b>          | -                         |
| <b>Net assets directly associated with disposal groups</b>    | <b>112,776</b>         | -                         |
| <b>Reserve of disposal groups classified as held for sale</b> | <b>(7,343)</b>         | -                         |

As at 31 March 2022, the assets and liabilities held for sale included mainly the company that holds the Group's sole asset in Slovakia and carrying value of €118.0 million.

## 9 EQUITY

As at 31 March 2022, the total number of shares issued was 299,743,870 (31 December 2021: 400,528,650 shares).

### 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.

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

**On 8 February 2022** a Q4 AFFO dividend of €0.036 per share which amounted to €14.4 million was paid and on 23 February 2022 a Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid.

**On 18 February 2022** the completion and the effectiveness of the Merger and Reduction of Capital was registered, lowering the Company's shares issued by 100,784,779. Atrium's delisting from the Amsterdam Stock Exchange and the Vienna Stock Exchange took place on the same date.

## 10 BORROWINGS

| Borrowings                                 | 31 March 2022    |                  | 31 December 2021 |                  |
|--|------------------|------------------|------------------|------------------|
|  | Net book value   | Fair value       | Net book value   | Fair value       |
|  | €'000            | €'000            | €'000            | €'000            |
| Bonds                                      | 938,814          | 913,912          | 937,929          | 966,510          |
| Bank loans                                 | 293,576          | 294,531          | 294,460          | 295,139          |
| Related party credit facility              | 305,375          | 305,375          | -                | -                |
| <b>Total</b>                               | <b>1,537,765</b> | <b>1,513,817</b> | <b>1,232,389</b> | <b>1,261,649</b> |
| Of which:                                  |                  |                  |                  |                  |
| Long term borrowings                       | 1,379,309        |                  | 1,073,897        |                  |
| Current maturities of bank loans and bonds | 158,456          |                  | 158,492          |                  |
| <b>Total</b>                               | <b>1,537,765</b> |                  | <b>1,232,389</b> |                  |

The borrowings are repayable as follows:

| Borrowings total                         | 31 March 2022<br>Net book value<br>€'000 | 31 December 2021<br>Net book value<br>€'000 |
|--|--|---|
| Due within one year                      | 158,456                                  | 158,492                                     |
| Due in second year                       | 3,663                                    | 3,663                                       |
| Due within third to fifth year inclusive | 966,979                                  | 661,014                                     |
| Due after five years                     | 408,667                                  | 409,220                                     |
| <b>Total</b>                             | <b>1,537,765</b>                         | <b>1,232,389</b>                            |



## BONDS

As a result of a downgrade by Moody's and Fitch to below Investment Grade, an adjustment to the fixed interest rate of the 2025 Bonds would apply from the next annual coupon rate, due in September 2023. The annual incremental finance costs are €6.25 million.

## RELATED PARTY CREDIT FACILITY

On 18 February 2022 the completion and the effectiveness of the Merger and reduction of capital was registered. Following the Merger with Newco, the Borrowings of the Group increased by €305.4 million due to a related party credit facility of Newco from Gazit-Globe.

The Related party credit facility from Gazit-Globe of €350.0 million carries a quarterly coupon of 3-month Euribor plus a spread of 1.5% per annum. The maturity date is 31 December 2026. As of 31 March 2022, €305.4 million of the related party credit facility is utilised. The related party credit facility is subordinated to the Group's senior debt.

## BORROWINGS FAIR VALUE

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

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

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

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

## REVOLVING CREDIT FACILITY

The total amount of the revolving credit facilities is €300 million with an expiry date in 2023. As at 31 March 2022 and 31 December 2021, the facility was not utilised.

## 11 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") in connection with secured bank loans (see note 10). 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 critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount and are included in cash flow hedges to reduce the Group's cash flow volatility due to variable interest rates on the bank loans. An economic relationship between the hedging instrument and the hedged item exists; the hedging instrument and the hedged item have values that move in the opposite direction and offsets each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The 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.

|  | 31 March<br>2022 | 31 December<br>2021 |
|--|------------------|---------------------|
| Interest rate swaps  | €'000            | €'000               |
| Carrying amount (liability)  | -                | 11,847              |
| Carrying amount (asset)  | 2,366            | -                   |
| Notional amount  | 294,610          | 295,545             |
| Gain (loss) in fair value of outstanding hedging instruments since 1 January | 14,213           | (10,875)            |

The fair value gain during the period is mainly due to an increase in spot and forward interest rates of the Euribor.

## 12 OTHER NON-CURRENT LIABILITIES

|                             | 31 March<br>2022<br>€'000 | 31 December<br>2021<br>€'000 |
|-----------------------------|---------------------------|------------------------------|
| Deferred tax liabilities    | 74,136                    | 90,334                       |
| Long term lease liabilities | 40,307                    | 41,820                       |
| Other long term liabilities | 11,336                    | 13,339                       |
| <b>Total</b>                | <b>125,779</b>            | <b>145,493</b>               |

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

## 13 OTHER CURRENT LIABILITIES

|                              | 31 March<br>2022<br>€'000 | 31 December<br>2021<br>€'000 |
|------------------------------|---------------------------|------------------------------|
| Trade and other payables     | 21,703                    | 20,989                       |
| Accrued expenditure          | 44,044                    | 39,837                       |
| Short term lease liabilities | 3,733                     | 3,765                        |
| VAT payables                 | 2,089                     | 3,993                        |
| Income tax payable           | 1,578                     | 1,486                        |
| Share based payments         | -                         | 6,835                        |
| <b>Total</b>                 | <b>73,147</b>             | <b>76,905</b>                |

## 15 SEGMENT REPORTING

| Reportable segments<br>For the period ended 31 March 2022        | Standing<br>investment<br>segment<br>€'000 | Redevelopments<br>and land<br>segment<br>€'000 | Reconciling item<br>€'000    | Total<br>€'000   |
|--|--|--|------------------------------|------------------|
| Gross rental income  | 35,063                                     | -  | (2,344)                      | 32,719           |
| Service charge income  | 14,580                                     | -  | (614)                        | 13,966           |
| Net property expenses  | (17,336)                                   | -  | 817                          | (16,519)         |
| <b>Net rental income</b>   | <b>32,307</b>                              | <b>-</b>                                       | <b>(2,141)</b>               | <b>30,166</b>    |
| Net result on disposals  | -  | -  | -                            | -                |
| Costs connected with developments                                | -  | (155)  | -                            | (155)            |
| Revaluation of investment properties                             | (9,621)                                    | -  | -                            | (9,621)          |
| Depreciation, amortisation and impairments                       | (447)                                      | -  | (285)                        | (732)            |
| Administrative expenses  | (2,086)                                    | (443)  | (4,398)                      | (6,927)          |
| Share of profit of equity-accounted investment in joint ventures | -  | -  | 2,129                        | 2,129            |
| <b>Net operating (loss)/profit</b>                               | <b>20,153</b>                              | <b>(598)</b>                                   | <b>(4,695)</b>               | <b>14,860</b>    |
| Interest expense, net  | -  | -  | -                            | (9,998)          |
| Foreign currency differences                                     | -  | -  | -                            | (157)            |
| Other financial expenses   | -  | -  | -                            | (1,509)          |
| <b>Profit before taxation for the period</b>                     | <b>-</b>                                   | <b>-</b>                                       | <b>-</b>                     | <b>3,196</b>     |
| Taxation charge for the period                                   | -  | -  | -                            | (3,793)          |
| <b>Profit after taxation for the period</b>                      | <b>-</b>                                   | <b>-</b>                                       | <b>-</b>                     | <b>(597)</b>     |
| <b>Investment properties</b>                                     | <b>2,387,385</b>                           | <b>263,081</b>                                 | <b>(183,393)<sup>1</sup></b> | <b>2,467,073</b> |
| <b>Additions to investment properties</b>                        | <b>2,496</b>                               | <b>18,698</b>                                  | <b>(25)</b>                  | <b>21,170</b>    |

<sup>1</sup> Our 75% share of investment property held in a joint venture

Accrued expenditure includes interest of €15.7 million (31 December 2021: €8.3 million).

The share base payments were settled following the completion of the Merger in Q1 2022.

## 14 TAXATION CHARGE FOR THE PERIOD

| Taxation charge for the period              | Three months ended 31 March |                |
|---|-----------------------------|----------------|
|   | 2022<br>€'000               | 2021<br>€'000  |
| Current period corporate income tax expense | (1,326)                     | (849)          |
| Deferred tax charge                         | (2,467)                     | (5,757)        |
| <b>Total</b>                                | <b>(3,793)</b>              | <b>(6,606)</b> |



| Reportable segments<br>For the period ended 31 March 2021        | Standing<br>investment<br>segment<br>€'000 | Redevelopments<br>and land<br>segment<br>€'000 | Reconciling item<br>€'000    | Total<br>€'000   |
|--|--|--|------------------------------|------------------|
| Gross rental income  | 34,736                                     | -  | (2,245)                      | 32,491           |
| Service charge income  | 11,272                                     | -  | (554)                        | 10,718           |
| Net property expenses  | (13,783)                                   | -  | 758                          | (13,025)         |
| <b>Net rental income</b>   | <b>32,225</b>                              | <b>-</b>                                       | <b>(2,041)</b>               | <b>30,184</b>    |
| Net result on disposals  | -  | -  | -                            | -                |
| Costs connected with developments                                | -  | (233)  | -                            | (233)            |
| Revaluation of investment properties                             | -  | -  | -                            | -                |
| Depreciation, amortisation and impairments                       | (506)                                      | -  | (322)                        | (828)            |
| Administrative expenses  | (1,874)                                    | (22)   | (3,349)                      | (5,245)          |
| Share of profit of equity-accounted investment in joint ventures | -  | -  | 2,033                        | 2,033            |
| <b>Net operating profit/(loss)</b>                               | <b>29,845</b>                              | <b>(255)</b>                                   | <b>(3,679)</b>               | <b>25,911</b>    |
| Interest expense, net  | -  | -  | -                            | (8,875)          |
| Foreign currency differences                                     | -  | -  | -                            | 271              |
| Other financial expenses   | -  | -  | -                            | (4,757)          |
| <b>Profit/(loss) before taxation for the period</b>              | <b>-</b>                                   | <b>-</b>                                       | <b>-</b>                     | <b>12,550</b>    |
| Taxation credit/(charge) for the period                          | -  | -  | -                            | (6,606)          |
| <b>Profit/(loss) after taxation for the period</b>               | <b>-</b>                                   | <b>-</b>                                       | <b>-</b>                     | <b>5,944</b>     |
| <b>Investment properties</b>                                     | <b>2,453,205</b>                           | <b>250,898</b>                                 | <b>(180,001)<sup>1</sup></b> | <b>2,524,102</b> |
| <b>Additions to investment properties</b>                        | <b>2,607</b>                               | <b>2,624</b>                                   | <b>(25)</b>                  | <b>5,206</b>     |

<sup>1</sup> Our 75% share of investment property held in a joint venture

## 16 TRANSACTIONS WITH RELATED PARTIES

### MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

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 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.

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 REALTED PARTY TRANSACTIONS

In January 2022, the Group issued 20,913 shares to its directors, Andrew Wignall (6,971 shares), Neil Flanzraich (6,971 shares) and Lucy Lilley (6,971 shares) as part of their annual remuneration.

During and after the reporting period, Gazit-Globe bought back in the open market the Group's 2022, 2025, 2027 and Hybrid Notes in the nominal amounts of €3.3 million, €68.2 million, €0.5 million and €8.2 million, respectively.

## 17 CONTINGENCIES

There is continuing uncertainty in the various economies and jurisdictions in which the Group has its operations and assets. These uncertainties relate to the general economic and geopolitical environment in such regions and to changes or potential changes in the legal, regulatory and fiscal frameworks and the approach taken to enforcement which may include actions affecting title to the Group's property or land and changes to the previously accepted interpretation of fiscal rules and regulations applied by the authorities to the Group's fiscal assets and liabilities.

The current war between Russia and Ukraine would have an impact on the Group's business, where approximately 22% of the Group's 2021 NRI is derived from Russia. Further sanctions and deterioration of the Russian economy will directly impact the performance of the Group's centres in Russia, the ability of tenants to remain open and pay rent, inability to trade or utilise cash, additional devaluation of the portfolio and potential seizing of assets. Management continues to monitor the quickly evolving situation closely.

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 deductibility. For more information on the

latest amendment to the Polish corporate income tax law refer to note 2.31 in the 2021 Annual report.

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.

The Hybrid Note has an off-balance sheet accrued interest of €5.1 million as of 31 March 2022 (31 December 2021: €2.0 million).

## 18 EVENTS DURING AND AFTER THE PERIOD

### RUSSIA AND UKRAINE CONFLICT

In January 2022, Russia's GDP was forecasted to grow at 2.9%, while the latest GDP projections point to a steep decline close to 9%. At the same time, inflation is expected to surpass 20% in 2022, a sharp increase from the 3.4% posted in 2021.

During Q1 2022, our operations in Russia were marginally impacted as the conflict and subsequent sanctions only began around end of February. Russia's occupancy as of 31 March was 92.5% and the collections for the first quarter of 2022 are at 91%.

The Group has performed a full external valuation of its income producing assets in Russia as of 31 March 2022, which resulted in a devaluation of €9.6 million. Due to the Russia-Ukraine conflict and impact of sanctions, a high degree of judgment has been applied in determining the estimated cash flows used in the assessment of the fair value of investment properties in Russia. Consequently, a higher level of uncertainty exists in the valuations than would normally be the case. The fair values as determined by external, independent real estate valuation expert as at 31 March 2022 have used all available information from reliable sources in developing appropriate assumptions to determine the fair value of investment properties. The valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution were attached to the valuation of the Russian portfolio.



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**To the Shareholders and Board of Directors of Atrium European Real Estate Ltd.**

## INTRODUCTION

We have reviewed the accompanying condensed consolidated statement of financial position of Atrium European Real Estate Ltd. and its subsidiaries (collectively the 'Group') as at 31 March 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the three-month period then ended, and the related explanatory notes (hereinafter the 'condensed consolidated interim financial statements'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union.

**Emphasis of Matter - significant estimation uncertainty in relation to the valuation of standing investments located in Russia**

We draw your attention to Note 18 to the condensed consolidated interim financial statements which explains that there is significant estimation uncertainty in relation to the valuation of Russian standing investments of €250 million included in the condensed consolidated statement of financial position as at 31 March 2022, resulting from the Russian military invasion of Ukraine and subsequent impact of sanctions on the Russian economy. Third party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation of Russian properties. Our conclusion is not modified in respect of this matter.

**PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp.k.**

**Warsaw, Poland**

**18 May 2022**

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# DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS

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## DIRECTORS

Chaim Katzman  
Zvi Heifetz  
Oren Hod  
Lucy Lilley  
Andrew Wignall

## ADMINISTRATOR AND REGISTRAR

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## INDEPENDENT AUDITORS

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Prague

### Cyprus

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Limassol

### Russia

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