ATRIUM
European Real Estate

ANNUAL FINANCIAL REPORT 2017

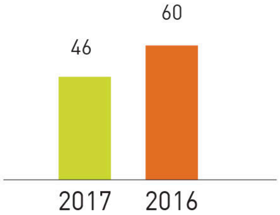
LEADER IN SHOPPING CENTRES IN CENTRAL EUROPE

OUR VISION

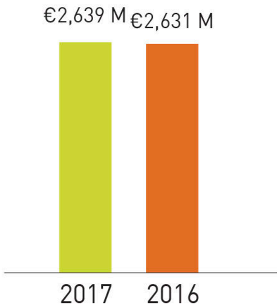
Atrium's vision is to remain one of the leading owners and managers of locally dominant food, fashion and entertainment shopping centres in the best urban locations within Central Europe and for the Atrium brand to be a hallmark of high quality retail for consumers and retailers.

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

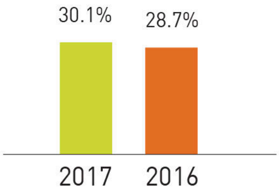
NUMBER OF PROPERTIES[1]



STANDING INVESTMENTS[1]



LTV (NET)



OUR PROFILE

Atrium Group owns a €2.6 billion[1] portfolio of 46 shopping centres and smaller retail properties which produced €198.7 million[1] of rental income in 2017. These properties are located predominantly in Poland and the Czech Republic, and, with the exception of two, are all managed by Atrium's internal team of retail real estate professionals.

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

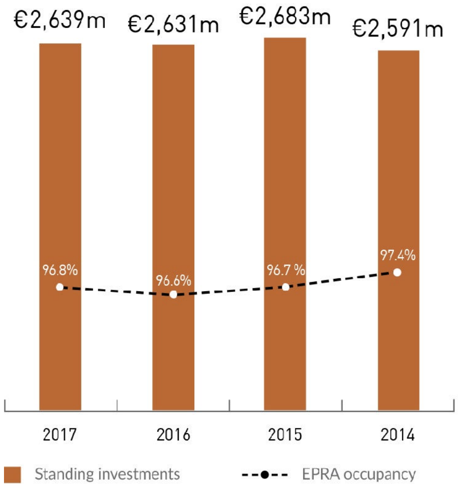
OUR FOCUS FOR 2018

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

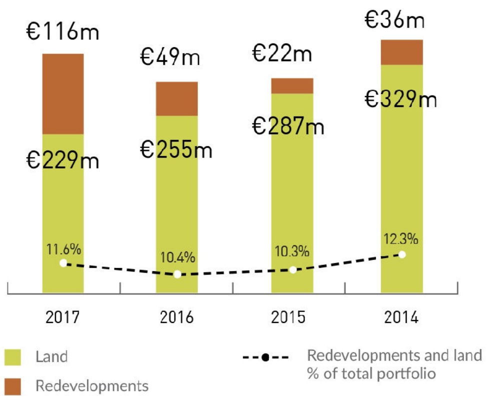
1 Including a 75% stake in assets held in Joint Ventures and €58.4 million representing 5 assets in Hungary and 1 asset in the Czech Republic classified as held for sale as at 31 December 2017

HIGHLIGHTS

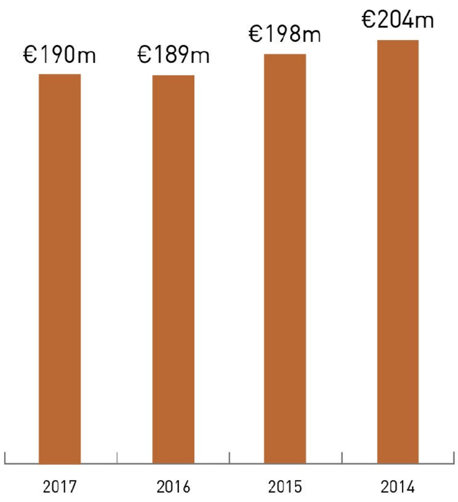
STANDING INVESTMENTS[1] OCCUPANCY[2]



REDEVELOPMENTS AND LAND

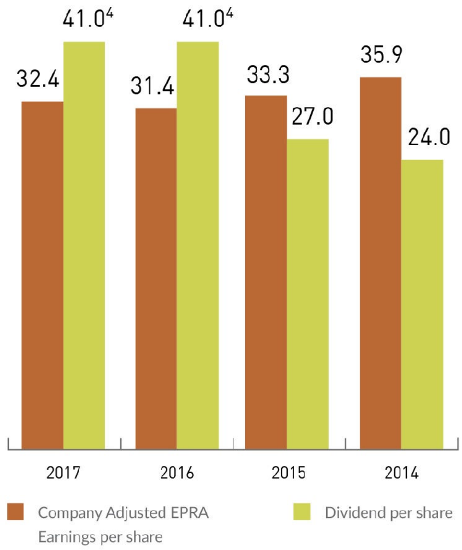


NET RENTAL INCOME[3]



COMPANY ADJUSTED EPRA EARNINGS AND DIVIDEND PER SHARE

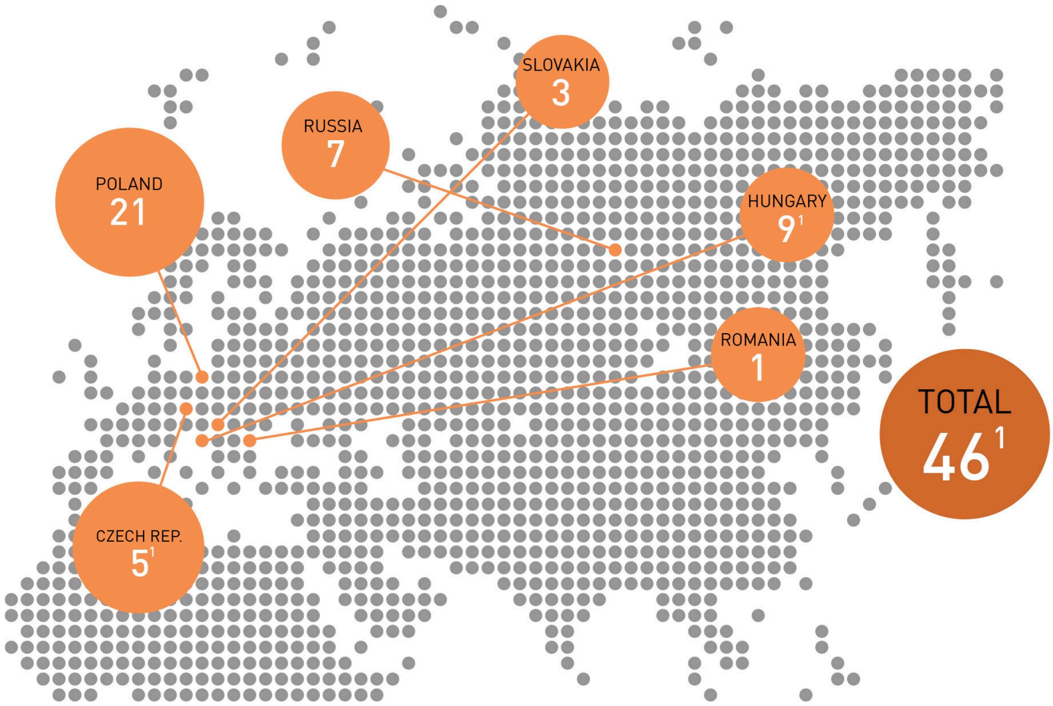
All data in € cents

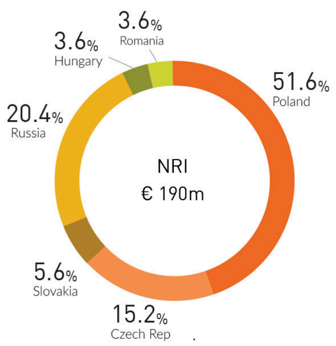


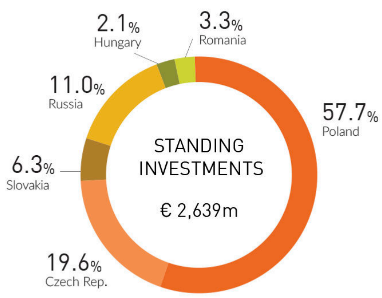
1 Including a 75% stake in assets held in Joint Ventures and €58.4 million (representing 5 assets in Hungary and 1 asset in Czech Republic classified as held for sale as at 31 December 2017)
2 The Occupancy rate, shown above, is defined as 100% less EPRA vacancy
3 Including a 75% stake in assets held in Joint Ventures
4 Including a special dividend of €cents14 paid on 30 June 2017 and 30 September 2016

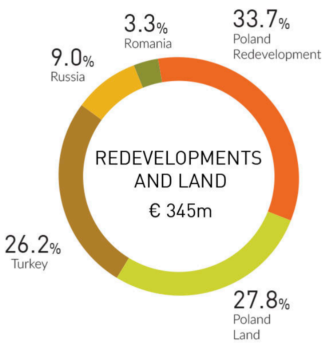
OUR BUSINESS

STANDING INVESTMENT PORTFOLIO SPREAD









Key Facts	Poland	Czech Rep.	Slovakia	Russia	Hungary	Romania
Credit rating (S&P)	BBB+/Stable	AA-/Stable	A+/Stable	BB+/Positive	BBB-/Positive	BBB-/Stable
Credit rating (Fitch)	A-/Stable	A+/Positive	A+/Stable	BBB-/Stable	BBB-/Positive	BBB-/Stable

1 Including a 75% stake in assets held in Joint Ventures and €58.4 million (representing 5 assets in Hungary and 1 asset in Czech Republic classified as held for sale as at 31 December 2017)

KEY PERFORMANCE INDICATORS

KEY FINANCIAL FIGURES OF THE GROUP	Unit	2017	2016	Change %
Gross rental income	€'000	198,708	195,772	1.5%
EPRA like-for-like gross rental income	€'000	152,943	145,329	5.2%
Net rental income	€'000	189,910	188,801	0.6%
EPRA like-for-like net rental income	€'000	145,803	136,990	6.4%
Operating margin	%	95.6	96.4	(0.8%)
EBITDA excluding revaluation, disposals, impairments	€'000	159,879	113,543	40.8%
Company adjusted EPRA earnings	€'000	122,146	118,342	3.2%
Dividend pay-out ratio[1]	%	83.3	86.0	(2.7%)
Revaluation of standing investments	€'000	13,750	44,223	
Revaluation of redevelopments and land[2]	€'000	(14,098)	(26,243)	
Profit after taxation for the year	€'000	89,092	58,201	53.1%
Net cash generated from operating activities	€'000	101,754	93,591	8.7%
Cash and cash equivalents	€'000	71,920	103,671	(30.6%)
Total assets	€'000	3,122,039	3,155,139	(1.0%)
Equity	€'000	1,893,660	1,942,050	(2.5%)
Borrowings	€'000	969,289	947,405	2.3%
LTV (gross)	%	32.5	32.3	0.2%
LTV (net)	%	30.1	28.7	1.4%
PORTFOLIO KEY FIGURES				
Number of standing investment assets[3]	Number	46	60	
Standing investments at fair value	€'000	2,639,467	2,631,185	0.3%
Net equivalent yield (weighted average)	%	7.0%	7.0%	-
Occupancy rate[4]	%	96.8	96.6	0.2
Redevelopments and land at fair value	€'000	345,331	304,417	13.4%
PER SHARE FIGURES				
IFRS Earnings per share	€cents	23.60	15.46	52.7%
Company adjusted EPRA earnings per share	€cents	32.4	31.4	3.2%
Dividend per share	€	0.41	0.41	-
IFRS NAV per share[5]	€	5.16	5.29	(2.4%)
EPRA NAV per share[5]	€	5.38	5.52	(2.5%)
Share price end of year	€	4.15	3.93	5.6%

1 Excluding special dividends of €cents 14 per share each paid on 30 June 2017 and 30 September 2016
2 Mainly related to devaluations in Turkey and Russia
3 14 properties were sold during the year
4 The above Occupancy rate is defined as 100% less EPRA vacancy
5 Adjusted for the special dividend of €cents 14 per share each paid on 30 June 2017 and 30 September 2016

The key performance indicators include 6 assets classified as held for sale and a 75% stake in assets held in Joint Ventures.

CHAIRMAN'S STATEMENT

"IN 2017 ATRIUM DELIVERED A VERY STRONG PERFORMANCE BUT THERE IS MORE TO COME AS WE CONTINUE TO INVEST ENSURING OUR ASSETS REMAIN ATTRACTIVE AND RELEVANT IN TODAY'S FAST-EVOLVING RETAIL AND CONSUMER ENVIRONMENT"

I am pleased to report that over the course of 2017 Atrium delivered a very strong performance with like-for-like rental growth across all our markets and a significant increase in profitability, with profit after tax up some 53%. This clearly demonstrates the positive impact of the portfolio repositioning strategy that we have been undertaking over the last few years, as well as the benefits of both the resolution of substantially all of our legacy legal issues and the cost savings program we announced last year.

I believe that there is much more growth to come; we have a large €330 million redevelopment plan underway across a number of our flagship assets. Furthermore, after the year end, we continued to progress our portfolio strategy by recycling out of our Hungarian assets, providing the Company with an even larger weighting towards, our preferred largest and strongest regional economies of Poland and the Czech Republic, and also our most dominant assets in strong urban locations in those territories.

Over the course of the year we have further advanced our redevelopment plan, which will add 70,000 sqm of prime new GLA to our portfolio, all of which in Poland, with the vast majority in its capital city. Our Atrium Promenda stage 2 and Atrium Targowek extensions are due to complete by the end of this year, with the other redevelopment in Warsaw, at Atrium Reduta, due to come online by the end of 2019. Our most recently commenced redevelopment, Atrium Biala, will be finished in 2020.

While these investments may have some short term impact on rental income, they are fundamental to future-proofing our portfolio and to ensuring our assets remain attractive and relevant in today's fast-evolving retail and consumer environment. They allow us to build scale, offer more choice, attract the right tenants and improve the leisure and dining provisions so that, within their local environment, our centers are cemented as the go-to destination for both buying everyday essentials and spending time with friends and family.

We continue to seek new opportunities to make acquisitions while at the same time divesting of assets that no longer fit our long term strategy.

As with most of the world's leading economies, the CEE saw further GDP growth during the year under review, leading to upward revisions of 2018 forecasts. Poland was the strongest performer, with the Czech Republic also performing well; this has driven robust consumer spending, high levels of retail confidence and growing retail sales in these, our two most important, markets.

Our confidence in the Company's prospects, both in terms of the initiatives we are putting in place to improve our portfolio through redevelopment and recycling out of non-core assets, together with the economic outlook of our markets and the improving situation in Russia, once again led the Board to pay a 14 €cent special dividend in June and to reaffirm the annual dividend at €27cents per share for 2018.

Once again, on behalf of the Board, I would like to thank our executive team and all our staff for their hard work and commitment during the year. I would also like to thank our shareholders and bondholders for their continued support and to remind them that we remain entirely focused on delivering long-term value on their behalf.

Sincerely,

Chaim Katzman

GROUP CHIEF EXECUTIVE'S STATEMENT

"OUR STRATEGY IS EVER MORE FOCUSED ON OWNING HIGH QUALITY ASSETS IN WELL-CONNECTED STRONG, URBAN LOCATIONS WITHIN CENTRAL EUROPE'S MOST MATURE AND ROBUST ECONOMIES"

Just over a year on from my appointment as CEO of Atrium, I am pleased to report another solid operational and financial performance as well as significant growth of profitability of the Group in 2017. We made positive strides with our portfolio repositioning and recycling strategy, including further progress with our redevelopment projects. We now have an even better quality portfolio that is far more concentrated on the region's strongest and most stable economies of Poland and the Czech Republic, following the disposals made early in 2018. This, together with our redevelopment pipeline, where our focus on place-making is already producing tangible results, means our centres are well positioned to thrive in the changing retail environment. These activities coupled with Atrium's resilient balance sheet mean that the Company is well positioned to support future growth.

The quality of both our portfolio and the teams that manage them is reflected in the like-for-like income growth we have been able to report for 2017, with gains across all our markets during the year, leading to 5.2% and 6.4% increases on a gross and net basis respectively. The 18.6% uplift in like-for-like net rental income in Russia helped drive this performance, but that aside, growth across the rest of the portfolio was a healthy 2.6%.

We have achieved a significant improvement in profitability over the year, with profit after tax increasing 53.1% to €89.1 million. EBITDA grew by some 41% to €159.9 million in 2017. While these improvements do reflect the Group's strong performance, they are largely due to a €43.6 million decrease in administrative expenses, primarily comprising a reduction in legal costs following the resolution of the majority of the outstanding legacy claims. They were also as a result of the ongoing implementation of our programme to reduce administrative costs by €10 million per annum by the end of the current financial year which we are on target to achieve.

As always, alongside our operational activity, the prudent management and strengthening of our conservatively leveraged balance sheet, remains a priority. In November 2017, we refinanced an existing €108 million loan, which had three years left to run and put in its place a new 10 year loan of €136 million. This allowed us to lock in an all in cost of 1.9% compared to 4.1% under the previous loan and will result in an annual cost saving of €1.7 million. Prior to this, in September 2017, the Group secured a €50 million increase of its revolving credit facility to €225 million. The facility remains unutilized.

Overall, we believe that 2017 has been a year of solid achievement across the business and we confidently enter 2018.

THE PORTFOLIO

Our strategy is ever more focused on owning high quality assets in well-connected strong, urban locations within Central Europe's most mature and robust economies. The objective is to improve the quality of our income and thereby drive shareholder returns. Our redevelopment programme continues apace and we expect the real benefits of our efforts to further strengthen our results over the next few years.

The extensions and refurbishment of four of our larger assets – Atrium Promenada, Atrium Targowek and Atrium Reduta in Warsaw, together with Atrium Biala in Bialystok, will contribute to rental growth and reinforce our portfolio. These will become, modern and dominant destination centres. Together, these will add another 22,500 sqm of GLA to our portfolio by the end of the year. Having completed stage one of our redevelopment at Atrium Promenada in October 2016, stage two, including the upgrade of the public space and the addition of approximately 13,400 sqm of new lettable space, is expected to be finished in the fourth quarter of 2018. The main part of the overall extension at Atrium Targowek, increase the asset's GLA by 8,600 sqm and will also be completed in the fourth quarter. The first stage of works at Atrium Reduta totalling 5,700 sqm of new GLA, include cinema3D, seven food court units and a modern 1,700 sqm fitness centre. We're expected to complete our Reduta project in 2019, with Atrium Biala extension, comprising 4,800 sqm of new GLA and 100 additional parking spaces completed in 2020.

On completion, our redevelopment will add almost 70,000 sqm of GLA to the portfolio.

During 2017 and early 2018, we sold around €80 million of smaller assets and have now materially completed our portfolio repositioning within the Czech Republic. With the exception of a few small residual assets, we have effectively also exited from Hungary. Confirming our strategy of focusing on larger scale, dominant retail centres, at year end, 19 of our 46 assets were large scale centres of over 30,000 sqm of GLA, while 12 range in size from between 10,000 sqm and 30,000 sqm of GLA. Of the 15 remaining assets, six have been sold since the year end.

Alongside our redevelopment and repositioning programmes, our day-to-day asset level activity plays a pivotal part in reaching our strategic goals. We strongly believe that our centres need to have a healthy tenant mix that is relevant to the local customer base and meets the changing needs of the consumer who increasingly uses a mix of physical and online stores to meet his or her retail requirements. By offering a variety of food, fashion, leisure, dining and entertainment anchor tenants we are able to meet the everyday needs of consumers. The attractive place making destinations we are creating, increase the resilience of our portfolio and drive footfall. Our local management teams continue to be vital to our asset management success, enabling us to build strong relationships with our tenants. They provide Atrium with important insight into each of our assets' local requirements and market dynamics. This approach remains a major component in our ability to secure sustainable levels of rental income and cash flow.

SUSTAINABILITY

In 2017, our hard work and ambition to improve the sustainability of our portfolio was recognised through a number of awards from, amongst others, EPRA and GRESB, the details of which can be found later in this report.

DIVIDEND

In June 2017, further to the quarterly dividend of €cents 6.75 per share, Atrium's Board of Directors approved a Special Dividend of €cents 14 per share, bringing the total dividend payments in 2017 to €cents 41. In November 2017, the Board approved an annual dividend of €cents 27 per share to be paid quarterly from the end of March 2018.

Our distributions to shareholders demonstrate the confidence that the Board has in the effectiveness of the strategy we are implementing at Atrium and the Group's ability to deliver strong cash flow over the short to medium term.

OUTLOOK

A year on from my appointment as CEO I am even more confident in Atrium's future and ability to deliver on behalf of shareholders, having seen how far we have progressed with our redevelopment and repositioning programmes. We have made terrific strides in delivering a first class portfolio of high quality shopping centres that are relevant to today's omni-channel shopping environment and offer our customers a variety of leisure, retail and entertainment experiences. In addition, the removal of financial burden of our legacy legal claims has significantly improved profitability and, together with our ongoing cost savings programme, means that Atrium is better able to drive financial returns for shareholders. The economic outlook in our markets is good and consumer confidence remains high, and I believe the Group is well placed for the year ahead and beyond.

Sincerely,

Liad Barzilai

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GROUP MANAGEMENT REPORT

OPERATING ACTIVITIES

OUR MARKETS

There was much speculation going into and during 2017 that the uncertainty created by political changes in our region would threaten international trade growth. However, in practice, these events have not impacted the continued strong GDP growth within our markets, which has been underway since mid-2016. This trend was global with 75% of the world's economies experiencing GDP growth in 2017, and the CEE was no exception with full year growth in most of our markets coming in higher than the half year forecast. In our largest markets, Poland was the strongest performer with GDP growth of 3.8%, up 0.4% from the first half forecast, while the Czech Republic saw an increase of 3.5%, up 0.7%. Russia experienced a 1.8% expansion of GDP, up 0.4%. Slovakia, Romania and Hungary followed similar trends and, as expected, this growth is leading to wage rate increases and reduced levels of unemployment.

Against this background of strong and increasing economic growth, alongside low interest rates and improving spending power, the elevated levels of real estate investment seen in 2017 are expected to continue during 2018. The CEE region has seen particularly strong amounts of investor interest, reflecting the robust levels of consumer spending and retail confidence, with both Poland and the Czech Republic growing retail sales by 4.4%.

For investors looking for comparatively higher returns compared to core western markets and retailers seeking opportunities for growth, the CEE markets remain attractive.

Looking at our largest market in more detail, analyst opinion suggests Poland's economy may not be significantly impacted by the tensions between its government and the EU. Although the IMF forecast of 2017 growth was 3.8%, recent analysts' forecasts of strong Q4 growth suggests actual 2017 GDP growth of 4.5%, with strong demand from Germany underpinning the labour market. Current fiscal policy also supports GDP growth, however the growth is expected to ease back by the end of 2018.

While short term interest rates are expected to rise, the pace of increase is slow, measured and indicated well in advance, avoiding market over-reaction and maintaining consumer and investor confidence.

In Russia the steady rise in oil prices due to the production limits agreed by OPEC has a positive impact on the economy and resulted in the Rouble being relatively stable over 2017, compared to previous years, which led to a moderation of the risk assessment of its volatility.

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

OUTLOOK

We will continue to invest in our redevelopment and extension programme to ensure that our shopping centres remain attractive and relevant destination locations that are able to adapt to, and benefit from, the evolving retail environment and ongoing changes in consumer behaviour. At the same time, we will look for further opportunities to monetise our land bank and divest assets that do not meet our portfolio strategy. The combination of the continued economic growth across Poland and the Czech Republic coupled with an increasingly high quality urban portfolio of large, dominant retail assets as a result of our repositioning strategy, means that the Company is well placed for future growth and long term shareholders value.

INCOME PRODUCING PORTFOLIO

As at 31 December 2017, Atrium's income producing portfolio comprised 46[2] standing investment properties across six CEE countries with a market value of €2.6 billion[2]. In total, this portfolio had a total gross lettable area ("GLA") of 1.1 million sqm and in 2017 produced a gross rental income of €198.7 million[2].

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

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

2 Including a 75% stake in assets held in Joint Ventures and €58.4 million (representing 5 assets in Hungary and 1 asset in the Czech Republic) classified as held for sale as at 31 December 2017

remains a major component of the sustainable levels of rental income and cash flow that the Group produces.

The market value of the Group's standing investments portfolio remained at around €2.6 billion during the year. In line with its rotation strategy, Atrium completed or commenced a number of initiatives during and after the reporting period including most recently the sale of eighteen assets in Hungary, comprising a portfolio of thirteen Penny leased supermarkets for €11.1 million in December 2017, three assets in Budapest comprising Atrium EuroCenter, the Szombathely Family Center and adjacent Szombathely Praktiker building for €42.0 million, as well as two properties in Késmárk, Budapest for €2.8 million. The Group also sold two assets in the Czech Republic for €23.7 million, including the disposal of a development site located in Brno, district of Veveří in September for €10.1 million and the disposal of Atrium's 55% share in Futurum Shopping centre in Brno in February 2018 for €13.6 million.

In total, Atrium sold €79.6 million of assets during and after 2017 allowing it to materialy complete the Group's portfolio rotation in the Czech Republic and sell a substantial part of its Hungarian portfolio with the remaining assets in the country intended for sale in due course.

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

Standing investments	No. of properties		Market value		Gross lettable area		Revaluation	
	2017	2016	2017	2016	2017	2016	2017	2016
Country			€'000	€'000	sqm	sqm	€'000	€'000
Poland	21	21	1,522,832	1,529,463	517,400	522,200	1,803	13,894
Czech Republic	3	5	333,055	340,573	62,000	82,500	7,083	9,879
Slovakia	3	3	166,820	163,625	76,800	73,500	(2,798)	6,601
Russia	7	7	289,305	284,344	241,500	241,100	3,126	7,880
Hungary	4	22	10,190	61,165	15,300	97,700	(278)	(3,875)
Romania	1	1	86,790	79,590	56,400	56,600	5,236	5,432
Latvia	-	-		-		-		535
Total	**39**	**59**	**2,408,992**	**2,458,760**	**969,400**	**1,073,600**	**14,172**	**40,346**
Investment in Joint Ventures (75%)	1	1	172,125	172,425	30,000	30,000	(568)	3,429
Standing investments classified as assets held for sale	6	-	58,350	-	89,000	-	146	-
Total standing investments	**46**	**60**	**2,639,467**	**2,631,185**	**1,088,400**	**1,103,600**	**13,750**	**43,775**

The primary driver behind the 0.5% or €13.8 million revaluation as at 31 December 2017 was yield compression, which was partially offset by the routine capital expenditure at some of our centres which is essential to maintaining their value and appeal, but which does not directly result in a valuation increase. Our core portfolio of prime Polish assets performed well and continued to benefit from the positive macro environment, further confirming the appetite for core retail assets in the country. However, across the Polish portfolio as a whole, this was largely offset by increasing yields and decreasing ERVs as well as CAPEX requirements in the assets we are planning to dispose of.

In the Czech Republic, the positive revaluation was due to yield compression in our major assets as well as rental growth and subsequent ERV increases.

In Romania, the improvement in rental income compared to previous periods led to further positive revaluations, a trend also seen across our Russian portfolio. Slovakia experienced a net devaluation, arising from capital expenditure works related to the replacement of two food anchored hypermarkets and the pressure they put on rental income levels while they are being undertaken.

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

	Net equivalent yield (weighted average)[1]		EPRA Net initial yield (NIY)[2]	
Country	2017	2016	2017	2016
Poland	6.2%	6.3%	6.0%	6.2%
Czech Republic	5.6%	5.7%	5.5%	5.6%
Slovakia	7.0%	7.2%	6.3%	7.0%
Russia	12.5%	12.8%	13.4%	12.0%
Hungary	9.0%	9.4%	11.0%	11.6%
Romania	8.1%	8.1%	8.3%	7.8%
Average	**7.0%**	**7.0%**	**6.9%**	**6.9%**

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

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

The portfolio's net equivalent yield and the EPRA net initial yield remained stable at 7.0% and 6.9% respectively (31 December 2016: 7.0% and 6.9%). The alternative EPRA "topped up" NIY as at 31 December 2017 decreased to 7.2% (31 December 2016: 7.5%) mainly due to the sales in the Czech Republic, which have helped improve the overall quality of the portfolio.

DISPOSALS

Full details of the sales the Group completed during and after the year as it progressed its portfolio improvement strategy are listed below:

In September 2017, the disposal of a development site in the Veveří district of Brno in the Czech Republic for €10.1 million.

In December 2017, the sale of a 12,200 sqm portfolio of thirteen Penny leased supermarkets in Hungary for €11.1 million.

In January 2018, two assets in Hungary with a total lettable area of approximately 29,000 sqm, valued at approximately €2.8 million were sold.

In February 2018, a 41,200 sqm portfolio of assets in Budapest, comprising the Atrium EuroCenter, the Szombathely Family Center and adjacent Szombathely Praktiker building, was sold for €42.0 million.

In February 2018, Atrium sold its interest in the 18,800 sqm Futurum Shopping Centre in Brno, in the Czech Republic for €13.6 million.

The number of assets decreased from 60 as at the beginning of 2017 to 40 as of today. The average asset value and the average asset size increased from €43.9 million to €64.5 million and from 18.4 thousand sqm to 25.0 thousand sqm respectively.

OCCUPANCY

Atrium's occupancy remained strong throughout the year, with rates of 96.8% and 96.2% at year end on the basis of EPRA[3] and GLA respectively, reflecting the attractiveness of the Group's centres to retailers and leisure occupiers.

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

	Occupancy rate		GLA Occupancy	
Country	2017	2016	2017	2016
Poland	96.4%	96.9%	96.5%	96.3%
Czech Republic	97.6%	98.3%	94.8%	97.4%
Slovakia	95.4%	98.4%	90.1%	98.6%
Russia	97.1%	93.1%	97.2%	93.5%
Hungary	97.6%	98.0%	96.8%	97.6%
Romania	99.2%	99.6%	99.8%	99.8%
Group	**96.8%**	**96.6%**	**96.2%**	**96.3%**

LEASING ACTIVITY

Atrium's focus on asset management and strengthening relationships with tenants saw it sign 950 leases (2016: 881 leases) during the year; 699 (2016: 604) of these leases were in previously occupied premises and 251 (2016: 277) leases in previously vacant/restructured units.

	Unit	2017
Previously occupied (comparable units)		
Number of leases	Number	699
GLA leased	Sqm	116,296
New contracted monthly rental income per sqm	€	18.3
Prior contracted monthly rental income per sqm	€	19.4
Previously vacant/restructured units		
Number of leases	Number	251
GLA leased	Sqm	89,278
New contracted monthly rental income per sqm	€	11.2
Total New Leases		
Number of leases	Number	950
GLA leased	Sqm	205,574
New contracted monthly rental income per sqm	€	15.2

The 950 leases signed represented approximately €37.5 million of annualised rental income at an average rent of €15.2 per square metre per month and helped sustain the portfolio occupancy level and the average lease duration.

LEASE EXPIRIES

The average length of the leases in the portfolio at the end of 2017 was 4.8 years (2016: 4.9 years).

29.8% of lease agreements across the Group now have a remaining contract term of more than five years (2016: 26.9%). These percentages are calculated using annualised rental income ("ARI"), which is the contracted base rent, including discounts and turnover rent, as at the end of 2017. Additionally, the lease maturities between 2018 and 2022 are well spread. This provides the Group with a high degree of visibility regarding likely future cash flows over the coming years.

On the basis of 2017's ARI, the expiry schedule of existing lease agreements is shown in the following table:

Lease expiry schedule	% of ARI	Number of terminating lease agreements	Area in expiring agreements (in sqm '000)
2018	24.7%	1,032	199
2019	13.5%	455	108
2020	11.1%	427	87
2021	10.4%	306	111
2022	7.9%	253	84
> 2022	29.8%	437	421
Indefinite	2.6%	143	36
Total	**100.0%**	**3,053**	**1,046**

88.1% of the Group's lease agreements by GRI are denominated in Euros, limiting the exposure to local currency fluctuations. Of

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

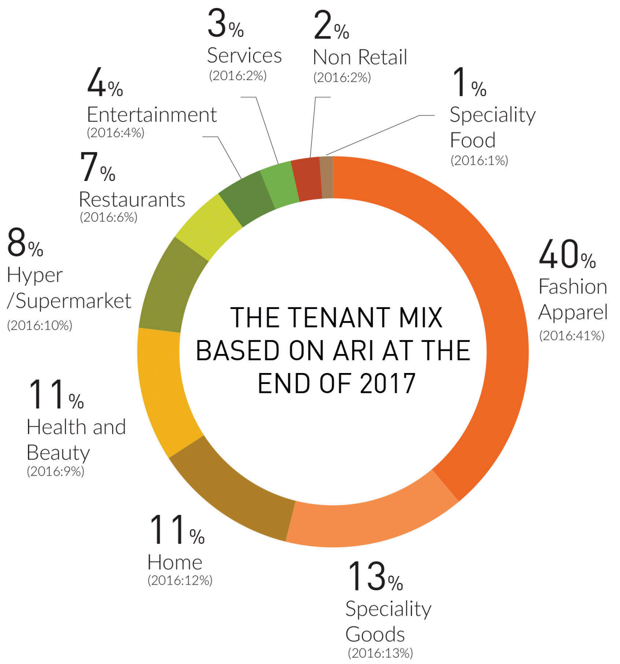
the remainder, 1.4% is denominated in Czech Korunas, 6.0% in Polish Zlotys, 1.5% in US Dollars, and 3.0% in other currencies.

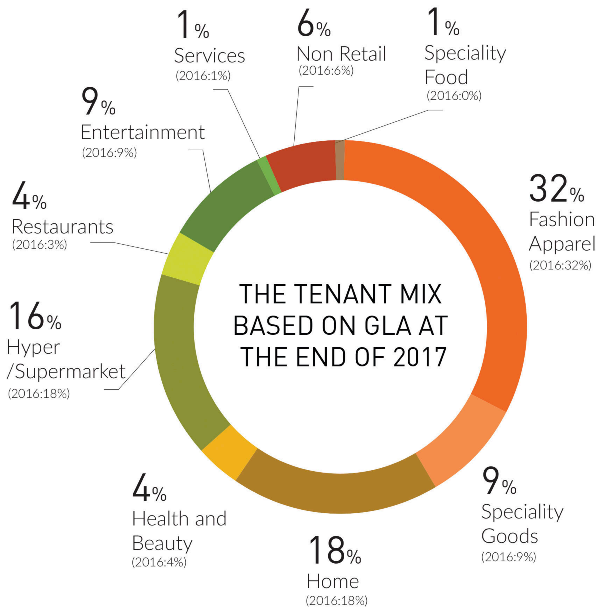
In currencies, such as the Rouble, where we have experienced exposure to fluctuations, Atrium has been proactive in reducing margin exposure for tenants through rental discounts.

TENANT MIX

Fundamental to the success of the business is ensuring that our shopping centres are places where consumers want to be, whether that is shopping, dining or a place to spend time with family and friends. To achieve this we ensure that our centres offer a strong and diversified range of retail and leisure operators that are appealing to consumers and, as a result, our asset managers keep tenant mix under constant review. We thoroughly assess every opportunity to make improvements, particularly when there are natural points or breaks in the leasing cycle, or at other times when a situation arises which facilitates this process. The Group's larger shopping centres are all anchored by both well-known international fashion brands and/or strong hyper- or supermarket operators. In parallel we remain focused on extending our entertainment offering with many extensive food court renovations and extensions either completed or planned. These partnerships drive footfall, whilst meeting the needs of the end-consumer and complement the other tenants, all of which combine to help add long term value to our assets.

In 2017, fashion and apparel tenants represented the largest percentage of our tenants in terms of GLA, at 32%, and rental income, at 40%. As a result of the refocusing of our asset base towards larger scale and dominant shopping centres, the relative share of hyper/ supermarket anchors within the portfolio as a whole is declining structurally, with 2017 being the sixth consecutive year that we have seen this trend.





PLACEMAKING EXPERTISE

Offering a variety of leisure, dining and other entertainment is key to the customer experience and driving footfall.

Atrium Palac Pardubice, the Czech Republic - A full refurbishment of the food court in completed Q4 2017

Carrefour- held its opening on the 25th October at Focus Mall, Bydgoszcz, Poland

Focus Mall, Bydgoszcz– new comfy zones

Atrium Volgograd new Food Court

Exhibition of the dragons – Atrium Felicity, Lublin, Poland

Bierhalle - Focus Mall, Bydgoszcz

Food trucks serving dishes from different countries – Atrium Koszalin

TOP TEN TENANTS

As at the end of 2017, the brands belonging to L'Association familiale Mulliez (AFM) represented 3.8% of total ARI, and the top ten tenants represented 20.7% (2016: 21.8%) of the Group's total ARI and 29.5% (2016: 28.5%) of the total GLA, highlighting the high degree of tenant diversification within the portfolio.

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

Top ten tenants	Main brands	Field of operations	As a % of 2017 total ARI	As a % of 2017 total GLA
AFM	Auchan, Orsay, Decathlon, Leroy Merlin	International hypermarket and sport goods retailer	3.8%	7.5%
LPP	Reserved, Cropp, House, Mohito, Sinsay, Re-Kids	Fashion	3.6%	3.7%
Hennes & Mauritz	H&M	Fashion	2.4%	3.3%
Metro Group	Media Markt, Saturn	International hypermarket and electronic retailer	2.2%	4.7%
Inditex	Zara, Stradivarius, Pull & Bear, Bershka, Massimo Dutti, Oysho	Fashion	1.9%	2.0%
Carrefour	Carrefour, Carrefour Express	International hyper / supermarket	1.5%	2.4%
Kingfisher	Castorama	Home improvement	1.4%	1.9%
A.S. Watson	Rossmann, Marionnaud	Health and Beauty	1.3%	0.7%
ASPIAG	Interspar, Spar, Hervis	International hyper / supermarket	1.3%	2.0%
CCC	CCC	Footwear	1.3%	1.3%
Total top ten tenants			**20.7%**	**29.5%**

TOP TEN STANDING INVESTMENTS

The table below gives an overview of the Group's top ten standing investments based on market value as at 31 December 2017. All are located in Poland, the Czech Republic and Slovakia, which are the region's strongest economies, and represent 63.2% (2016: 62.9%) of the total standing investments portfolio by value.

Property name	City	Country	Market value €'000[1]	GLA Sqm	Year of opening	Number of retail tenants	Food anchor tenants	Occupancy rate[2]
Atrium Promenada	Warsaw	Poland	242,262	50,300	1996	117	Carrefour	96.8%
Atrium Flora	Prague	Czech Republic	231,282	40,000	2003	113	Albert	97.9%
Atrium Targowek	Warsaw	Poland	181,420	30,500	1998	116	Carrefour	97.6%
Galeria Dominikańska	Wroclaw	Poland	177,630	32,600	2001	97	Carrefour	98.8%
Arkády Pankrác	Prague	Czech Republic	172,125[3]	30,000[3]	2008	122	Albert	97.1%
Atrium Felicity	Lublin	Poland	147,383	54,600	2014	112	Auchan	97.7%
Atrium Koszalin	Koszalin	Poland	137,920	56,500	2008	115	Tesco	96.7%
Atrium Copernicus	Torun	Poland	134,870	47,500	2005	130	Auchan	97.9%
Atrium Optima	Kosice	Slovakia	122,746	47,200	2002	153	BILLA	97.1%
Focus Mall	Bydgoszcz	Poland	120,462	42,800	2008	123	Carrefour	94.3%
Total top ten standing investments			**1,668,100**	**432,000**				

1 Includes land lease

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

3 Represents our 75% stake in the centre

RENTAL INCOME

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

The Group's portfolio produced €198.7 million of GRI during the period, a 1.5% increase compared to last year. This included a 16.9% uplift in Russia which was driven by some improvement in the Russian economy and by a comparatively stronger rouble in 2017, particularly in the first half of the year versus 2016, which allowed the Group to claw back many of the rental discounts previously granted to tenants.

As anticipated, the disposal of ten non-core assets in the Czech Republic and a small portfolio of non-core assets in Poland in the previous reporting period led to a reduction in income. In Poland, GRI was also adversely affected by the temporary disruption and vacancies arising from the upgrade and extension works at our two flagship shopping centres in Warsaw, as we seek to create long term value and income improvements through redevelopment. As described in previous pages, covering our portfolio, re-tenanting in Slovakia also put pressure on rental income levels during the period under review.

Group NRI increased by 0.6% (€1.1 million) to €189.9 million notwithstanding the disposal and redevelopments. The adverse effect in the Polish NRI is due to non-recoverable expenses related to redevelopment projects.

GROSS RENTAL INCOME

	Number of properties		2017		2016	Change	Change
	2017	2016	€'000	% of GRI	€'000	€'000	%
Poland	21	21	100,345	50.5%	102,062	(1,717)	(1.7%)
Czech Republic	4	5	20,061	10.1%	20,604	(543)	(2.6%)
Slovakia	3	3	11,101	5.6%	11,753	(652)	(5.5%)
Russia	7	7	41,873	21.1%	35,834	6,039	16.9%
Hungary	9	22	7,871	4.0%	7,641	230	3.0%
Romania	1	1	7,368	3.7%	6,690	678	10.1%
Latvia	-	-	-	-	1,358	(1,358)	-
Total	**45**	**59**	**188,619**	**94.9%**	**185,942**	**2,677**	**1.4%**
Investment in Joint Ventures (75%)	1	1	10,089	5.1%	9,830	259	2.6%
Total gross rental income	**46**	**60**	**198,708**	**100.0%**	**195,772**	**2,936**	**1.5%**

NET RENTAL INCOME

	Number of properties		2017		2016	Change	Change
	2017	2016	€'000	% of NRI	€'000	€'000	%
Poland	21	21	98,019	51.6%	101,157	(3,138)	(3.1%)
Czech Republic	4	5	19,513	10.3%	19,905	(392)	(2.0%)
Slovakia	3	3	10,586	5.6%	11,613	(1,027)	(8.8%)
Russia	7	7	38,656	20.4%	33,206	5,450	16.4%
Hungary	9	22	6,887	3.6%	6,641	246	3.7%
Romania	1	1	6,882	3.6%	6,163	719	11.7%
Latvia	-	-	-	-	960	(960)	-
Total	**45**	**59**	**180,543**	**95.1%**	**179,645**	**898**	**0.5%**
Investment in Joint Ventures (75%)	1	1	9,367	4.9%	9,156	211	2.3%
Total net rental income	**46**	**60**	**189,910**	**100.0%**	**188,801**	**1,109**	**0.6%**

OPERATING MARGIN

Country	2017 in %	2016 in %	Change in %
Poland	97.7%	99.1%	(1.4%)
Czech Republic	95.8%	95.5%	0.3%
Slovakia	95.4%	98.8%	(3.4%)
Russia	92.3%	92.7%	(0.4%)
Hungary	87.5%	86.9%	0.6%
Romania	93.4%	92.1%	1.3%
Latvia	-	70.7%	-
Total operating margin	**95.6%**	**96.4%**	**(0.8%)**

The operating margin remained strong at 95.6%. The slight decrease in operating margin is attributable to the impact of the redevelopment projects.

The base rent including lease incentives per sqm increased from €157 as at 31 December 2016 to €159 as at 31 December 2017. Turnover rent was 4.3% of total GRI in 2017 (2016: 3.8%)

EPRA LIKE-FOR-LIKE GROSS RENTAL INCOME

Country	2017 €'000	2017 % Total	2016 €'000	Change €'000	Change %
Poland	65,977	33.2%	65,661	316	0.5%
Czech Republic	30,045	15.1%	29,301	744	2.5%
Slovakia	952	0.5%	873	79	9.0%
Russia	41,873	21.1%	36,396	5,477	15.0%
Hungary	6,729	3.4%	6,415	314	4.9%
Romania	7,367	3.7%	6,683	684	10.2%
Like-for-like gross rental income	**152,943**	**77.0%**	**145,329**	**7,614**	**5.2%**
Remaining gross rental income	45,765	23.0%	51,371	(5,606)	(10.9%)
Exchange rate effect[1]	-	-	(928)	928	(100.0%)
Total gross rental income	**198,708**	**100.0%**	**195,772**	**2,936**	**1.5%**

1 To enhance comparability of GRI, prior period values for like-for-like properties have been recalculated using the 2017 exchange rates as per EPRA best practice recommendations

EPRA LIKE-FOR-LIKE NET RENTAL INCOME

Country	2017 €'000	2017 % Total	2016 €'000	Change €'000	Change %
Poland	64,621	34.0%	63,751	870	1.4%
Czech Republic	28,774	15.2%	28,031	743	2.7%
Slovakia	896	0.5%	805	91	11.3%
Russia	38,656	20.4%	32,594	6,062	18.6%
Hungary	5,974	3.1%	5,627	347	6.2%
Romania	6,882	3.6%	6,182	700	11.3%
Like-for-like net rental income	**145,803**	**76.8%**	**136,990**	**8,813**	**6.4%**
Remaining net rental income	44,107	23.2%	51,431	(7,324)	(14.2%)
Exchange rate effect[1]	-	-	380	(380)	(100.0%)
Total net rental income	**189,910**	**100.0%**	**188,801**	**1,109**	**0.6%**

1 To enhance comparability of NRI, prior period values for like-for-like properties have been recalculated using the 2017 exchange rates as per EPRA best practice recommendations

The like-for-like rental income figures provide a better reflection of the underlying positive performance of our portfolio as they exclude the impact of rental income lost through the programme of disposals and redevelopments the Group has undertaken to increase the quality of its portfolio and long term cash flow. On a like-for-like basis, we grew rental income across all our territories which lead to a 5.2% increase in GRI to €152.9 million and a 6.4% uplift in NRI to €145.8 million. While the 18.6% increase in like-for-like NRI in Russia was a key driver of this performance, the growth across the rest of the portfolio, excluding Russia, was still a healthy 2.6%.

EBITDA excluding revaluation, disposals and impairments performed well, increasing by 40.8% to €159.9 million, compared to €113.5 million in 2016. This result was primarily due to a €43.6 million decrease in administrative expenses arising from a €40.1 million reduction in legacy legal costs and the implementation of the cost savings programme that we announced at the start of 2017 and which we are on course to achieve by the end of 2018.

Profit after tax increased by 53.1% to €89.1 million, compared to €58.2 million in 2016. The primary drivers were a €43.6 million reduction in administrative expenses, mentioned above, and a €8.6 million decrease in finance expenses (mainly related to the prior year bond buy back, bank loan early repayment costs and foreign currency revaluation). These gains were offset by a comparatively low revaluation in 2017, when compared with the €14.6 million revaluation in 2016, as well as lower net results on disposals of €9.2 million. The €9.2 million movement in net results on disposals included a €15.1 million net translation reserve (arising mainly from past fluctuations of the rouble), which impacted the 2017 result and was offset by a €5.9 million gain.

Company adjusted EPRA earnings per share, excluding the impact of certain non-recurring and non-cash items such as revaluations, foreign exchange differences and impairments, increased by 3.2% to €cents 32.4 compared to €cents 31.4 in 2016.

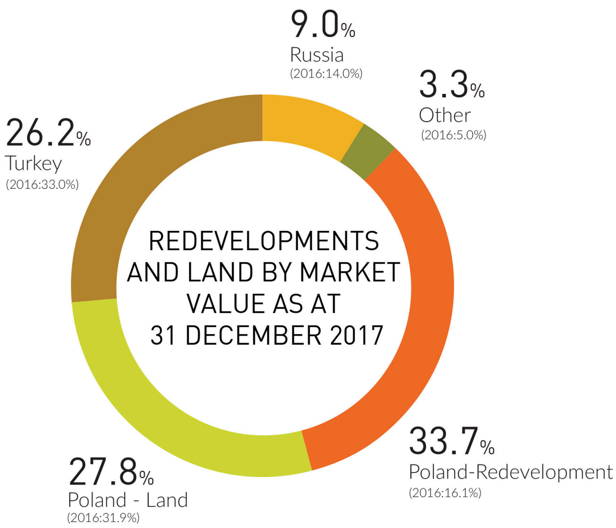
(for more details about EPRA earnings see page 26).

The balance sheet remains efficient and conservatively leveraged with a gross and net LTV of 32.5% and 30.1% respectively and a cash and cash equivalent amount of €71.9 million as at 31 December 2017 compared to €103.7 million as at 31 December 2016.

REDEVELOPMENTS AND LAND PORTFOLIO

As at 31 December 2017, Atrium's redevelopments and land portfolio was valued at €345 million compared to €304[4] million the previous year. It comprises approximately two-thirds of land, or €229 million (2016: €255 million), which Atrium continues to seek to monetise, mainly through sales, and one-third, or €116 million (2016: €49 million), of redevelopments. While in exceptional circumstances the Group will consider new developments, its primary focus is currently on this latter section where we continue to pursue our strategy of upgrading and extending proven assets which are already cash generative and therefore have a lower execution risk. The land portfolio experienced a €17.6 million devaluation during 2017, primarily in Russia and Turkey.

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



Over the course of the year we have continued to carefully assess which redevelopment projects have the most potential to add value to our portfolio. Our focus is towards growing and strengthening our portfolio in the largest and strongest cities and domestic economies of our region. The decision to redevelop a project is dependent on its location, size, the economic situation in the relevant city and country, competition and the overall risk profile.

The Company plans to invest a total of approximately €330 million in its redevelopment projects (€88 million was spent up to 31 December 2017). This includes the redevelopment projects already underway at Atrium Promenada, Atrium Targowek, Atrium Reduta and Atrium Biala, which will add approximately 70,000 sqm of prime new GLA to our portfolio .

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

REDEVELOPMENTS FOCUS TOPIC

ATRIUM PROMENADA REDEVELOPMENT, WARSAW

In 2015, Atrium embarked on a major extension and modernisation of Atrium Promenada. The redevelopment will create a uniquely modern and interactive shopping centre that stands out as a landmark destination on the right-bank of Warsaw. The enhanced and extended Atrium Promenada is expected to be completed in 2021. New and desirable brands will be opening in fourth quarter 2018, when the fountain mall phase is completed. Numerous amenities for customers will be introduced in response to our analysis of the changing needs of Warsaw residents and the evolving requirements of retailers and consumers. Once complete, the Promenada redevelopment project will comprise a large scale, 49,600 sqm extension and a major remodeling of the existing shopping centre, bringing the total GLA of Promenada to over 90,000 sqm.

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

Stage 2 comprises upgrading of the common areas of the mall, as well as adding approximately 13,400 sqm of new lettable space. The features of this stage include a refurbished fountain alley, with new double shop fronts at first floor and a new 640 sqm / 9 units food court. A two storey car park is also being constructed. Stage 2 is expected to be completed in the fourth quarter of 2018.

Click here to discover the new digital fountain and **here** for the newest, innovative first in the region Carrefour PRO concept.

ATRIUM TARGOWEK EXTENSION, WARSAW

Stage 1 of the Atrium Targowek redevelopment was completed in November 2016 and created 380 new parking spaces.

Stage 2 includes a 8,600 sqm GLA extension and internal refurbishment of the existing scheme. Works are progressing well, with final completion scheduled in 2019. New Inditex brands, together with enlarged units for H&M and other fashion anchors, will open in the fourth quarter 2018. Tenant demand is very strong and pre leasing is progressing well.

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

ATRIUM REDUTA REDEVELOPMENT, WARSAW

The first stage of redevelopment works in Atrium Reduta started in the third quarter of 2017. The overall redevelopment project is currently planned to add 5,700 sqm of new GLA to the centre, which will include a 2,700 sqm cinema, being the first CINEMA3D in Warsaw, and a modern 1,700 sqm fitness centre, all of which are expected to be completed and opened in the fourth quarter of 2018. The overall refurbishment and new 7 units food court will be completed in 2019.

ATRIUM BIALA EXTENSION, BIALYSTOK

Atrium Biala will be enlarged by 4,800 sqm of new GLA and 120 additional parking spaces. This is in conjunction with a planned refurbishment of the mall's existing public areas and facilities. The extension, which is in predevelopment, has a 2.5 years construction programme and is anticipated to be completed in 2020. The redevelopment will commence with an internal refurbishment and extension of the right hand side, together with an additional parking deck.

Asset	GLA sqm	Expected completion
Atrium Promenada	49.6	2021
Atrium Targowek	8.6	2018
Atrium Reduta	5.7	2019
Atrium Biala	4.8	2020
Total	**68.7**	

OTHER EVENTS DURING AND AFTER THE PERIOD

FINANCING TRANSACTIONS

In November 2017, the Group repaid a secured €108 million bank loan with a 4.1% coupon, which had three years left to run and replaced it with a new 10 year €136 million secured corporate loan paying 1.9% interest per annum.

In September 2017, the Group signed a €50 million increase of the unsecured revolving facility. Following this transaction and at the year end, Atrium has undrawn credit facilities of €225 million.

AWARDS

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

Atrium was included in the EPRA Sustainability survey for the first time in 2017 and received a silver medal in recognition of all its sustainability thus far. Furthermore, EPRA cited Atrium as having one of the most improved financial reports and gave the Company an EPRA Gold award for its financial reporting, in line with the EPRA Best Practices Recommendations that facilitate the comparability of listed property companies.

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

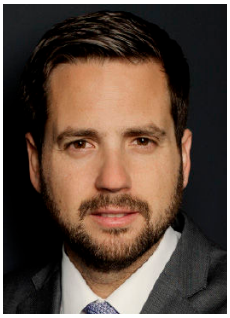
MANAGEMENT

On 31 December 2017, the Group Executive Team consisted of Liad Barzilai, Group Chief Executive Officer, Ryan Lee, Group Chief Financial Officer, Scott Dwyer, Group Chief Operating Officer, and Graham Kilbane, Group Chief Development Officer appointed on 9 October 2017.

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

As at 31 December 2017, the Group’s 394 employees were split across the following functions: General Management - 7 employees; Operations - 194 employees; Development - 24 employees; Finance and administration - 110 employees; Information systems - 8 employees; Legal - 14 employees; Other - 37 employees

GROUP EXECUTIVE TEAM



Liad Barzilai
Group CEO

Ryan Lee
Group CFO

Scott Dwyer
Group COO

Graham Kilbane
Group CDO

STOCK EXCHANGE AND SHARE PRICE INFORMATION

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

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

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

VIENNA STOCK EXCHANGE

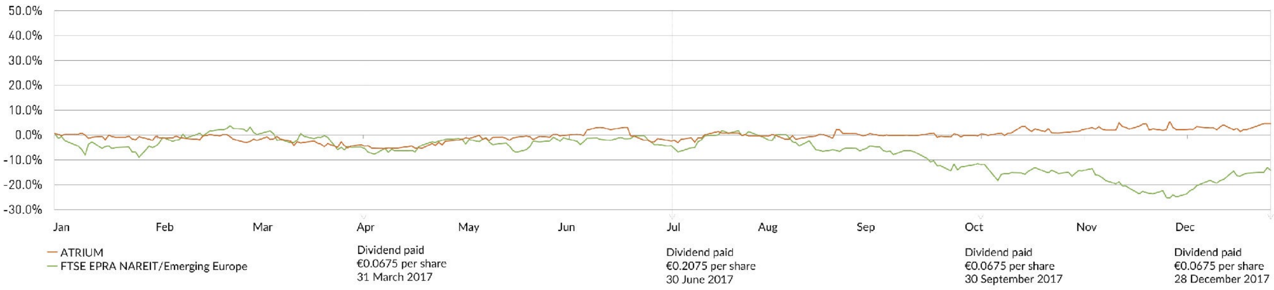
Closing price 2016	€ 3.93
Closing price 2017	€ 4.15
Movement in the share price	€ 0.22
Share return	5.6%
Dividend for year 2017	€ 0.41[1]
Dividend return	10.4%
Total return per share invested on 31 December 2016	€0.63 or 16%

1 Including a special dividend of € cents14 paid on 30 June 2017

Total Return in 2017

Over 2017, Atrium's shareholder return was as follows:

ATRIUM SHARE PRICE[5] RELATIVE TO EPRA INDICES



Outstanding shares as at 31 December 2017	377,056,821
Market capitalisation as at 31 December 2017	€1,565 million
2017 lowest closing share price	€3.75 quoted on 10 April 2017
2017 highest closing share price	€4.18 quoted on 29 November 2017

DIVIDEND

Atrium paid a €cents 6.75 per share dividend as a capital repayment on each of 31 March 2017, 30 June 2017, 30 September 2017 and 29 December 2017. Total dividend payments for 2017 amounted to €101.7 million (2016: €101.7 million).

In June 2017, in addition to the aforementioned quarterly dividend and reflecting continuing confidence in the Group's prospects, the Board of Directors approved the payment of a special dividend (also paid as a capital repayment) of €cents 14 per share, representing a total amount of €52.8 million; this was paid on 30 June 2017.

At its meeting on 14 November 2017, the Board of Directors approved a consistent annual dividend of €cents 27 per share for 2018 (to be paid as a capital repayment) which likewise will be paid in equal quarterly instalments commencing at the end of March 2018 (subject to any legal and regulatory requirements and restrictions of commercial viability).

MAJOR SHAREHOLDERS

To the best of the management's knowledge, during the year ended 31 December 2017, no single shareholder of Atrium held more than 5% of the Company's shares, except for Gazit-Globe which held 59.6% (2016: 59.5%) of the shares, as at 31 December 2017 as has been notified.

5 Vienna Stock Exchange

EPRA PERFORMANCE MEASURES

A. EPRA EARNINGS

	31 December 2017 €'000	31 December 2016 €'000
Earnings attributed to equity holders of the parent company	**89,092**	**58,201**
Changes in value of investment properties	(221)	(14,551)
Net result on disposals of investment properties	10,240	1,042
Amortisation of intangible assets	1,915	1,746
Deferred tax in respect of EPRA adjustments	3,256	10,926
Changes in fair value of financial instruments, debt and associated close-out costs	3,376	5,004
Joint venture interest in respect of the above adjustments	568	(3,429)
EPRA Earnings	**108,226**	**58,939**
Weighted average number of shares	376,918,095	376,498,377
EPRA Earnings per share (in €cents)	**28.7**	**15.7**

Company adjustments[1]		
Legacy legal matters	5,074	45,210
Impairments	4,480	5,000
Foreign exchange differences	886	5,326
Deferred tax not related to revaluations	(6,774)	(1,827)
Changes in the fair value of financial instruments	(1,164)	1,095
Non recurring tax charges	10,078	3,154
Business restructuring costs	1,340	1,445
Company adjusted EPRA earnings	**122,146**	**118,342**
Company adjusted EPRA earnings per share (in €cents)	**32.4**	**31.4**

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

B. EPRA NET ASSET VALUE ("NAV")

	31 December 2017		31 December 2016	
	€'000	in € per ordinary share	€'000	in € per ordinary share
NAV per the financial statements	**1,893,660**	**5.02**	**1,942,050**	**5.15**
Effect of exercise of options	12,852		15,938	
Diluted NAV, after the exercise of options	**1,906,512**	**5.01**	**1,957,988**	**5.14**
Fair value of financial instruments	1,030		4,704	
Deferred tax	86,515		88,232	
EPRA NAV	**1,994,057**	**5.24**	**2,050,924**	**5.39**

C. EPRA TRIPLE NAV ("NNNAV")

	31 December 2017		31 December 2016	
	€'000	in € per ordinary share	€'000	in € per ordinary share
EPRA NAV	**1,994,057**		**2,050,924**	
Fair value of financial instruments	(1,030)		(4,704)	
Impact of debt fair value	(57,481)		(61,207)	
Deferred tax	(86,515)		(88,232)	
EPRA NNNAV	**1,849,031**	**4.86**	**1,896,781**	**4.98**
Number of outstanding shares	377,056,821		376,745,499	
Number of outstanding shares and options	380,468,461		380,835,806	

D. EPRA NIY AND "TOPPED UP" NIY

	31 December 2017 €'000	31 December 2016 €'000
Investment property – wholly owned	2,812,673	2,763,175
Investment in Joint Venture (75%)	172,125	172,425
Less redevelopments and land	(345,331)	(304,415)
Completed property portfolio	**2,639,467**	**2,631,185**
Allowance for estimated purchasers' costs	44,471	47,306
Gross up completed property portfolio valuation (B)	**2,683,938**	**2,678,491**
Annualised cash passing rental income	182,693	193,944
Property outgoings	(9,853)	(8,846)
Annualised net rents (A)	**172,840**	**185,098**
Add: notional rent expiration of rent free periods or other lease incentives	9,442	14,505
Topped-up net annualised rent (C)	**182,282**	**199,603**
EPRA NIY A/B	**6.9%**	**6.9%**
EPRA "topped up" NIY C/B	**7.2%**	**7.5%**

E. EPRA VACANCY RATE

	31 December 2017 €'000	31 December 2016 €'000
Estimated rental value of vacant space	5,633	6,013
Estimated rental value of the whole portfolio	177,087	178,065
EPRA vacancy rate	**3.2%**	**3.4%**

F. EPRA COST RATIO

	31 December 2017 €'000	31 December 2016 €'000
Administrative expenses	28,645	72,234
Exclude non-recurring legacy legal and business restructuring costs	(6,414)	(46,656)
Other depreciation and amortisation	3,133	2,787
Costs connected with development	1,203	2,860
Net property expenses net of service charge income	8,076	6,297
Share of Joint Venture's expenses	722	730
EPRA Costs (including direct vacancy costs) (A)	**35,365**	**38,252**
Direct vacancy cost	(3,840)	(3,311)
EPRA Costs (excluding direct vacancy costs) (B)	**31,525**	**34,941**
Share of Joint Venture's income	10,089	9,830
Gross rental income	188,619	185,942
Total income (C)	**198,708**	**195,772**
EPRA Costs ratio (including direct vacancy costs) (A/C)	**17.8%**	**19.5%**
EPRA Costs ratio (excluding direct vacancy costs) (B/C)	**15.9%**	**17.8%**

SUSTAINABILITY

ATRIUM'S APPROACH TO SUSTAINABILITY

WHY IS ATRIUM FOCUSING ON SUSTAINABILITY?

Because it matters. That is our overarching approach and vision when monitoring and improving our sustainability performance. All our activities need to create value for our stakeholders. We strive for economic efficiency, social fairness and environmental sustainability in all our endeavours.

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

Following internal and external stakeholder dialogue, Atrium has been formally developing its sustainability strategy since 2014. The aim of this strategy is to structure our sustainability activities in the coming years in order to engage with our customers, optimize the environmental footprint of our assets and provide a positive environment for employees who are proud to work for us.

SUSTAINABILITY POLICY

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

RECOGNITION BY THE INDUSTRY

In the first half 2017, Atrium published it’s first-ever sustainability report. The sustainability report respected industry reporting guidelines and was positively endorsed through an EPRA Silver Award for sustainability disclosure. This demonstrates Atrium’s ambition to provide its stakeholders with a high level of transparency with regards to its sustainability activities and performance. In 2018, we will again publish a separate sustainability report, which will be available online in the first half year of 2018.

Following our second voluntary participation in the Global Real Estate Sustainability Benchmark (GRESB) in 2017, Atrium again positioned itself as a “Green Star” company, ranking in the top quadrant, alongside leading peers in the industry. Management has subsequently committed to continue to participate in this global initiative to push for transparency and environmental stewardship in the real estate sector.

OUR SUSTAINABILITY STRATEGY

OUR CUSTOMERS

UNDERSTAND CUSTOMER BEHAVIOUR AND MEET EXPECTATIONS TODAY AND IN THE FUTURE

OUR PLACES

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

OUR PEOPLE

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

TARGETS

IMPROVE CUSTOMER EXPERIENCE
- Undertake a customer satisfaction survey for 80% of our portfolio based on market value by 2018

CONNECT WITH OUR CUSTOMERS
- Launch a shopping centre app to connect Atrium's customers with retailers in 2017

CREATE MORE SOCIAL IMPACT
- Organise at least one local community event within our assets for at least 90% of our portfolio market value by 2018

REDUCE ENVIRONMENTAL IMPACT
- Aim to optimise energy and carbon intensity by 10% between 2016 and 2020, on a like-for-like basis

DEVELOP SUSTAINABLE ASSETS
- Achieve BREEAM certification or local equivalent for all new large-scale developments and extensions

FIND OPPORTUNITIES TO MINIMIZE COSTS
- Organise night walks* within our assets accounting for at least 50% of our portfolio market value by 2019

SOUND GOVERNANCE
- Ensure everyone receives training on the Code of Conduct by 2019

STRENGHTEN CORE VALUES
- Organise a workshop on Atrium's Core Values for 100% of employees by 2019

CREATE AN INSPIRING PLACE TO WORK
- Organise a workshop on Atrium's Core Values for 100% of employees by 2019

More information: Please view our second sustainability report which will be available on our Corporate website (in the second quarter of 2018).

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

RACHEL LAVINE
Vice-Chairman and Director

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Director

SIMON RADFORD
Director

ANDREW WIGNALL
Director

STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Annual Financial Report includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "should", "could", "assumes", "plans", "seeks" or "approximately" or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Financial Report and include statements regarding the intentions, plans, objectives, beliefs or current expectations of Atrium. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance.

You should assume that the information appearing in this Annual Financial Report is up to date only as of the date of this Annual Financial Report. The business, financial conditions, results of operations and prospects of Atrium or the Group may change. Except as required by law, Atrium and the Group do not undertake any obligation to update any forward looking statements, even though the situation of Atrium or the Group may change in the future.

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

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

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

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

The Austrian Code of Corporate Governance (as amended in January 2015) (the “Austrian Code”) sets out rules and regulations for responsible management and guidance of companies listed in Austria. The Austrian Code applies primarily to Austrian stock market-listed joint stock corporations that undertake to adhere to its principles and obliges those companies that have committed to adhere to it to either comply or explain any deviations from its applicable rules. Atrium currently submits voluntarily to the Austrian Code, which is available on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at). Explanations for deviations from the applicable rules are provided on page 38.

BOARD AND MANAGEMENT STRUCTURE

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

Pursuant to Atrium’s articles of association (the “Articles”), at least half of the Directors are required to be independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2017, four of the six Directors were independent in accordance with those rules, namely Mr. Radford, Mr. Wignall, Mr. Errichetti and Mr. Flanzraich. The independent Directors do not have shareholdings of more than 10% in Atrium. Nor do they represent the interests of a shareholder with an investment of more than 10% in Atrium.

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

As at 31 December 2017, the Board consisted of six Directors, as set out below. Previously, at the start of January 2017, the Board consisted of eight directors, Noam Ben-Ozer, Peter Linneman, Karine Ohana and Thomas Wernink retired from the Board of Directors with effect from 25 April 2017. In April 2017 Michael Errichetti and Neil Flanzraich were appointed to the Board of Directors as independent directors.

Name	Audit Committee	Compensation and Nominating Committee	Executive Committee[1]	Operations Committee	Investment Committee[1]	Date of birth	Mandate start
Chaim Katzman		✓	✓			04.11.1949	01.08.2008
Rachel Lavine	✓		✓		✓	09.12.1965	01.08.2008
Simon Radford	✓			✓	✓	03.02.1957	06.03.2008
Andrew Wignall	✓			✓	✓	11.05.1964	06.03.2008
Michael Errichetti[2]		✓	✓			23.09.1957	01.04.2017
Neil Flanzraich[2]	✓	✓				08.08.1943	01.04.2017
Noam Ben-Ozer[3]	✓	✓				22.06.1963	24.11.2009
Peter Linneman[3]	✓	✓	✓			24.03.1951	01.08.2008
Karine Ohana[3]	✓					27.12.1964	24.06.2015
Thomas Wernink[3]	✓	✓				10.12.1945	01.08.2008

1 The Special Standing Committee was renamed Executive Committee on 25 April 2017 and the Investment Committee was disbanded on 21 March 2017

2 Appointed to the Board of Directors with effect from 1 April 2017

3 Retired from the Board of Directors with effect from 25 April 2017

The mandate of each Director then in office ends at the shareholders' annual general meeting ("AGM") held following the date of appointment. Provision is made for each Director to retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed or it is expressly resolved not to fill the office being vacated or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected. The current mandate of each Director in office ends at the AGM to be held in April 2018.

CHAIM KATZMAN

Non-executive director and Chairman

Chairman, Executive Committee

Chairman, Compensation and Nominating Committee

Chaim Katzman is the Founder, Chief Executive Officer and controlling shareholder of Gazit Globe (TASE, NYSE, TSX: GZT), a leading global real estate company focused on the ownership, development and management of shopping centres and mixed-use properties in major urban markets. As CEO of Gazit-Globe, Mr. Katzman leads the global operations and manages affiliate and subsidiary activities for approximately $11 billion of real estate assets[6] in the Unites States, Canada, Europe, Israel and Brazil.

Mr. Katzman is also the Founder, Chief Executive Officer and controlling shareholder of Norstar Holdings Inc. (TASE: NSTR), the parent company of Gazit Globe, and was the Founder and Executive Chairman of Equity One, Inc. (NYSE: EQY), a leading urban focused shopping centre REIT he founded in 1992 which merged with Regency Centers in 2017, forming a leading US shopping centre REIT. Mr. Katzman served in roles as EQY's CEO and then Chairman from 1992 to 2006. Mr. Katzman currently serves as the Vice Chairman of Regency Centers (NYSE: REG). Mr. Katzman also served on the Board of First Capital Realty Inc. (TSX: FCR), Canada's leading owner, developer and operator of supermarket and pharmacy-anchored shopping centres from 2000 to 2017. He served as FCR's Chairman from 2000 to 2015. In 2008, following an investment by Gazit-Globe, Mr. Katzman was appointed as Chairman of the Board of the Company. In 2010, Mr. Katzman was appointed Chairman of Citycon Oyj (OMX: CTY), an owner, developer and operator of shopping centers in the Nordic and Baltic and the market leader in the Nordic shopping centre sector.

A pioneer of the retail investment and development industry, Mr. Katzman is a member of the International Council of Shopping Centers (ICSC), the National Association of Real Estate Investment Trusts (NAREIT), the Real Estate Roundtable and the Association of Foreign Investors in Real Estate (AFIRE), and a trustee of the Urban Land Institute (ULI). Mr. Katzman was the recipient and winner of the Ernst & Young Entrepreneur Of The Year® 2010 Award in the Real Estate and Construction Services Category in Florida. Mr. Katzman received an L.L.B. from Tel Aviv University Law School and serves as a Trustee on the Board of Governors at Tel-Aviv University.

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

6 Excluding Gazit's non-consolidated investments in NYSE: REG and TSX: FCR.

RACHEL LAVINE

Non-executive director and Vice-Chairman

Member, Audit Committee and Executive Committee

Rachel Lavine was appointed as Vice Chairman of the Board on 1 December 2014 having previously been Chief Executive Officer from August 2008 to November 2014 and a member of the Board of Directors throughout that time. Mrs. Lavine currently serves as an External Director of Hadera Papers Ltd. Mrs. Lavine was formerly CEO of Gazit-Globe; President and CEO of Plaza Centres (Europe) BV; President and CEO of Elscint Ltd; and has been a director on several boards of directors throughout her career.

Mrs. Lavine graduated from the Tel Aviv College of Management with a BA (Bachelor of Business) in accounting, she has been a CPA (Certified Public Accountant) since 1995 and holds an Executive MBA from the Kellogg School of Management (Northwestern University)/Recanati School of Management (Tel Aviv University) graduating in 2008.

SIMON RADFORD

Non-executive director

Member, Audit Committee and Operations Committee

Simon Radford is an independent non-executive director appointed to the Board in March 2008. Based in Jersey, he serves as a non-executive director on a number of alternative investment strategy funds, as well as a multi-national trust and corporate services business. Mr. Radford was the Chief Financial Officer of an alternative investment fund administration business for 11 years until March 2016 and prior to that was senior partner of Deloitte & Touche in Jersey where he was in charge of the assurance and advisory business. Mr. Radford is a Fellow of the Institute of Chartered Accountants in England and Wales. In the years 2006 to 2008, he also served as Chairman of the Institute of Directors in Jersey.

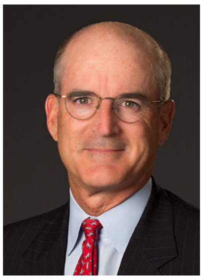
ANDREW WIGNALL

Non-executive director

Chairman, Operations Committee

Member, Audit Committee

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



MICHAEL ERRICHETTI

Non-executive director

Member, Compensation and Nominating Committee and Executive Committee

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

NEIL FLANZRAICH

Non-executive director

Chairman, Audit Committee

Member, Compensation and Nominating Committee

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

As at 31 December 2017, four permanent committees had been established: (i) the Audit Committee; (ii) the Compensation and Nominating Committee; (iii) the Executive Committee (previously: the Special Standing Committee); and (iv) the Operations Committee. The Investment Committee was disbanded by the Board of Directors in March 2017. During 2017, there was also a temporary committee established to address a specific issue. The Board of Directors and committees hold meetings and can also pass written resolutions.

In the year ended 31 December 2017, the Board of Directors held eleven meetings.

AUDIT COMMITTEE

From 25 April 2017, the Chairman of the Audit Committee was Neil Flanzraich and the members of the Audit Committee were Rachel Lavine, Simon Radford and Andrew Wignall. Beforehand in 2017, the Chairman of the Audit Committee was Peter Linneman and the members of the Audit Committee were Rachel Lavine, Simon Radford, Andrew Wignall, Noam Ben-Ozer, Karine Ohana and Thomas Wernink.

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

The Audit Committee is required to meet at least two times annually before publication of Atrium's annual financial statements and the half year report. In the year ended 31 December 2017, the Audit Committee held two meetings.

COMPENSATION AND NOMINATING COMMITTEE

From 25 April 2017, the Chairman of the Compensation and Nominating Committee was Chaim Katzman and the members of the Compensation and Nominating Committee were Michael Errichetti and Neil Flanzraich. Beforehand in 2017, the Chairman of the Compensation and Nominating Committee was Noam Ben-Ozer and the members of the Compensation and Nominating Committee were Chaim Katzman, Peter Linneman and Thomas Wernink.

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

In the year ended 31 December 2017, the Compensation and Nominating Committee held seven meetings.

EXECUTIVE COMMITTEE (PREVIOUSLY: THE SPECIAL STANDING COMMITTEE)

In 2017, the Chairman of the Executive Committee was Chaim Katzman. From 25 April 2017, the members of the Executive Committee were Rachel Lavine and Michael Errichetti. Beforehand in 2017, the members of the Committee were Rachel Lavine and Peter Linneman.

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

In the year ended 31 December 2017, the Executive Committee held two meetings and passed one written resolution.

OPERATIONS COMMITTEE

In 2017, the Chairman of the Operations Committee was Andrew Wignall and the member of the Operations Committee was Simon Radford.

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

In the year ended 31 December 2017, the Operations Committee held eight meetings.

INVESTMENT COMMITTEE

The Investment Committee was disbanded by the Board of Directors in March 2017. Until then, the Investment Committee's members in 2017 were Rachel Lavine, Andrew Wignall and Simon Radford.

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

The Investment Committee did not hold any meetings in 2017.

All members of the Board of Directors, and all persons in Group executive positions, have been appointed on the basis of their professional and personal qualifications. The Atrium Group maintains an equal opportunities policy for the purposes of recruitment at all levels. As at 31 December 2017, the ages of the members of the Board of Directors ranged from 51 to 71 and the Directors represented three different national backgrounds. Of the six Directors, one is a woman, although Atrium does not take any specific measures to promote women to the Board of Directors, or to top Group executive positions, other than on merit.

GROUP EXECUTIVE TEAM

During 2017, the Group Executive Team, which has day to day responsibility for Atrium Group operations, was as set out below.

Each member of the Group Executive Team is appointed for, and has a mandate throughout, the duration of his/her employment agreement.

Name	Position	Date of birth	Mandate start
Josip Kardun	Group Chief Executive Officer	11.04.1974	30.11.2014[1]
Liad Barzilai	Group Chief Executive Officer	25.11.1978	21.12.2016[1]
Ryan Lee	Group Chief Financial Officer	19.08.1968	01.04.2015
Rolf Rüdiger Dany	Group Chief Operating Officer	28.02.1963	01.10.2014[2]
Scott Jonathan Dwyer	Group Chief Operating Officer	10.07.1964	01.10.2017[2]
Graham Kilbane	Group Chief Development Officer	14.12.1965	09.10.2017
Geraldine Copeland-Wright	Group General Counsel	25.03.1971	14.06.2013[3]
Ljudmila Popova	Group Head of Asset Management & Investor Relations	03.04.1980	07.10.2013[4]

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

2 Scott Jonathan Dwyer was appointed as Group Chief Operating Officer on 1 October 2017 following Rolf Rüdiger Dany's departure

3 Geraldine Copeland-Wright left the Group on 1 January 2018

4 Ljudmila Popova left the Group on 1 December 2017

LIAD BARZILAI

Group Chief Executive Officer

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

Liad was previously with the Atrium Group from 2008 until November 2015, latterly in the position of Group Chief Investment Officer responsible for the Group's pipeline of acquisitions and divestments, and from November 2015 until his appointment to Atrium held the role of Chief Investment Officer with Gazit-Globe.

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

RYAN LEE

Group Chief Financial Officer, responsible for Compliance, Corporate Legal, HR and IT

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

A chartered accountant with almost 30 years of international financial experience, Ryan joined Atrium Group from Central European Distribution Corporation (CEDC) prior to that Ryan spent over three years as Vice President, Finance at Eldorado. In addition, he previously held various senior and board level financial roles over a nine year period with Japan Tobacco International, including Vice President - Finance, Vice President - Corporate Tax and CFO of Russia. He also spent ten years at Unilever plc and its group subsidiaries in a number of senior financial roles across a number of different territories.

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

SCOTT JONATHAN DWYER

Group Chief Operating Officer from 1 October 2017

Scott joined Atrium in October 2014 as Chief Executive Officer of Poland, with responsibility for overseeing all aspects of the Group's Polish operations and building on Atrium's success in establishing itself as a dominant shopping centre owner-operator in the country. He has also been instrumental in implementing Atrium's major redevelopment and extension programmes across three flagship assets in Warsaw.

Originally from Australia, Scott has more than 20 years' experience operating in Central and Eastern European markets, having joined Atrium from Heitman International, and having held senior roles at ING Real Estate and Unibail-Rodamco.

Scott has a Bachelor of Business from UTS Sydney and is a qualified C.P.A

GRAHAM KILBANE

Group Chief Development Officer from 9 October 2017

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

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

COMPENSATION REPORT

DIRECTORS' COMPENSATION

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

In 2017, non-executive Directors, other than those Directors nominated by Gazit-Globe, were entitled to receive remuneration in two components: a fixed cash remuneration of €50,000 per annum (€65,000 per annum until April 2017) together with meeting attendance fees of €1,000 per meeting and telephonic meeting attendance fees of €750 per meeting (until April 2017 attendance fees were €1,500 per meeting and €1,000 per telephonic meeting); and ordinary shares in the Company in the value of €50,000 per annum (€65,000 per annum until April 2017), which shares are allocated semi-annually and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €100,000 (€130,000 until April 2017). Any Director, other than those Directors nominated by Gazit-Globe, who acts as Chairman of the Audit Committee, the Compensation and Nominating Committee or the Operations Committee was also entitled to receive additional remuneration of €10,000 per annum.

A non-executive Director nominated by Gazit-Globe is not entitled to receive director's ordinary remuneration. Consequently, as at the end of the financial year ended 31 December 2017, neither Mr. Katzman as Chairman of the Board nor Mrs. Lavine as Vice Chairman were entitled to Directors' compensation.

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

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

Under his consultancy agreement, Mr. Katzman provides certain consultancy services, including (inter alia) advice on and review of proposed acquisitions and disposals, advice on capital markets strategy, advice on the level and content of development activities of the Group and strategic advice on the future direction of the Group. The consultancy agreement had an initial term of one year commencing on 1 August 2008 and continues on a rolling basis, with further extensions of one year unless terminated by either party. For the period from 1 January to 31 March 2017, the consultancy fee was €187,500 and as from 1 April 2017 the annual consultancy fee is €700,000 payable in quarterly instalments of €175,000.

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

The other Directors (in their capacity as Directors) were entitled to an aggregate remuneration in 2017 of €673,000 (2016: €1,258,000).

OVERVIEW OF REMUNERATION OF THE DIRECTORS IN 2017

Name	Directors fixed fees € '000	Directors other fees (including attendance fees) € '000	Consultancy fees € '000	2017 total € '000	2016 total € '000
Chaim Katzman[1]	-	-	713	713	550
Rachel Lavine[1]	-	-	475	475	475
Simon Radford	54	80	-	134	217
Andrew Wignall	54	91	-	145	226
Michael Errichetti	38	49	-	87	-
Neil Flanzraich	38	55	-	93	-
Noam Ben-Ozer	20	39	-	59	210
Peter Linneman	20	38	-	58	241
Thomas Wernink	20	29	-	49	188
Karine Ohana	20	28	-	48	176
TOTAL	**264**	**409**	**1,188**	**1,861**	**2,283**

[1] Gazit-Globe nominated board member

GROUP EXECUTIVE TEAM COMPENSATION

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

The annual remuneration paid or payable to each member of the Group Executive Team for the year ended 31 December 2017, including base salary, annual target bonus, allowances and benefits is set out below:

Name	Annual remuneration for 2017 €'000	Annual remuneration for 2016 €'000
Group executive as at 31/12/17		
Liad Barzilai	1,011	11
Ryan Lee	738	712
Scott Jonathan Dwyer[1]	128	-
Graham Kilbane	92	-
Sub total	**1,969**	**723**

[1] Represents his remunaration as from his appointment as the Group COO

For mandate dates please see page 36.

Name	Annual remuneration for 2017 €'000	Annual remuneration for 2016 €'000
Left in 2017		
Josip Kardun	74	1,056
Rolf Rüdiger Dany	308	694
Geraldine Copeland-Wright	560	510
Ljudmila Popova	490	322
Thomas Schoutens	-	477
Sub total	**1,432**	**3,059**
Total	**3,401**	**3,782**

EMPLOYEE SHARE OPTION PLAN AND LONG TERM INCENTIVE PROGRAMS

The Employee Share Option Plan ("ESOP") provides for the grant of options to key employees, executives, Directors and consultants of Atrium and its subsidiaries. There are currently two plans in operation, the ESOP, as approved by shareholders on 23 May 2013 ("ESOP 2013") and the ESOP, as approved by shareholders on 6 April 2009 ("ESOP 2009"). Both plans are currently closed.

In August 2015, the Compensation and Nominating Committee reviewed the long term incentive programme ("LTI") of the Group. The LTI is designed as a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded by reference to mid to long term performance of the Group, aligning the interests of shareholders and key senior executives whilst promoting the long term retention of senior executives. The programme operates through the participants being granted a right to the allotment of ordinary shares in the Company which vest after a 3 year period, subject to specific conditions, including continued employment in the Group. As at 31 December 2017, 4 grants have been made under the LTI each with effect as at 1 June 2015, including to Josip Kardun and Rudiger Dany who have since left the Group and accordingly their grants have lapsed. The plan is currently closed.

As part of his remuneration, Liad Barzilai was entitled to an award of shares equal to €240,000 which were to be issued, free of any lock-up period, in four equal tranches on each of the first, second, third and fourth anniversaries of commencement of employment. The first issue of 14,702 ordinary shares was made in December 2017.

In 2017 a change of control clause was introduced to the terms of employment of the group executive team and other key employees which will be applicable in case of a loss of control of the major shareholder.

After the reporting date, an Employee Share Participation Plan for Group Executive Management and other Key Employees was approved and implemented. The plan allows the participants to elect to receive part of their 2017 bonus as shares as an alternative to cash, with the company issuing matching shares after three years.

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

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

DEVIATIONS FROM THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

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

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

L-rule 1: Atrium is party to a relationship agreement which grants certain rights (including rights to appoint Directors) to its substantial shareholders. During 2017 the only substantial shareholder for this purpose was Gazit-Globe. For a description of these special rights please refer to part III of the shareholder circular of 17 September 2009 published on Atrium's website www.aere.com.

In addition, Gazit-Globe was granted indirectly via Gazit Midas Limited certain rights under the Articles of Association of the Company. These rights are set out in Articles 24, 25 and 29 of the

Articles, which are published on Atrium's website www.aere.com.

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

There are no mandatory takeover offer provisions under Jersey law applicable to Atrium. As a result of the Company's listing on Euronext Amsterdam, Dutch rules on public tender offers apply, including the provision that a bidder would be required to prepare an offer memorandum (biedingsbericht) that must be approved by the Dutch financial regulatory authority.

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

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

L-rule 8: Atrium is required to comply with Jersey law. Under Jersey law there is no limit on the number of shares that can be repurchased so long as at least one share that is not redeemable or a treasury share remains in issue. Shareholders' approval is required by way of special resolution (66% majority of those voting) to sanction such repurchases. Where shares are purchased off market, they must be purchased pursuant to a contract approved in advance by an ordinary resolution of shareholders (in relation to which the holders of the shares to be purchased do not have the right to vote those shares). Where shares are bought on market, authority can be granted by the shareholders to Atrium to permit it to purchase shares for a period of up to 5 years from the giving of the authority. The Company currently has authority to make market purchases of up to 75 million shares within the limitations imposed by shareholders in the relevant special resolution, which authority is renewed annually at the AGM.

C-rule 12: In 2017, the materials and documents required for the Board of Directors' quarterly meetings were distributed at least 4 days before the respective meeting, which is in compliance with Jersey law and Atrium's internal regulations.

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

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

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

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

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

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

C-rule 28: Atrium has currently two employee share option plans in operation, ESOP 2009 and ESOP 2013, although no further grants may be made under either plan. Options under both ESOP 2009 and

ESOP 2013 were granted unconditionally. Generally, options granted under ESOP 2009 are exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. Options granted under ESOP 2013 are generally exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Subject to the terms of the ESOPs, option holders are entitled to exercise their options upon vesting.

Non-executive Directors, other than those Directors nominated by Gazit-Globe, received, as part of their ordinary remuneration, ordinary shares in the Company in the value of €50,000 per annum (€65,000 until April 2017). These shares are allocated semi-annually, in arrears, and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €100,000 (€130,000 until April 2017).

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

L-rule 33: As Atrium's management structure is a one-tier Board of Directors, Directors are appointed by the AGM or its substantial shareholders. The mandate of each Director then in office ends at the AGM following the date of appointment. Provision is made for each Director to retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected, except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed, or it is expressly resolved not to fill the office being vacated, or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected.

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

C-rule 39: As set out in the Articles, Atrium has adopted the test of independence set out in the rules of the New York Stock Exchange for the purposes of assessing the independence of its Directors. As at 31 December 2017, three of the four members of the Audit Committee, two of the three members of the Compensation and Nominating Committee, one of the three members of the Executive Committee and all members of the Operations Committee were independent, as defined in the rules of the New York Stock Exchange. Those individuals appointed to serve as members of Committees are those Directors who are regarded by the Board of Directors as well equipped (including as a consequence of prior experience and/or expertise) to contribute to the deliberations of the Committees and, accordingly, Atrium believes that the current composition of the Committees is in the best interests of Atrium.

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

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

L-rule 52: Specific measures have not been implemented in relation to the aspect of diversity with respect to the representation of both genders, the age structure and the internationality of the members of the Board of Directors as the Company is of the view that any such specific measures would not be in the best interests of Atrium. Atrium believes that those individuals appointed to serve as members of the Board of Directors are best equipped in terms of relevant experience and/or expertise to fulfil their roles and maintains an equal opportunities policy for the purposes of recruitment and promotion at all levels within the Group. Until 25 April 2017, of the eight Directors: two were women (including the Vice Chairman); the ages of the Directors ranged from 51 to 73; and the Directors represented five different national backgrounds. Since then one of the six Directors was a woman (the Vice Chairman); the ages of the Directors ranged from 51 to 75; and the Directors represented three different national backgrounds;

C-rule 53: In accordance with the Articles, at least half of the Directors were independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2017, four of Atrium's six Directors were independent, in accordance with said rules.

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

C-rule 57: Atrium's Directors may hold more than four board mandates in stock corporations that are not part of the Atrium Group. Atrium is fully aware of the additional mandates held by its Directors and believes that those individuals appointed to serve on the Board are best equipped (in terms of relevant experience and expertise) to contribute to the activities of the Board, so that any restrictions under this rule would not be in the best interests of Atrium.

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

THE BOARD OF DIRECTORS

CHAIM KATZMAN
Chairman of the Board

RACHEL LAVINE
Vice-Chairman and Director

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Director

SIMON RADFORD
Director

ANDREW WIGNALL
Director

02

ANNUAL
FINANCIAL
STATEMENTS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DIRECTOR'S 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 2017.

INCORPORATION

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year ended 31 December 2017 are shown in the consolidated statement of profit or loss on page 46.

DIVIDEND

For the year ended 31 December 2017, the Directors approved an annual dividend of €cents 27 per share, which was paid as a capital repayment, in quarterly instalments of €cents 6.75 per share at the end of each calendar quarter. The total dividend paid in the year ended 31 December 2017 amounted to €101.7 million (2016: €101.7 million).

In June 2017, in addition to the aforementioned quarterly dividend, the Board of Directors also approved the payment of a special dividend (paid as a capital repayment) of €cents14 per share, representing a total amount of €52.8 million. The special dividend reflects the Board's continuing confidence in the Group's prospects and was paid on 30 June 2017.

At its meeting on 14 November 2017, the Company's Board of Directors approved a consistent annual dividend of €cents 27 per share for 2018 (to be paid as a capital repayment) which will likewise be paid in equal quarterly instalments commencing at the end of March 2018 (subject to any legal and regulatory requirements and restrictions of commercial viability).

DIRECTORS

Atrium's Directors who served during the year under review and as of the date of approving these financial statements are listed on page 33 in the Corporate Governance Report.

COMPANY SECRETARY

Aztec Financial Services (Jersey) Limited ("Aztec") is the Company Secretary of Atrium. Atrium has concluded an agreement with Aztec for the provision of company secretarial and administration services. As at 31 December 2017, Aztec held one registered share in Atrium, see note 2.17 of the financial statements.

DIRECTORS' RESPONSIBILITIES

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

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

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

By order of the Board

20 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017 €'000	31 December 2017 €'000	31 December 2016 €'000	31 December 2016 €'000
ASSETS					
Non-current assets					
Standing investments	2.5	2,408,992		2,458,760	
Redevelopments and land	2.6	345,331		292,617	
Property and equipment	2.7	1,566		2,209	
			2,755,889		**2,753,586**
Intangible assets	2.8	4,359		3,424	
Equity-accounted investment in joint ventures	2.9	173,106		173,169	
Deferred tax assets	2.10	521		700	
Long term loans	2.11	3,128		8,477	
Other assets	2.12	671		7,260	
			181,785		**193,030**
Current assets					
Receivables from tenants	2.13	10,646		10,467	
Prepayments		3,817		3,072	
Other receivables	2.14	16,158		33,229	
Income tax receivable		1,509		1,319	
Financial assets at FVOCI	2.15	19,961		-	
Available for sale financial assets	2.15	-		42,036	
Assets held for sale	2.16	60,354		14,729	
Cash and cash equivalents		71,920		103,671	
			184,365		**208,523**
TOTAL ASSETS			**3,122,039**		**3,155,139**
EQUITY AND LIABILITIES					
Equity					
Stated capital	2.17	2,269,199		2,422,587	
Capital reserves	2.17	270		(1,425)	
Retained earnings		(296,997)		(385,025)	
Currency translation reserve		(81,588)		(77,691)	
Currency translation reserve for disposal group held for sale	2.16	2,776		(16,396)	
			1,893,660		**1,942,050**
Non-current liabilities					
Long term borrowings	2.18	968,011		942,009	
Derivatives	2.19	1,030		4,704	
Deferred tax liabilities	2.20	70,825		76,475	
Long term liabilities from finance leases	2.21	36,627		31,233	
Other long term liabilities	2.22	14,699		14,474	
			1,091,192		**1,068,895**
Current liabilities					
Trade and other payables	2.23	36,569		31,851	
Accrued expenditure	2.24	47,827		42,240	
Short term borrowings	2.18	1,278		5,396	
Income tax payable		12,251		6,465	
Liabilities held for sale	2.16	3,520		3,531	
Provisions	2.25	35,742		54,711	
			137,187		**144,194**
TOTAL EQUITY AND LIABILITIES			**3,122,039**		**3,155,139**

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2018 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, Neil Flanzraich, Chairman of the Audit Committee and Liad Barzilai, Group Chief Executive Officer.

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

		2017		2016	
	Note	€'000	€'000	€'000	€'000
Gross rental income	2.26	188,619		185,942	
Service charge income	2.27	72,257		70,959	
Net property expenses	2.28	(80,333)		(77,256)	
Net rental income			**180,543**		**179,645**
Net result on disposals	2.29	(10,240)		(1,042)	
Costs connected with developments		(1,203)		(2,860)	
Revaluation of standing investments, net	2.5	14,319		40,794	
Revaluation of redevelopments and land, net	2.6	(14,098)		(26,243)	
Other depreciation, amortisation and impairments	2.30	(7,613)		(7,787)	
Administrative expenses	2.31	(28,645)		(72,234)	
Share of profit of equity-accounted investment in joint ventures	2.9	8,616		12,421	
Net operating profit			**141,679**		**122,694**
Interest expenses, net	2.32	(35,441)		(36,025)	
Foreign currency differences		(886)		(5,326)	
Other financial expenses, net	2.33	(5,159)		(8,707)	
Profit before taxation			**100,193**		**72,636**
Taxation charge for the period	2.34	(11,101)		(14,435)	
Profit after taxation for the year			**89,092**		**58,201**
Basic and diluted earnings per share in €cents attributable to shareholders	2.35		23.6		15.4

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

	2017		2016	
	€'000	€'000	€'000	€'000
Profit for the year	**89,092**		**58,201**	
Items that will not be reclassified to the statement of profit or loss:				
Movement in financial assets at FVOCI reserve	(1,612)		-	
Items that are or may be reclassified to the statement of profit or loss:				
Exchange differences arising on translation of foreign operations	140		-	
Movements in hedging reserves (net of deferred tax)	844		38	
Movements in available for sale reserve	-		(1,419)	
Amounts reclassified to profit or loss in respect of cash flow hedges	1,935		1,719	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the period	15,135		4,984	
Total comprehensive income for the year		**105,534**		**63,523**

CONSOLIDATED CASH FLOW STATEMENT

	2017 €'000	2016 €'000
Cash flows from operating activities		
Profit before taxation	100,193	72,636
Adjustments for:		
Other depreciation, amortisation and impairments	7,613	7,787
Dividend from listed equity securities, net	(1,451)	(623)
Revaluation of standing investments, net	(14,319)	(40,794)
Revaluation of redevelopments and land, net	14,098	26,243
Foreign exchange loss, net	886	5,326
Change in legal provisions, net of amounts paid	(19,022)	32,189
Share based payment expenses	241	327
Share of profit of equity-accounted investments in joint ventures	(8,616)	(12,421)
Net result on disposals	10,240	1,042
Finance lease interest expense	2,863	2,585
Impairment charge on long term loans granted	-	1,094
Net loss from bonds buy back and early repayments of loans	3,377	2,905
Interest expense	35,853	36,865
Interest income	(412)	(840)
Operating cash flows before working capital changes	**131,544**	**134,321**
Increase in trade, other receivables and prepayments	(3,592)	(309)
Increase in trade, other payables and accrued expenditure, net	5,983	2,174
Cash generated from operations	**133,935**	**136,186**
(Increase)/ decrease in restricted cash related to legacy legal claims arrangement	4,587	(8,461)
Interest paid	(38,711)	(40,417)
Interest received	455	928
Dividend received (mainly dividend from Joint Ventures)	10,130	8,750
Corporation taxes paid, net	(8,642)	(3,395)
Net cash generated from operating activities	**101,754**	**93,591**
Cash flows from investing activities		
Payments related to investment properties and other assets	(62,649)	(61,999)
Proceeds from the disposal of investment properties	24,085	125,522
Proceeds from sale of financial assets at FVOCI	20,460	-
Purchase of available for sale listed equity securities, net	-	(42,913)
(Increase)/ decrease in restricted cash related to investing activity	14,029	(14,224)
Proceeds from loans granted	2,740	3,619
Net cash generated from/(used in) investing activities	**(1,335)**	**10,005**
Net cash flow before financing activities	**100,419**	**103,596**
Cash flows from financing activities		
Proceeds from issuance of share capital	378	1,496
Repayment of long term borrowings	(117,046)	(68,653)
Receipt of long term borrowings	135,224	-
Decrease in restricted cash related to financing activity	4,004	415
Repayments of finance leases	(408)	(366)
Dividends paid	(154,543)	(154,422)
Net cash used in financing activities	**(132,391)**	**(221,530)**
Net decrease in cash and cash equivalents	**(31,972)**	**(117,934)**
Cash and cash equivalents at the beginning of year	**103,671**	**224,368**
Cash and cash equivalents classified as held for sale	(546)	-
Effect of exchange rate fluctuations on cash held	767	(2,763)
Cash and cash equivalents at the end of year	**71,920**	**103,671**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Available for sale reserve €'000	Retained earnings/ (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 2017, as previously reported		**2,422,587**	**3,803**	**(3,809)**	-	**(1,419)**	**(385,025)**	**(77,691)**	**(16,396)**	**1,942,050**
Adjustment on initial application of IFRS 9 (net of tax)		-	-	-	(1,419)	1,419	-	-	-	-
Restated balance as at 1 January 2017		**2,422,587**	**3,803**	**(3,809)**	**(1,419)**	**-**	**(385,025)**	**(77,691)**	**(16,396)**	**1,942,050**
Profit for the period		-	-	-	-	-	89,092	-	-	89,092
Other comprehensive income (expense)		-	-	2,779	(1,612)	-	-	(1,288)	16,563	16,442
Total comprehensive income (expense)		**-**	**-**	**2,779**	**(1,612)**	**-**	**89,092**	**(1,288)**	**16,563**	**105,534**
Reclassified to retained earnings (due to sold shares)		-	-	-	1,064	-	(1,064)	-	-	-
Transaction with owners of the Company										
Share based payment	2.17	-	241	-	-	-	-	-	-	241
Issue of no par value shares	2.17	1,155	(777)	-	-	-	-	-	-	378
Dividends	2.17	(154,543)		-	-	-	-	-	-	(154,543)
Disposal group held for sale	2.16	-	-	-	-	-	-	(2,609)	2,609	-
Balance as at 31 December 2017		**2,269,199**	**3,267**	**(1,030)**	**(1,967)**	**-**	**(296,997)**	**(81,588)**	**2,776**	**1,893,660**

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Available for sale reserve €'000	Retained earnings/ (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	Non-controlling interest €'000	Total equity €'000
Balance as at 1 January 2016		**2,574,836**	**4,153**	**(5,566)**	**-**	**(442,381)**	**(96,449)**	**(2,622)**	**2,031,971**	**(845)**	**2,031,126**
Profit for the period		-	-	-	-	58,201	-	-	58,201	-	58,201
Other comprehensive income/(expense)		-	-	1,757	(1,419)	-	2,362	2,622	5,322	-	5,322
Total comprehensive income/(expense)		**-**	**-**	**1,757**	**(1,419)**	**58,201**	**2,362**	**2,622**	**63,523**	**-**	**63,523**
Transaction with owners of the Company											
Share based payment	2.17	-	327	-	-	-	-	-	327	-	327
Issue of no par value shares	2.17	2,173	(677)	-	-	-	-	-	1,496	-	1,496
Charging the non-controlling interests share in equity deficit of subsidiaries		-	-	-	-	(845)	-	-	(845)	845	-
Dividends	2.17	(154,422)	-	-	-	-	-	-	(154,422)	-	(154,422)
Disposal group held for sale	2.16	-	-	-	-	-	16,396	(16,396)	-	-	-
Balance as at 31 December 2016		**2,422,587**	**3,803**	**(3,809)**	**(1,419)**	**(385,025)**	**(77,691)**	**(16,396)**	**1,942,050**	**-**	**1,942,050**

NOTES TO THE FINANCIAL STATEMENTS

2.1 REPORTING ENTITY

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

The consolidated financial statements of Atrium as at and for the year ended 31 December 2017 comprise Atrium and its subsidiaries, collectively the "Group".

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

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

2.2 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for standing investments and redevelopments and land ("investment property"), derivative financial instruments, contingent considerations, available-for-sale ("AFS") financial assets (before 1 January 2017) and financial assets at fair value through OCI (after 1 January 2017) that have been measured at fair value.

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2017

The following new standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 12 ***Recognition of Deferred Tax Assets for Unrealised Losses***
- Amendments to IAS 7 ***Disclosure Initiative***

Although these new amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group. If a standard or amendment affects the Group, it is described, together with the impact.

In July 2014, the IASB issued the final version of IFRS 9 ***Financial Instruments*** that replaces IAS 39 ***Financial Instruments: Recognition and Measurement*** and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. As explained in Note 2.3, the Group has early adopted ***IFRS 9 Financial Instruments*** issued in July 2014 with a date of initial application of 1 January 2017.

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

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

During 2017, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis, and concluded that IFRS 15 is not expected to have a significant impact on the Group's consolidated financial statements. Note that IFRS 15 will not affect the recognition of lease income as this is still dealt with under IAS 17 Leases

- IFRS 16 ***Leases*** (issued in January 2016, and endorsed by the EU). In January 2016, the IASB published a new standard, IFRS 16 ***Leases***. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 ***'Leases'*** and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted, if IFRS 15 ***'Revenue from Contracts with Customers'*** has also been applied. The Group is currently assessing the impact of the new standard.

- Amendments to IFRS 2 ***Classification and Measurement of Share-based Payment Transactions*** (issued in June 2016, endorsed by the EU on 28 February 2018). The IASB issued amendments to IFRS 2 ***Share-based Payment***, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted, subject to EU endorsement. The amendments are not expected to have a material impact on the Group's financial statements.

- IFRIC 22 ***Foreign Currency Transactions and Advance Consideration*** (issued on 8 December 2016, not yet endorsed by the EU). The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency and are effective for annual periods beginning on or after 1 January 2018. The interpretation is not expected to have a material impact on the Group's financial statements.

- Amendments to IAS 40 ***Transfers of Investment Property*** (issued on 8 December 2016, not yet endorsed by the EU). The amendments clarify the requirements on transfers to, or from, investment property and are effective for annual periods beginning on or after 1 January 2018. The amendments are not expected to have a material impact on the Group's financial statements.

- IFRIC 23 ***uncertainty over Income Tax Treatments*** (issued in June 2017, not yet endorsed by the EU). In June 2017, the International Accounting Standards Board (IASB) issued IFRIC 23, interpretation on IAS 12 Income taxes, to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019. The Group is currently assessing the impact of the interpretation.

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

- Amendments to IFRS 10 and IAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (issued in September 2014, not yet endorsed by the EU). In August 2015 the IASB proposed to defer the effective date indefinitely, with early adoption, subject to EU endorsement, permitted.

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016, and endorsed by the EU). The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2018.

- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017, not yet endorsed by the EU). The minor amendments to IFRS 3, IFRS 11, IFRS 12 and IFRS 23 are effective for annual periods beginning on or after 1 January 2019.

- Amendments to IFRS 9: ***Prepayment Features with Negative Compensation*** (issued on 12 October 2017, not yet endorsed by the EU). The amendments are effective for annual periods beginning on or after 1 January 2019.

- Amendments to IAS 28: ***Long-term Interests in Associates and Joint Ventures*** (issued on 12 October 2017, not yet endorsed by the EU). The amendments are effective for annual periods beginning on or after 1 January 2019.

USE OF JUDGEMENTS AND ESTIMATES

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

The estimates and underlying assumptions are reviewed on an 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, management considers whether each acquisition represents an acquisition of a business or an acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired together with the property. More specifically, the following criteria, which indicate an acquisition of a business, are considered: the number of properties acquired, the extent to which strategic management processes and operational processes are acquired and the complexity of the processes acquired.
  When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired on the basis of their relative fair values, and no goodwill or deferred tax is recognised.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- **Fair value measurements and valuation processes - standing investments and redevelopments and land** are presented at fair value in the statement of financial position. The fair values are determined by independent real estate valuation experts using recognised valuation techniques and the principles of ***IFRS 13 Fair Value Measurement***. The Group categorises the standing investments and developments and land fair value as Level 3 within the fair value hierarchy. The significant methods and assumptions used in estimating the fair values are set out in Note 2.37
- **Deferred tax assets -** Deferred tax assets are recognised for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against losses which can be utilised. Significant estimates are required to determine the amount of deferred tax assets that can be recognised on the basis of the likely timing and level of future taxable profits together with future tax planning strategies. Further information is provided in Note 2.10.
- **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 2.42.
- **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 the 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 reasons depending on the conditions prevailing in the respective Group company's domicile. For further information, see also Note 2.42.

2.3 CHANGE IN ACCOUNTING POLICY

The Group has early adopted IFRS 9 ***Financial Instruments*** issued in July 2014 with a date of initial application of 1 January 2017 . The requirements of IFRS 9 represent a significant change from IAS 39 ***Financial Instruments: Recognition and Measurement,*** however the impact on the group results and balances is not material. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL'). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see note 2.4.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see note 2.4.

Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. "Retrospective assessment of hedge effectiveness is also no longer required.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2017. The Group's qualifying hedging relationships in place as at 1 January 2017 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships.

No rebalancing of any of the hedging relationships was necessary on 1 January 2017. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

Transition

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of markatable equity securities not held for trading as at FVOCI.
- All hedging relationships designated under IAS 39 at 31 December 2016 met the criteria for hedge accounting under IFRS 9 as at 1 January 2017 and are therefore regarded as continuing hedging relationships.

The following table summarises the impact, net of tax, of transition to IFRS 9 on reserves as at 1 January 2017.

Available for sale reserve	Impact of adopting IFRS 9 at 1 January 2017 €'000
Closing balance under IAS 39 (31 December 2016)	(1,419)
Reclassification to financial assets at FVOCI reserve	1,419
Opening balance under IFRS 9 (1 January 2017)	-

Financial assets at FVOCI reserve	Impact of adopting IFRS 9 at 1 January 2017 €'000
Closing balance under IAS 39 (31 December 2016)	-
Reclassification from available for sale reserve	(1,419)
Opening balance under IFRS 9 (1 January 2017)	(1,419)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2017.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €'000	New carrying amount under IFRS 9 €'000
Long term loans	Loans and receivables	Financial assets at amortised cost	8,477	8,477
Restricted cash in banks	Loans and receivables	Financial assets at amortised cost	2,003	2,003
Receivables from tenants	Loans and receivables	Financial assets at amortised cost	10,467	10,467
Other receivables	Loans and receivables	Financial assets at amortised cost	29,626	29,626
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	103,671	103,671
Investment in marketable equity securities	Available-for-sale investments	Financial assets at FVOCI	42,036	42,036
Total financial assets			**196,280**	**196,280**

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €'000	New carrying amount under IFRS 9 €'000
Long term borrowings	Other financial liabilities	Other financial liabilities	942,009	942,009
Derivatives	Fair value – hedging instrument	Fair value – hedging instrument	4,704	4,704
Long term liabilities from leases	Other financial liabilities	Other financial liabilities	31,233	31,233
Other long term liabilities	Other financial liabilities	Other financial liabilities	14,474	14,474
Trade and other payables	Other financial liabilities	Other financial liabilities	17,726	17,726
Accrued expenditure	Other financial liabilities	Other financial liabilities	42,240	42,240
Short term borrowings	Other financial liabilities	Other financial liabilities	5,396	5,396
Total financial liabilities			**1,057,782**	**1,057,782**

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

1. The group elected to present the gains and losses arising from the fair value changes of its investment in marketable equity securities (previously classifed as avaliable-for-sale) in other comprehensice income because these investments are not held for trading. As a result, assets with a fair value of €42.0 million were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and fair value losses of €1.4 million were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through OCI reserve on 1 January 2017.
2. Receivables from tenants and long term loans that were classified as loans and receivables under IAS 39 are now classified as financial assets at amortised cost. The impact of IFRS 9 expected credit loss allowance compared to the loss allowance recognized based on IAS 39 was not material.
3. Other assets, other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified as financial assets at amortised cost.

2.4 SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 2.3, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

BASIS OF CONSOLIDATION

SUBSIDIARIES

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

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

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

LOSS OF CONTROL

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

INVESTMENT PROPERTY ACQUISITIONS AND BUSINESS COMBINATIONS

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

BUSINESS COMBINATIONS

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

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

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

EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES

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

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

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

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

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

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

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

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

CONSOLIDATION GROUP

The Consolidated financial statements of the Group include the following subsidiaries as at 31 December 2017:

Company name	Country	Ownership
ABERGAVENNY INVESTMENTS LIMITED	Cyprus	70%
ATTILO HOLDINGS LIMITED	Cyprus	100%
BROADVALE HOLDINGS LIMITED	Cyprus	100%
DALSEN SERVICES LIMITED	Cyprus	90%
DANELDEN ENTERPRISES LIMITED	Cyprus	100%
ETHERLAND INVESTMENTS LIMITED	Cyprus	100%
MALL GALLERY 1 LIMITED	Cyprus	63%
MALL GALLERY 2 LIMITED	Cyprus	100%
MD CE HOLDING LIMITED	Cyprus	100%
MD REAL ESTATE MANAGEMENT LIMITED	Cyprus	100%
MD RUSSIA HOLDING LIMITED	Cyprus	100%
MD TIME HOLDING LIMITED	Cyprus	100%
NOKITON INVESTMENTS LIMITED	Cyprus	100%
PATTONGATE TRADING LIMITED	Cyprus	100%
ATRIUM FLÓRA A.S.	Czech Republic	100%
ATRIUM PALÁC PARDUBICE S.R.O.	Czech Republic	100%
ATRIUM PANKRÁC S.R.O.	Czech Republic	100%
EURO MALL BRNO REAL ESTATE S.R.O.[1]	Czech Republic	100%
MANHATTAN DEVELOPMENT S.R.O.	Czech Republic	100%
ATRIUM CZECH REAL ESTATE MANAGEMENT S.R.O.	Czech Republic	100%
FORAS HOLDING A/S	Denmark	100%
POLONIACO APS	Denmark	100%
ALFA - PIAC KFT.	Hungary	100%
ATRIUM ALFA HU KFT.	Hungary	100%
ATRIUM BETA HU KFT.	Hungary	100%
MAGNUM HUNGARIA INVEST KFT.[1]	Hungary	100%
MANHATTAN DEVELOPMENT ALFA KFT.	Hungary	100%
MANHATTAN DEVELOPMENT GLOBAL KFT.[1]	Hungary	100%
MANHATTAN DEVELOPMENT INVEST KFT.	Hungary	100%
MANHATTAN DEVELOPMENT KFT.	Hungary	100%
MANHATTAN DEVELOPMENT PROJEKT KFT.	Hungary	100%
MANHATTAN DEVELOPMENT PROPERTY KFT.	Hungary	100%
MANHATTAN DEVELOPMENT TANNE KFT.	Hungary	100%
MANHATTAN REAL ESTATE MANAGEMENT KFT.	Hungary	100%
ATRIUM TREASURY SERVICES LIMITED	Jersey	100%
ATRIUM EUROPE B.V.	Netherlands	100%
ATRIUM EUROPEAN COÖPERATIEF U.A.	Netherlands	100%
ATRIUM GROUP SERVICES B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 1 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 2 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 3 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 4 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 5 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 6 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 7 B.V.	Netherlands	100%
ATRIUM HUNGARIAN HOLDING 8 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 1 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 2 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 3 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 4 B.V.	Netherlands	100%
ATRIUM RUSSIAN HOLDING 5 B.V.	Netherlands	100%
ATRIUM POLAND HOLDING B.V.	Netherlands	100%
ATRIUM LUX HOLDING B.V.	Netherlands	100%
ATRIUM TURKEY B.V.	Netherlands	100%

Company name	Country	Ownership
ATRIUM TURKEY GOETZTEPE B.V.	Netherlands	100%
ATRIUM TURKEY KAHRAMANMARAS B.V.	Netherlands	100%
ATRIUM TURKEY SAMSUN B.V.	Netherlands	100%
ATRIUM FINANCE B.V.[2]	Netherlands	100%
ATRIUM POLAND 1 SP. Z O.O.AGROMEX DEVELOPMENT SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O. BIAŁA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.BIAŁA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.BYDGOSZCZ SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.BYDGOSZCZ 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.COPERNICUS SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.COPERNICUS 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.DOMINIKANSKA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.DOMINIKANSKA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.KALISZ SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.KALISZ 2 SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.KOSZALIN SP.K	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.MOLO SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.MOLO 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.PLEJADA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.PLEJADA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.PROMENADA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.PROMENADA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.REDUTA SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.REDUTA 2 SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.TARGÓWEK SP.K.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.TARGÓWEK 2 SP.K.	Poland	100%
ATRIUM POLAND 2 SP. Z O.O.DOMINIKANSKA HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. REDUTA HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. PLEJADA HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. MOLO HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. BYDGOSZCZ HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. BIALA HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. COPERNICUS HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. PROMENADA HOLDING SP.K	Poland	100%
ATRIUM POLAND 2 SP. Z O.O. TARGOWEK HOLDING SP.K	Poland	100%
ATRIUM FELICITY SP. Z O.O.	Poland	100%
ATRIUM GALERIA LUBLIN SP. Z O.O.	Poland	100%
ATRIUM GDAŃSK 1 SP. Z O.O.	Poland	100%
ATRIUM JASTRZĘBIE SP. Z O.O.	Poland	100%
ATRIUM POLAND 1 SP. Z O.O.	Poland	100%
ATRIUM POLAND 2 SP. Z O.O.	Poland	100%
ATRIUM POLAND 3 SP. Z O.O.	Poland	100%
ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O	Poland	100%
CENTRUM HANDLOWE NEPTUNCITY SP. Z O.O.	Poland	100%
GALERIA NA WYSPIE SP. Z O.O.	Poland	100%
IPOPEMA 77 FIZ (IN LIQUIDATION)	Poland	100%
L.P.H. SP. Z O.O.	Poland	100%
MANHATTAN DEVELOPMENT SP. Z O.O.	Poland	100%
MD POLAND II SP. Z O.O.	Poland	100%
PROJEKT ECHO-35 SP. Z O.O.	Poland	100%
WIOSENNY SP. Z O.O. (IN LIQUIDATION)	Poland	100%
ATRIUM ROMANIA REAL ESTATE MANAGEMENT SRL	Romania	100%
LAND DEVELOPMENT PROIECT SRL	Romania	100%
PROPERTY DEVELOPMENT ONE SRL	Romania	100%
PROPERTY DEVELOPMENT TWO SRL	Romania	100%
OOO BUGRY	Russia	100%

Company name	Country	Ownership
OOO DELTA (in liquidation)	Russia	100%
OOO EVEREST	Russia	100%
OOO LAND DEVELOPMENT	Russia	100%
OOO MANHATTAN BRATEEVO	Russia	100%
OOO MANHATTAN DEVELOPMENT	Russia	100%
OOO MANHATTAN REAL ESTATE MANAGEMENT	Russia	100%
OOO MANHATTAN SIGNALNY	Russia	100%
OOO MANHATTAN YEKATERINBURG	Russia	100%
OOO MD TOGLIATTI	Russia	100%
OOO RETAIL TOGLIATTI	Russia	100%
OOO MEGAPOLIS	Russia	100%
OOO NAUTILUS	Russia	100%
OOO PATERA	Russia	100%
MANHATTAN DEVELOPMENT SK S.R.O.	Slovakia	100%
ATRIUM SLOVAKIA REAL ESTATE MANAGEMENT SK S.R.O	Slovakia	100%
PALM CORP S.R.O.	Slovakia	100%
SLOVAK INVESTMENT GROUP S.R.O.	Slovakia	100%
ATRIUM EUROPEAN REAL ESTATE SPAIN S.L.U.	Spain	100%
MANHATTAN GAYRIMENKUL YÖNETIMI LIMITED SIRKETI	Turkey	100%
MEL 1 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	100%
A.KHARKIV 1 LLC	Ukraine	100%
A.KHARKIV 2 LLC	Ukraine	100%
A.KHARKIV 3 LLC	Ukraine	100%
ENGINEERICS UKRAINE LLC	Ukraine	100%
PRIVATE JSC IPODROM	Ukraine	100%
VORONTSOVSKI VEZHI LLC	Ukraine	70%

1 Company sold in February 2018
2 Company newly incorporated

FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

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

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

The Euro has been determined to be the functional currency for the entities comprising the Group.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

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

FOREIGN OPERATIONS

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

On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is reclassified to profit or loss. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative foreign currency reserve is attributed to non-controlling interest. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss. If the foreign operation is a non-wholly owned subsidiary then the relevant proportion of the translation difference is allocated to non-controlling interests. Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are also presented in the statement of comprehensive income and as a separate component of equity until the disposal of the net investment.

INVESTMENT PROPERTIES

The Group investment properties comprise of completed properties ("standing investments") and properties under construction or re-development and land ("redevelopments and land") that are held, or being constructed, to earn rental income or for capital appreciation or both. Property held under a finance 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".

The fair values of all standing investments, as at 31 December 2017, were determined on the basis of independent external valuations received from Cushman & Wakefield or JLL. The fair values of most of the developments and land, as at 31 December 2017, were determined on the basis of independent external valuations received from Cushman & Wakefield. Approximately 46% (2016: 30%) of the redevelopments and land properties were valued internally. Cushman & Wakefield and JLL are both external, independent, international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details about the investment properties valuation process, see note 2.5 and 2.37.

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

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

PROPERTY AND EQUIPMENT

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

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

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

INTANGIBLE ASSETS

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

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

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

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

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

FINANCIAL INSTRUMENTS

RECOGNITION AND INITIAL MEASUREMENT

Trade 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 FVTPL, 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

Financial assets- Policy applicable from 1 January 2017

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

The Group financial assets are classified as at amortised cost or 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 FVTPL:

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

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

Financial assets: Business model assessment

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

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

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

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

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

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 assets- Policy applicable before 1 January 2017

The Group classified its financial assets into one of the following categories:

- loans and receivables; and
- available for sale.

Financial assets: Subsequent measurement and gains and losses
Loans and receivables

Measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses and dividend income, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

1. *Financial liabilities: Classification, subsequent measurement and gains and losses*

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

Financial liabilities at FVTPL 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.

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.

See Note 2.4 for financial liabilities designated as hedging instruments.

DERECOGNITION

Financial assets

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

Financial liabilities

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

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

OFFSETTING

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Policy applicable from 1 January 2017

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

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

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

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

Cash flow hedges

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

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

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

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

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

IMPAIRMENT

1. *Policy applicable from 1 January 2017*

The Group recognises loss allowances for ECLs on financial assets and trade receivables measured at amortised cost.

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

- 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 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.

The Group assumes that the credit risk on financial asset has increased significantly if it is more than 90 days past due .

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realisting security or deposit (if any is held); or
- The financial asset is more than 360 days past due

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or when the receivables are past due more than 90 days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disapperance of an active market for a secuirty because of financial difficulties

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.

2. *Policy applicable before 1 January 2017*

Financial assets were assessed at each reporting date to determine whether there was objective evidence of impairment. Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

CASH AND CASH EQUIVALENTS

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

STATED CAPITAL

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

DIVIDENDS

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

SHARE BASED 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

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

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

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

REVENUE RECOGNITION

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

RENTAL INCOME

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

SERVICE CHARGES AND EXPENSES RECOVERABLE FROM TENANTS

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

NET RESULT ON DISPOSAL OF PROPERTIES

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

INTEREST INCOME, INTEREST EXPENSES AND OTHER FINANCIAL INCOME AND EXPENSES

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

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

TAXATION

GENERAL

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

CURRENT INCOME TAX

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

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

DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

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

EARNINGS PER SHARE

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

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

SEGMENT REPORTING

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

The Group has two reportable segments:

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

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

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

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

Geographical information is based on the geographical locations of the investment properties. The Group operates in the following countries: Poland, the Czech Republic, Slovakia, Russia, Hungary, Romania, Turkey and during 2016 also in Latvia. In addition, the Group has its holding, management or other companies in Cyprus, Denmark, Luxembourg, the Netherlands, Spain, Ukraine and Jersey.

2.5 STANDING INVESTMENTS

The current portfolio of standing investments consists of 39[7] properties (2016:59) which comprise 21 properties in Poland (2016: 21), 3[7] properties in the Czech Republic (2016: 5), 3 properties in Slovakia (2016: 3), 7 properties in Russia (2016: 7), 4[7] properties in Hungary (2016: 22), 1 property in Romania (2016: 1).

7 Excluding 5 assets in Hungary and 1 asset in the Czech Republic classified as held for sale as at 31 December 2017

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

Standing investments	31 December 2017 €'000	31 December 2016 €'000
Balance as at 1 January	2,458,760	2,396,951
Additions - technical improvements, extensions	23,528	29,545
Movements - financial leases	1,505	469
Transfers from redevelopments and land	3,836	34,119
Transfer to redevelopments and land	(24,050)	(28,596)
Transfer to assets held for sale	(58,350)	-
Revaluation of standing investments	14,319	40,343
Disposals	(10,556)	(14,071)
Balance as at 31 December	**2,408,992**	**2,458,760**

The primary driver behind the €14.3 million revaluation as at 31 December 2017 across our portfolio was yield compression. In Romania, the improvement in rental income compared to previous periods has resulted in a further positive revaluation .

SIGNIFICANT EVENTS AND TRANSACTIONS:

In September 2017, the disposal of a development and land site in the Veveří district of Brno in the Czech Republic for €10.1 million.

In December 2017, the Group completed the disposal of a portfolio of thirteen Penny leased supermarkets in Hungary with a total lettable area of approximately 12,200 sqm for €11.1 million. The net profit resulting from this transaction was €1.6 million.

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

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

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

The total value of land leases was €31.9 million as at 31 December 2017 (31 December 2016: €30.4 million).

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

NET EQUIVALENT YIELD (WEIGHTED AVERAGE)

Standing investments[1]	2017	2016
Poland	6.2%	6.3%
Czech Republic	5.6%	5.8%
Slovakia	7.0%	7.2%
Russia	12.5%	12.8%
Hungary	8.3%	9.4%
Romania	8.1%	8.1%
Weighted average	**7.1%**	**7.2%**

1 Excluding a 75% stake in assets held in Joint ventures and € 58.4 million classified as held for sale as at 31 December 2017

For information about the fair value of standing investments, see note 2.37.

FAIR VALUE OF COLLATERAL

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

2017	Book value €'000	No. of assets charged as collateral	Fair value of collateral €'000
Collateralised bank loans	134,897	1	231,282
Total	**134,897**	**1**	**231,282**

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

2.6 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group consists of 20 projects (31 December 2016: 20) and comprises by value €116.4 million (2016: €49.3 million) redevelopments and €228.9 million (2016: €243.3 million[8]) land.

Redevelopments and land	31 December 2017 €'000	31 December 2016 €'000
Balance as at 1 January	292,617	307,845
Additions - cost of land and construction	44,650	28,008
Movements - financial leases	2,862	253
Transfer from standing investments	24,050	28,596
Transfer to standing investments	(3,836)	(34,119)
Transfer (to)/from assets held for sale	10,796	(11,798)
Disposals	(9,445)	(267)
Interest capitalised	468	342
Revaluation of redevelopments and land	(16,831)	(26,243)
Balance as at 31 December	**345,331**	**292,617**

The devaluation of €16.8 million in 2017 is mainly a result of a €10.0 million (2016: €12.6million) devaluation in Russia and a €10.0 million devaluation in Turkey (2016: €14.9million). For information about the fair value of redevelopments and land, see note 2.37.

SIGNIFICANT EVENTS AND TRANSACTIONS:

In September 2014, the Group commenced works on the redevelopment project of the Atrium Promenada centre in Warsaw, Poland. The inaugural stage of the redevelopment was successfully completed in 2016 and delivered an additional 7,600 sqm GLA to the centre. The phase of the works currently underway consist mainly of the remodelling and renovation of a substantial part of the shopping centre. The total net incremental costs to complete this phase of the works on the redevelopment which are due for completion by the end of 2018, were approximately €30.0 million as at 31 December 2017.

In April 2016, works commenced on the extension to our Atrium Targowek centre, which includes the construction of an 8,600 sqm GLA extension and the construction of additional parking spaces. The total net incremental costs to complete the redevelopment project in 2018 were approximately €30.0 million as at 31 December 2017.

In September 2017, redevelopment works started in Atrium Reduta. The overall redevelopment project will add 5,700 sqm of new GLA to the centre, which will include a 2,700 sqm cinema, a modern 1,700 sqm fitness centre. and new 7 units food court. The total net incremental costs to complete the redevelopment project in 2019 were approximately €26.0 million as at 31 December 2017.

The average capitalisation rate used for the capitalisation of borrowing costs was 3.7% for the year 2017 (2016: 3.7%).

The total value of land leases was €6.6 million as at 31 December 2017 (31 December 2016: €4.0 million).

2.7 PROPERTY AND EQUIPMENT

Property and equipment	31 December 2017 €'000	31 December 2016 €'000
Office equipment	686	879
Other property and equipment	880	1,330
Total	**1,566**	**2,209**

8 Excluding €11.8 million of land classified as held for sale as at 31 December 2016

2.8 INTANGIBLE ASSETS

Intangible assets	31 December 2017 €'000	31 December 2016 €'000
Software	4,332	3,369
Other	27	55
Total	**4,359**	**3,424**

2.9 EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

The following joint ventures are indirectly owned by the Company:

Name of the joint venture	Country of incorporation	Stake in equity of joint venture 31 December 2017	Investment in joint venture 31 December 2017 €'000	Investment in joint venture 31 December 2016 €'000
Pankrac Shopping Centre k.s	Czech Republic	75%	172,017	171,957
EKZ 11 k.s.	Czech Republic	75%	1,089	1,212
Total			**173,106**	**173,169**

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 2017 €'000	31 December 2016 €'000
Standing investment	229,500	229,900
Cash and cash equivalents	2,921	2,823
Other current assets	360	113
Non-current liabilities	(345)	(845)
Current liabilities	(1,628)	(1,099)
Net assets (100%)	**230,808**	**230,892**
Group share of net assets (75%)	**173,106**	**173,169**
Carrying amount of interest in joint ventures	**173,106**	**173,169**

	31 December 2017 €'000	31 December 2016 €'000
Gross rental income	13,452	13,106
Other items including revaluation	(1,963)	3,455
Profit of the Joint Ventures (100%)	**11,489**	**16,561**
Share of profit of equity-accounted investment in joint ventures (75%)	**8,616**	**12,421**
Dividends received by the Group	**8,679**	**8,669**

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 DEFERRED TAX ASSETS

Deferred tax assets 2017	Balance as at 1 January 2017 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Balance as at 31 December 2017 €'000
Deferred tax assets arise from the following temporary differences:			
Investment properties	-	-	-
Other assets	(35)	(9)	(44)
Liabilities and provisions	63	(65)	(2)
Tax losses carried forward	672	(105)	567
Total deferred tax assets	**700**	**(179)**	**521**

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

2.11 LOANS

Loans	31 December 2017 €'000	31 December 2016 €'000
Loans to third parties	3,283	23,036
Impairment of loans to third parties	-	(14,227)
Total	**3,283**	**8,809**
Amount due within 12 months (included under current assets)	155	332
Amount due after more than 12 months	3,128	8,477

A loan to a third party which had a net book value of €3.0 million after impairment was repaid in December 2017 by an assignment of rights of land in Romania.

A secured vendor loan in the amount of CZK255 million (approximately €9.0 million) was granted to the purchaser of a portfolio of 72 assets in the Czech Republic in January 2015. The loan is in Czech Koruna and bears 6% interest. €2.8 million of the principal was repaid during 2017.

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

2.12 OTHER ASSETS

Other assets	31 December 2017 €'000	31 December 2016 €'000
VAT receivables	139	4,788
Restricted cash in banks	120	2,003
Other	412	469
Total	**671**	**7,260**

The Group held cash of €0.1 million (31 December 2016: €2.0 million) restricted as security for tenants' deposits.

Long term VAT receivables arise primarily from the development of investment property in Turkey. In 2017, the Group impaired the long term VAT by €4.5 million (2016: €5.0 million) to its recoverable amount. The impairment was recognised in the statement of profit or loss line item other depreciation, amortisation and impairments, see also note 2.30.

2.13 RECEIVABLES FROM TENANTS

Receivables from tenants 2017 Receivables aging:	Gross €'000	Allowances for impaired balances €'000	Net €'000	%
Due within term	6,083	(26)	6,057	56.9%
Overdue 0-30 days	3,773	(146)	3,627	34.1%
Overdue 31-90 days	813	(167)	647	6.1%
Overdue 91-180 days	545	(329)	216	2.0%
Overdue 181-360 days	507	(458)	49	0.5%
Overdue 361 days and more	10,203	(10,153)	50	0.5%
Total	**21,924**	**(11,279)**	**10,646**	**100%**

Receivables from tenants 2016 Receivables aging:	Gross €'000	Allowances for impaired balances €'000	Net €'000	%
Due within term	5,602	-	5,602	53.5%
Overdue 0-30 days	4,353	(869)	3,484	33.3%
Overdue 31-90 days	1,254	(377)	877	8.4%
Overdue 91-180 days	881	(583)	298	2.8%
Overdue 181-360 days	1,452	(1,355)	97	0.9%
Overdue 361 days and more	11,238	(11,129)	109	1.0%
Total	**24,780**	**(14,313)**	**10,467**	**100.0%**

The description of collateral held as security in relation to tenants is provided in note 2.40 under credit risk.

For basis of calculation of allowances for bad debts refer to note 2.3 on change in accounting policy.

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

Allowances for bad debts	31 December 2017 €'000	31 December 2016 €'000
At 1 January	**(14,313)**	**(14,220)**
Release[1]	3,439	1,787
Addition, net	(405)	(1,880)
At 31 December	**(11,279)**	**(14,313)**

1 Including €2.2 million write offs (2016: €1.8 million) and €1.2 million classified as held for sale

2.14 OTHER RECEIVABLES

Other receivables	31 December 2017 €'000	31 December 2016 €'000
VAT receivables	2,708	3,554
Restricted cash in banks	11,080	26,942
Others	2,370	2,733
Total	**16,158**	**33,229**

The Group held cash of €11.1 million (31 December 2016: €26.9 million) restricted as security for the compensation arrangement (see note 2.42), tenants' deposits and deposits from buyers for the assets sold after the reporting period in Hungary and in the Czech Republic.

2.15 FINANCIAL ASSETS AT FVOCI

The Group's financial assets at FVOCI include a diversified portfolio of 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 2017 financial assets at FVOCI amounted to €20.0 million.

2.16 ASSETS AND LIABLITIES HELD FOR SALE

As at 31 December 2017, the assets and liabilities held for sale included two assets in Hungary, with a lettable area of 29,100 sqm, sold in January 2018 for a value of €2.8 million, a portfolio of three assets in Hungary, with a lettable area of 41,200 sqm, sold in February 2018 for a value of €42.0 million, and one asset in Czech Republic with a lettable area of 18,800 sqm, sold in February 2018 for a value of €13.5 million

As at 31 December 2016, the assets and liabilities held for sale included two land plots in Russia, with a total value of €11.8 million. One asset was reclassified back to redevelopments and land. The sale of the other asset, which comprises of several land plots, was completed in 2017. The net loss resulting from this transaction amounted to €16.5 million arising from a non cash foreign currency translation reserve related to these lands.

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

	31 December 2017 €'000	31 December 2016 €'000
Non-current assets		
Standing investments	58,350	-
Redevelopments and land	-	11,798
Other assets	495	239
Current assets	**1,509**	**2,692**
Assets held for sale	**60,354**	**14,729**
Non-current liabilities		
Long term liabilities from financial leases		689
Other non-current liabilities	2,864	-
Current liabilities	**656**	**2,842**
Liabilities held for sale	**3,520**	**3,531**
Net assets directly associated with disposal groups	**56,834**	**11,198**
Amounts included in accumulated other comprehensive income:		
Foreign currency translation reserve	2,776	(16,396)
Reserve of disposal groups classified as held for sale	**2,776**	**(16,396)**

2.17 STATED CAPITAL AND RESERVES

STATED CAPITAL

As at 31 December 2017, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2017, the total number of ordinary shares issued was 377,056,821 (2016: 376,745,499 shares), of which 377,045,745 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 11,075 ordinary shares were registered in the name of individual shareholders and one ordinary share in the name of Aztec Financial Services (Jersey) Limited.

Changes in the stated capital account during the year 2017 were as follows:

- Issue of shares to satisfy the exercise of options of €0.6 million (2016: €2.1 million);
- Issue of shares as part of the CEOs' and directors' remuneration €0.6 million (2016: €0.1);
- Dividend payments of €154.5 million (2016: €154.4 million).

For the year 2017, the Company's Board of Directors approved an annual dividend of at least €cents 27 per share which was paid as a capital repayment, in equal quarterly instalments of €cents 6.75 per share at the end of each calendar quarter.

In June 2017, in addition to the aforementioned quarterly dividend, the Board of Directors also approved the payment of a special dividend (also paid as a capital repayment) of €cents 14 per share, representing a total amount of €52.8 million which was paid on 30 June 2017.

In November 2017, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2018, which is consistent with the 2017 dividend. This likewise will be paid as a capital repayment, in quarterly instalments of €cents 6.75 per share at the end of each calendar quarter, commencing at the end of March 2018 (subject to any legal and regulatory requirements and restrictions of commercial viability).

The Board adopted a Restricted Share Plan on 16 May 2011 (the "Plan") following the approval of the shareholders on 18 May 2010 to allow the Directors to elect to take ordinary shares in lieu of directors' remuneration. Directors are given the opportunity to opt in semi-annual option periods, being the four-week free-dealing periods following the announcement of each of the Company's half year and full year results. The strike price for the ordinary shares to be issued pursuant to any option notice (being the average market price over the 30 preceding dealing days) is notified to Directors at the start of each option period. Atrium retains the discretion (subject to the approval of the Board) to refuse to satisfy an option notice in certain circumstances. No Director made such election in 2017 and 2016.

SHARE BASED PAYMENT RESERVE

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

- In 2009, the shareholders approved and Atrium established an Employee Share Option Plan ("ESOP 2009"), under which the Board of Directors could grant share options to key employees. Each option is exercised by the issue of a new ordinary share in Atrium to the option holder. The exercise price was determined by the Board, being not less than Atrium's share price on the dealing day immediately preceding the date of grant, or averaged over the 30 dealing days immediately preceding the date of grant. Options are generally exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. In the event that the Company distributes a cash dividend, the exercise price of the options is decreased by the amount of the dividend per share. Unexercised options carry no voting rights. As from 23 May 2013, no further grants may be made under ESOP 2009.
- On 23 May 2013, the shareholders approved and Atrium established a further Employee Share Option Plan ("ESOP 2013"), under which the Board of Directors or Compensation and Nominating Committee can grant share options to key employees, executive directors or consultants. The exercise price on grant of options was the average market value over the 30 dealing days immediately preceding the date of grant unless otherwise determined by the Board of Directors. Options are generally exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Unexercised options carry neither rights to dividends nor voting rights. As from 14 November 2016, no further grants may be made under ESOP 2013.
- In accordance with his employment contract, Josip Kardun, formerly Group CEO, was entitled to an award of shares equal to €300,000. Those shares were issued without restrictions on the first, second and third anniversary of the commencement of his employment. The share price at grant was €4.10.
- In accordance with his employment contract, Liad Barzilai, Group CEO, is entitled to an award of shares equal to €240,000. Those shares are issued without restrictions on the first, second, third and forth anniversary of the commencement of his employment. The share price at grant was €3.81.
- In August 2015, the Compensation and Nominating Committee designed a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded with shares dependent on the long term performance of the Company ("LTI"). The participants are granted a right to the allotment of ordinary shares in the Company which vest after a three year period in one instalment and are subject to the following conditions: (1) 40% of the grant shall be issued only if the total return on the Share Price during the vesting period is at least 12.5% per annum, taking the dividend into account (2) 40% of the grant shall be issued only if the NAV has increased during the vesting period by at least 3.0% per annum, taking special dividends into account, only (3) 20% of the grant shall be issued so long as the Participant is still an active employee of the Group at the vesting date.

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

	2017		2016	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	1,237,125	2.98	1,855,460	3.21
Exercised[1]	(157,125)	2.41	(551,667)	2.71
Forfeited	-	-	(66,668)	3.51
As at 31 December	**1,080,000**	**2.59**	**1,237,125**	**2.98**

1 The weighted average share price of options exercised in 2017 was €4.02 as at the date of exercising the options (2016: €3.84)

As of 31 December 2017 and 2016 all outstanding options under ESOP 2009 are vested and exercisable.

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

	2017		2016	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	2,116,831	4.36	2,210,164	4.36
Forfeited	(153,006)	4.23	(93,333)	4.38
As at 31 December	**1,963,825**	**4.37**	**2,116,831**	**4.36**

As of 31 December 2017 all outstanding options under ESOP 2013 are vested and exercisable (2016: 1,799,207).

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

	2017	2016
	Number of allotted shares	Number of allotted shares
As at 1 January	62,992	-
Issued	(15,748)	-
As at 31 December	**47,244**	**-**

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

	2017	2016
	Number of allotted shares	Number of allotted shares
As at 1 January	48,840	73,260
Issued	(24,420)	(24,420)
Forfeited	(24,420)	-
As at 31 December	**-**	**48,840**

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

	2017	2016
	Number of rights	Number of rights
As at 1 January	400,000	-
Granted	-	400,000
Forfeited	(250,000)	
As at 31 December	**150,000**	**400,000**

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

- In August 2015, the Compensation and Nominating Committee approved revisions to the remuneration of the non-executive Directors, effective as of 1 July 2015, which entitled them to receive an allocation of ordinary shares in the Company in the value of €65,000 per annum which vest after two years. Shares issued to a non-executive Director as part of their remuneration will be subject after vesting to restrictions on their disposal such that following any disposal, the remaining shareholding of such Director must have an aggregate value of at least €130,000.
- In April 2017, the Compensation and Nominating Committee approved revisions to the remuneration of the non-executive Directors, effective as of 1 April 2017, which change their entitlement to receive an allocation of ordinary shares in the Company to a value of €50,000 per annum. Shares issued to a non-executive Director as part of their remuneration will be subject after vesting to restrictions on their disposal such that following any disposal, the remaining shareholding of such Director must have an aggregate value of at least €100,000.

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

	2017	2016
	Number of rights	Number of rights
As at 1 January	103,392	-
Granted	117,218	103,392
Forfeited	(123,344)	
As at 31 December	**97,266**	**103,392**

C. The expenses recognised in the consolidated statement of profit or loss in 2017 and 2016 amounted to €0.2 million and €0.3 million respectively for share based compensations.

HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. See also note 2.19.

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 2.15.

CURRENCY TRANSLATION RESERVE

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

Currency translation reserve	2017 €'000	2016 €'000
Poland	(6,670)	(6,670)
Czech Republic	2,675	3,963
Slovakia	(10,352)	(10,352)
Russia	(57,162)	(73,725)
Hungary	1,018	1,018
Romania	(4,836)	(4,836)
Turkey	(3,485)	(3,485)
Total[1]	**(78,812)**	**(94,087)**

1 Including € 2.8 million reserve for disposal groups classified as held for sale as at 31 December 2017. 31 December 2016 figures include (16.4) million classified as held for sale.

€15.1 million exchange differences on translation of foreign operations disposed of during the period were reclassfied in 2017 (€5.0 million in 2016) from the currency translation reserve to net results on disposals in the profit or loss statement.

2.18 BORROWINGS

Borrowings	31 December 2017 €'000	31 December 2016 €'000
Bonds	834,392	838,086
Bank loan	134,897	109,319
Total	**969,289**	**947,405**

The borrowings are repayable as follows:

Borrowings total	31 December 2017 €'000	31 December 2016 €'000
Due within one year	1,278	5,396
Due in second year	1,278	1,739
Due within third to fifth year inclusive	839,763	438,919
Due after five years	126,970	501,351
Total	**969,289**	**947,405**

BONDS

In August 2017, €3.9 million of the Group's 2005 Bond reached its maturity date and was repaid.

In 2016, Atrium repurchased bonds issued in 2013 and due in 2020 with a nominal value of €15.1 million and bonds issued in 2014 and due in 2022 with a nominal value of €1.4 million.

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

2017

Bond/Issue year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2013	EUR	4.0%	2.4	2020	333,517	355,535	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	4.9	2022	500,875	535,444	3.5%
Total/Weighted average		**3.8%**	**3.9**		**834,392**	**890,979**	**3.8%**

2016

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

* 10Y swap rate, floor 4%

Collateral	Fair value of pledged investment properties 31 December 2017 €'000	Fair value of pledged investment properties 31 December 2016 €'000
Bond 2005	-	24,770

LOANS

In November 2017, the Group repaid a secured €108.7 million bank loan with 4.1% interest, which had three years left to run and put in its place a new 10 year €136.0 million secured corporate loan at 1.9% interest.

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

The one remaining loan as at 31 December 2017 is subject to various financial covenants including Loan to Value ("LTV") and Debt Service Coverage Ratio ("DSCR"), all of which were met throughout the year.

2017

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Berlin-Hannoversche Hypothekenbank AG	EUR	1.9%[1]	9.9	2027	134,897	135,787	2.0%

1 Hedged interest rate

2016

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Berlin-Hannoversche Hypothekenbank AG	EUR	4.1%*[1]	4.8	2021	109,319	108,991	4.3%

1 Hedged interest rate

Collateral	Fair value of pledged investment properties 31 December 2017 €'000	Fair value of pledged investment properties 31 December 2016 €'000
Berlin-Hannoversche Hypothekenbank AG	231,282	227,182
Ceska sporitelna a.s. (mortgaged under finance lease)	472	465
Total	**231,755**	**227,647**

REVOLVING CREDIT FACILITIES

The Company has a €200 million unsecured revolving credit facility from a group of three banks available until October 2020. As at 31 December 2017, the drawn amount was nil.

In addition, the Group has another €25 million unsecured revolving credit facility from Deutsche Bank Luxembourg S.A. available until October 2019. As at 31 December 2017 the drawn amount was nil.

The revolving credit facilities are subject to the same financial covenants as of the bonds issued in 2013 and 2014 (see above).

For information about the fair value of loans and bonds, see note 2.37.

2.19 DERIVATIVES

In November 2017, the Group entered into an interest rate swap contract ("IRS") in connection with the secured bank loan mentioned in note 2.18. This swaps replaced floating interest rates with fixed interest rates. The remaining interest rate swap has quarterly coupons. The floating rate on the IRS is the three month Euribor and the fixed rate is 0.826%. The swap is a cash flow hedge designed to reduce the Group's cash flow volatility due to variable interest rates on the bank loans. The IRS is measured at fair value using the discounted future cash flow method. As at 31 December 2017, this IRS was in a liability position and had a fair value of €1.0 million.

In 2011, the Group entered into an interest rate swap contracts ("IRS") in connection with a bank loan secured over properties acquired at that time. Following the voluntary repayment of the bank loan in November 2017 (see note 2.18), the Group also repaid the related interest rate swap, amounting to €2.4 million.

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

For information about the fair value of the derivatives, see note 2.37.

2.20 DEFERRED TAX LIABILITIES

Deferred tax liabilities 2017	Balance as at 1 January 2017 €'000	Deferred tax credit/(charge) to the statement of profit or loss[1] €'000	Deferred tax recognised in other comprehensive income[1] €'000	Deferred tax liabilities classified as held for sale	Balance as at 31 December 2017 €'000
Deferred tax liabilities arise from the following temporary differences:					
Investment properties	(89,125)	2,612	-	2,273	(84,240)
Other assets	3,055	(2,197)	-	-	858
Liabilities and provisions	3,673	5,095	(380)	-	8,388
Tax losses carried forward	5,947	(1,800)	-	-	4,147
Other	(25)	47	-	-	22
Total deferred tax liabilities	**(76,475)**	**3,757**	**(380)**	**2,273**	**(70,825)**

1 An amount of €0.9 million relates to the deferred tax charge on hedging instruments

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

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

Deferred tax liabilities 2016	Balance as at 1 January 2016 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income[1] €'000	Balance as at 31 December 2016 €'000
Deferred tax liabilities arise from the following temporary differences:				
Investment properties	(78,027)	(11,098)	-	(89,125)
Other assets	2,364	691	-	3,055
Liabilities and provisions	4,808	(723)	(412)	3,673
Tax losses carried forward	3,384	2,563	-	5,947
Other	(40)	15	-	(25)
Total deferred tax liabilities	**(67,511)**	**(8,551)**	**(412)**	**(76,475)**

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

2.21 LIABILITIES FROM FINANCE LEASES

The liabilities from financial leases as at 31 December 2017 consisted of liabilities related to long term land leases in Poland, the Czech Republic, Slovakia and Russia. Lease payments are due as follows:

Liabilities from finance leases	31 December 2017 Net present value €'000	31 December 2017 Undiscounted lease payments €'000	31 December 2016 Net present value €'000	31 December 2016 Undiscounted lease payments €'000
Due within one year	2,889	3,343	2,388	2,469
Due within two to five years	9,647	12,468	8,621	11,254
Due after five years	26,980	178,930	22,612	157,435
Total	**39,516**	**194,741**	**33,621**	**171,158**
Amount due within 12 months	2,889	3,343	2,388	2,469
Amount due after more than 12 months	36,627	191,398	31,233	168,689

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has one material lease arrangement; Atrium Promenada, in Poland, with a net present value ("NPV") of €14.6 million (2016: €13.9 million).

2.22 OTHER LONG TERM LIABILITIES

Other long term liabilities of €14.7 million (2016: €14.5 million) principally comprise long term deposits from tenants amounting to €13.3 million (2016: €14.1 million).

2.23 TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2017 €'000	31 December 2016 €'000
Short term deposits from tenants	7,997	7,604
Deferred revenue	9,686	9,597
Payables connected with development/construction	2,417	2,140
Short term liabilities from leasing	2,889	2,388
VAT payables	2,975	3,365
Payables for utilities	1,170	861
Payables for other services	448	549
Payables for repairs and maintenance	166	171
Payables related to assets in disposal groups[1]	4,700	-
Other	3,040	3,965
Other taxes and fees payables	1,081	1,211
Total	**36,569**	**31,851**

1 See note 2.16 Assets and Liabilities held for sale

2.24 ACCRUED EXPENDITURE

Accrued expenditure	31 December 2017 €'000	31 December 2016 €'000
Utilities	1,429	1,994
Consultancy and audit services	1,604	2,913
Construction services	13,702	8,127
Interest	13,197	13,268
Employee compensation	5,860	3,967
Taxes	457	663
Maintenance, security, cleaning and marketing	2,422	2,544
Other	9,156	8,764
Total	**47,827**	**42,240**

2.25 PROVISIONS

Provisions	Legacy legal provision €'000	Other legal provision €'000	Total €'000
Balance as at 1 January 2017	53,520	1,191	54,711
Foreign currency changes	-	52	52
Additions/(releases) of provision in the period, net	2,741	(363)	2,378
Amounts paid during the period	(20,745)	(655)	(21,400)
Balance as at 31 December 2017	**35,517**	**225**	**35,742**
Of which Current portion	35,517	225	35,742
Non-current portion	-		-
Total provisions	**35,517**	**225**	**35,742**

For more information, see notes 2.42 and 2.43

2.26 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 2017		Year ended 31 December 2016	
	€'000	% of total GRI	€'000	% of total GRI
Poland	100,345	53.2%	102,062	54.9%
Czech Republic	20,061	10.6%	20,604	11.1%
Slovakia	11,101	5.9%	11,753	6.3%
Russia	41,873	22.2%	35,834	19.3%
Hungary	7,871	4.2%	7,641	4.1%
Romania	7,368	3.9%	6,690	3.6%
Latvia	-	-	1,358	0.7%
Total	**188,619**	**100%**	**185,942**	**100.0%**

2.27 SERVICE CHARGE INCOME

Service charge income of €72.3 million (2016: €71.0 million) represents income from services re-invoiced to tenants and results mainly from re-invoiced utilities, marketing, repairs and maintenance and is recorded on a gross basis. Expenses to be re-invoiced to tenants are presented under net property expenses together with other operating costs that are not re-invoiced to tenants.

2.28 NET PROPERTY EXPENSES

Net property expenses	Year ended 31 December	
	2017 €'000	2016 €'000
Utilities	(26,206)	(26,416)
Security, cleaning and other facility related costs	(11,979)	(10,579)
Real estate tax	(10,333)	(10,183)
Repairs and maintenance	(9,467)	(8,651)
Direct employment costs	(10,912)	(9,210)
Marketing and other consulting	(8,388)	(7,933)
Office related expenses	(569)	(492)
Creation of allowances and written off receivables from tenants	(405)	(1,880)
Other	(2,074)	(1,912)
Total	**(80,333)**	**(77,256)**

2.29 NET RESULT ON DISPOSALS

Net result on disposals	Year ended 31 December	
	2017 €'000	2016 €'000
12 assets in Czech Republic	-	591
3 assets in Poland	-	(119)
Atrium Azur in Latvia	-	512
Brno Veveri in the Czech Republic	3,920	
13 assets in Hungary	1,557	
Land plots in Russia	(16,672)	(1,625)
Others	955	(401)
Total	**(10,240)**	**(1,042)**

€15.1 million non-cash currency translation reserve loss arising from past fluctuation of foreign currencies was reclassified in 2017 to net results on disposals (€5.0 million loss in 2016) .

2.30 OTHER DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Other depreciation, amortisation and impairments	Year ended 31 December	
	2017 €'000	2016 €'000
Impairments	(4,480)	(5,000)
Other depreciation and amortisation	(3,133)	(2,787)
Total	**(7,613)**	**(7,787)**

2.31 ADMINISTRATIVE EXPENSES

Administrative expenses	Year ended 31 December	
	2017 €'000	2016 €'000
Legal fees	(1,606)	(1,505)
Employee costs	(9,998)	(10,923)
Consultancy and other advisory fees	(2,304)	(3,634)
Audit, audit related and review fees	(1,222)	(1,406)
Expenses related to directors	(2,896)	(3,281)
Communication and IT	(1,126)	(1,081)
Office costs	(908)	(1,162)
Marketing costs	(526)	(808)
Travel expenses	(585)	(601)
Business restructuring	(1,340)	(1,445)
Other	(1,060)	(1,178)
Subtotal	**(23,571)**	**(27,024)**
Legacy legal matters (see notes 2.42 and 2.43)	(5,074)	(45,210)
Total	**(28,645)**	**(72,234)**

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

2.32 INTEREST EXPENSES, NET

Interest expenses, net	Year ended 31 December	
	2017	2016
	€'000	€'000
Interest income	412	840
Interest expense	(35,853)	(36,865)
Total	**(35,441)**	**(36,025)**

Interest income of €0.4 million (2016: €0.8 million) consists mainly of interest on the loans provided to a third party.

The Group's interest expense of €35.9 million (2016: €36.9 million) consists of finance expense on bank loans of €4.5 million (2016: €5.2 million) and on bonds of €31.7 million (2016: €32.0 million). Finance expenses in the amount of €0.5 million (2016: €0.3 million) were capitalised to the redevelopment projects, see note 2.6.

2.33 OTHER FINANCIAL EXPENSES, NET

Other financial income and expenses	Year ended 31 December	
	2017	2016
	€'000	€'000
Net loss from bond buy backs	-	(1,421)
Early loan repayment	(3,377)	(1,484)
Impairment of financial instruments	-	(1,094)
Dividend income from financial assets	1,451	636
Interest on financial leases	(2,863)	(2,585)
Forward transactions result	-	(1,153)
Other financial expenses, net	(370)	(1,606)
Total	**(5,159)**	**(8,707)**

2.34 TAXATION CHARGE FOR THE YEAR

Taxation charge for the year	Year ended 31 December	
	2017	2016
	€'000	€'000
Corporate income tax current year	(6,785)	(2,182)
Deferred tax credit/(charge)	3,517	(9,099)
Adjustments to corporate income tax previous years	(7,833)	(3,154)
Income tax charged to the statement of profit or loss	**(11,101)**	**(14,435)**
Income tax on hedging instrument charged to comprehensive income	**(380)**	**(412)**

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

For details on the 2017 changes in Polish Corporate Income Tax law and the impact on the group, see note 2.20

Effective tax rate

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

	2017	2017	2016	2016
	€'000	%	€'000	%
Profit before taxation	100,193		72,636	
Income tax (charge)/credit using the weighted average applicable tax rates	(6,823)	6.81%	(10,354)	14.25%
Tax effect of non-taxable income/(non-deductible expenses)	(3,666)		(918)	
Tax effect of losses previously not recognised	1,074		1,840	
Deferred tax asset not recognised	(600)		(3,348)	
Tax adjustment of previous years	(7,833)		(3,154)	
Effect of changes in tax rates	-		(4,366)	
FX impact on non financial tax base	6,092		5,767	
Others	655		98	
Tax charge	**(11,101)**		**(14,435)**	
Effective tax rate		**11.08%**		**19.87%**

Unrecognised deferred tax assets and liabilities:

As at 31 December 2017, deferred tax liabilities of €58.9 million (2016: €61.5 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 €115.7 million (2016: €118.6million) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. These unrecognised deferred tax assets arose primarily from the negative revaluation of investment properties and the de-recognition of deferred tax assets related to certain Russian subsidiaries. The tax losses expire over a number of years, in accordance with local tax legislation, commencing in 2017.

Unrecognised deferred tax assets

Country	31 December 2017 €'000	31 December 2016 €'000
Poland	34,587	31,804
Czech Republic	2,616	1,797
Russia	58,068	66,748
Hungary	1,272	1,182
Romania	7,691	6,172
Latvia	8	8
Turkey	9,729	9,338
Others	1,683	3,764
Total	**115,654**	**120,813**

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

Corporate income tax rates	2017 €'000	2016 €'000
Poland	19.0%[1]	19.0%[1]
Czech Republic	19.0%	19.0%
Slovakia	21.0%[2]	22.0%
Russia	20.0%	20.0%
Hungary	9.0%[2]	10.0%
Romania	16.0%	16.0%
Turkey	20.0%	20.0%
Cyprus	12.5%	12.5%
Denmark	22.0%	22.0%
Jersey	0.0%	0.0%
Netherlands	25.0%[3]	25.0%[3]
Spain	25.0%	25.0%

1 Reduced rate of 15% may be small taxpayers and companies commencing business activities

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

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

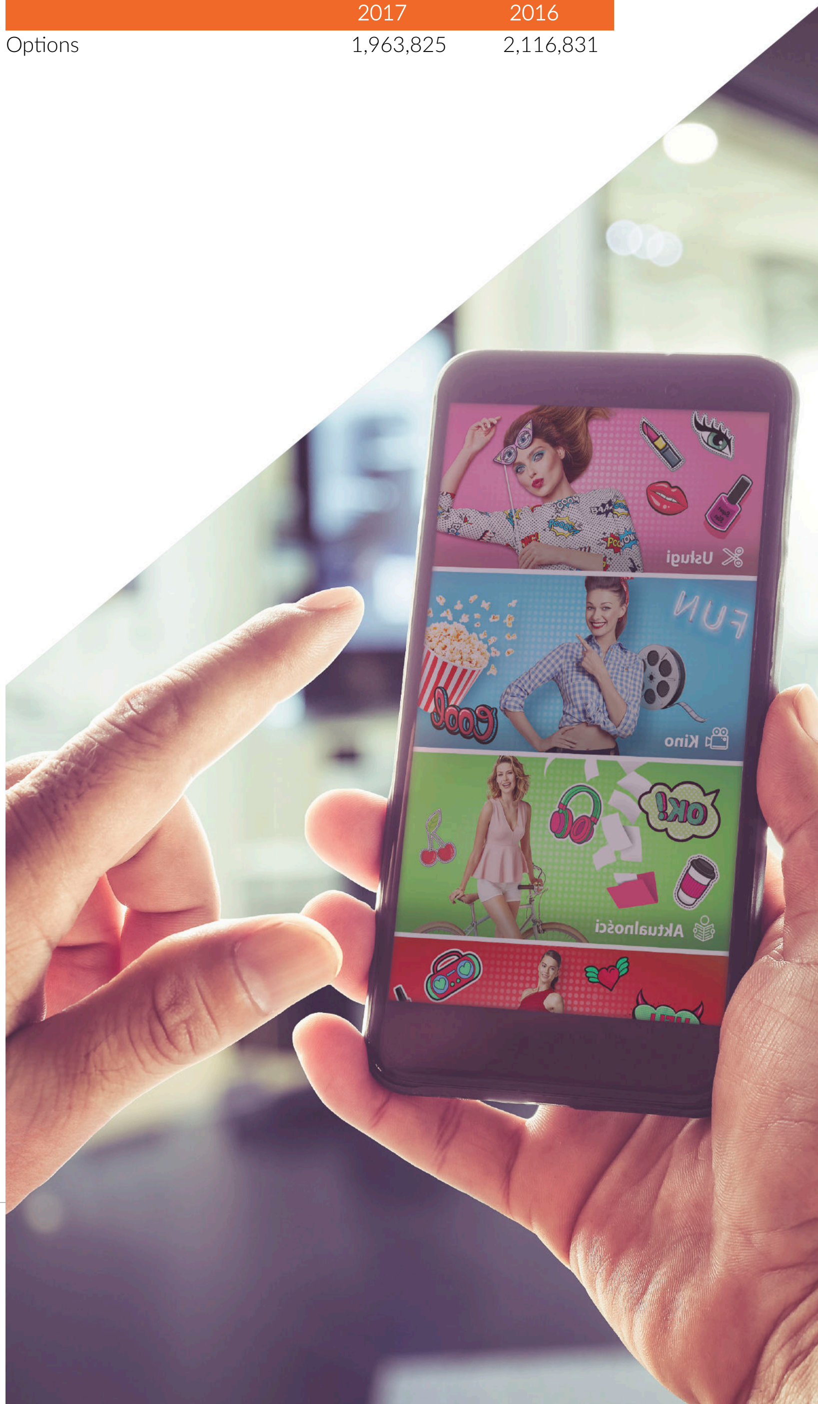
2.35 EARNINGS PER SHARE

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

Earnings per share	Year ended 31 December 2017	2016
Profit for the year attributable to the owners of the Company for basic and diluted earnings per share in (€'000)	89,092	58,201
Weighted average number of ordinary shares used in the calculation of basic earnings per share	376,918,095	376,498,377
Adjustments		
Dilutive options	550,233	687,701
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	377,468,328	377,186,078
Basic and diluted earnings per share in €cents	**23.6**	**15.4**

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 2017	2016
Options	1,963,825	2,116,831



2.36 SEGMENT REPORTING

Reportable segments For the year ended 31 December 2017	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	198,708	-	(10,089)	188,619
Service charge income	74,342	-	(2,085)	72,257
Net property expenses	(83,139)	-	2,806	(80,333)
Net rental income	**189,911**	**-**	**(9,368)**	**180,543**
Net result on disposals	6,432	(16,672)	-	(10,240)
Costs connected with developments	-	(1,203)		(1,203)
Revaluation of investment properties	13,752	(14,099)	568	221
Other depreciation, amortisation and impairments	(2,882)	(4,480)	(251)	(7,613)
Administrative expenses	(12,286)	(1,453)	(14,906)	(28,645)
Share of profit of equity-accounted investment in joint ventures	-	-	8,616	8,616
Net operating profit/(loss)	**194,927**	**(37,907)**	**(15,341)**	**141,679**
Interest expenses, net	(32,186)	(3,348)	93	(35,441)
Foreign currency differences	(1,165)	(561)	840	(886)
Other financial expenses	(6,371)	(220)	1,432	(5,159)
Profit/(loss) before taxation for the year	**155,205**	**(42,036)**	**(12,976)**	**100,193**
Taxation credit/(charge) for the year	(6,633)	(77)	(4,391)	(11,101)
Profit/(loss) after taxation for the year	**148,572**	**(42,113)**	**(17,367)**	**89,092**
Investment properties	2,639,467[1]	345,331	(172,125)[2]	2,812,673
Additions to investment properties	23,528	44,650	-	68,178
Segment assets	2,699,004	348,487	74,548[3]	3,122,039
Segment liabilities	1,084,855	96,474	47,050	1,228,379

1 Including €58.4 million classified as held for sale as at 31 December 2017

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

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

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

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

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

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

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2017

	POLAND				CZECH REPUBLIC			
For the year ended 31 December 2017	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	100,346	-	-	100,346	30,150	-	(10,089)	20,061
Service charge income	36,053	-	-	36,053	9,936	-	(2,085)	7,851
Net property expenses	(38,380)	-	-	(38,380)	(11,205)	-	2,806	(8,399)
Net rental income	**98,019**	**-**	**-**	**98,019**	**28,881**	**-**	**(9,368)**	**19,513**
Net result on disposals	-	-	-	-	4,875	-	-	4,875
Costs connected with developments	-	(183)	-	(183)	-	-	-	-
Revaluation of investment properties, net	1,803	4,718	-	6,521	3,585	-	568	4,153
Other depreciation, amortisation and impairments	(1,389)	-	-	(1,389)	(88)	-	-	(88)
Administrative expenses	(6,437)	(1,248)	(2,642)	(10,327)	(2,481)	-	(593)	(3,074)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	8,616	8,616
Net operating profit/(loss)	**91,996**	**3,287**	**(2,642)**	**92,641**	**34,772**	**-**	**(777)**	**33,995**
Interest expenses, net	(17,576)	(1,859)	-	(19,435)	(13,499)	(11)	-	(13,510)
Foreign currency differences	(719)	(114)	(25)	(858)	(479)	-	238	(241)
Other financial income/(expenses)	(2,197)	(95)	(150)	(2,442)	(3,445)	-	6	(3,439)
Profit/(loss) before taxation	**71,504**	**1,219**	**(2,817)**	**69,906**	**17,349**	**(11)**	**(533)**	**16,805**
Taxation credit/(charge) for the year	2,868	-	-	2,868	(1,889)	-	31	(1,858)
Profit/(loss) after taxation for the year	**74,372**	**1,219**	**(2,817)**	**72,774**	**15,460**	**(11)**	**(502)**	**14,947**
Investment properties	1,522,832	212,321	-	1,735,153	518,780	-	(172,125)[1]	346,655
Additions to investment properties	12,178	40,603	-	52,781	2,838	-	-	2,838
Segment assets	1,549,696	212,526	2,150	1,764,372	530,814	-	(91)	530,723
Segment liabilities	554,316	58,503	36	612,855	411,203	-	(1,548)	409,655

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

For the year ended 31 December 2017	SLOVAKIA Standing investment segment	Development segment	Reconciling item	Total	RUSSIA Standing investment segment	Development segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	11,101	-	-	11,101	41,873	-	-	41,873
Service charge income	5,202	-	-	5,202	18,038	-	-	18,038
Net property expenses	(5,717)	-	-	(5,717)	(21,255)	-	-	(21,255)
Net rental income	**10,586**	**-**	**-**	**10,586**	**38,656**	**-**	**-**	**38,656**
Net result on disposals	-	-	-	-	-	(16,672)	-	(16,672)
Costs connected with developments	-	-	-	-	-	(583)	-	(583)
Revaluation of investment properties, net	(2,798)	-	-	(2,798)	3,126	(7,833)	-	(4,707)
Other depreciation, amortisation and impairments	(33)	-	-	(33)	(1,302)	-	-	(1,302)
Administrative expenses	(777)	-	(24)	(801)	(1,621)	(78)	(913)	(2,612)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**6,978**	**-**	**(24)**	**6,954**	**38,859**	**(25,166)**	**(913)**	**12,780**
Interest expenses, net	(447)	-	-	(447)	(504)	(759)	1	(1,262)
Foreign currency differences	3	-	(4)	(1)	42	(255)	(75)	(288)
Other financial income/(expenses)	(31)	-	(2)	(33)	(687)	(123)	(20)	(830)
Profit/(loss) before taxation	**6,503**	**-**	**(30)**	**6,473**	**37,710**	**(26,303)**	**(1,007)**	**10,400**
Taxation credit/(charge) for the year	(875)	-	(24)	(899)	(5,870)	(77)	-	(5,947)
Profit/(loss) after taxation for the year	**5,628**	**-**	**(54)**	**5,574**	**31,840**	**(26,380)**	**(1,007)**	**4,453**
Investment properties	166,820	-	-	166,820	289,305	31,180	-	320,485
Additions to investment properties	5,878	-	-	5,878	500	-	-	500
Segment assets	171,714	-	824	172,538	297,226	34,032	1,963	333,221
Segment liabilities	37,064	-	-	37,064	67,126	18,195	-	85,321

For the year ended 31 December 2017	HUNGARY Standing investment segment €'000	HUNGARY Development segment €'000	HUNGARY Reconciling item €'000	HUNGARY Total €'000	ROMANIA Standing investment segment €'000	ROMANIA Development segment €'000	ROMANIA Reconciling item €'000	ROMANIA Total €'000
Gross rental income	7,871	-	-	7,871	7,367	-	-	7,367
Service charge income	2,813	-	-	2,813	2,300	-	-	2,300
Net property expenses	(3,797)	-	-	(3,797)	(2,785)	-	-	(2,785)
Net rental income	**6,887**	**-**	**-**	**6,887**	**6,882**	**-**	**-**	**6,882**
Net result on disposals	1,557	-	-	1,557	-	-	-	-
Costs connected with developments	-	-	-	-	-	(152)	-	(152)
Revaluation of investment properties, net	2,800	-	-	2,800	5,236	(964)	-	4,272
Other depreciation, amortisation and impairments	(61)	-	-	(61)	(9)	-	-	(9)
Administrative expenses	(234)	-	(377)	(611)	(736)	(52)	(49)	(837)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/ (loss)	**10,949**	**-**	**(377)**	**10,572**	**11,373**	**(1,168)**	**(49)**	**10,156**
Interest expenses, net	(48)	-	-	(48)	(112)	(195)	-	(307)
Foreign currency differences	-	-	(7)	(7)	(12)	(2)	(2)	(16)
Other financial income/ (expenses)	(47)	-	(7)	(54)	36	(2)	(2)	32
Profit/(loss) before taxation	**10,854**	**-**	**(391)**	**10,463**	**11,285**	**(1,367)**	**(53)**	**9,865**
Taxation credit/(charge) for the year	(774)	-	-	(774)	(93)	-	-	(93)
Profit/(loss) after taxation for the year	**10,080**	**-**	**(391)**	**9,689**	**11,192**	**(1,367)**	**(53)**	**9,772**
Investment properties	54,940	-	-	54,940	86,790	11,464	-	98,254
Additions to investment properties	525	-	-	525	1,609	4,047	-	5,656
Segment assets	61,799	-	498	62,297	87,755	11,517	44	99,316
Segment liabilities	9,639	-	-	9,639	5,507	5,303	69	10,879

For the year ended 31 December 2017	OTHER COUNTRIES Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000	RECONCILING Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	-	-	-	-	-	-	-	-
Service charge income	-	-	-	-	-	-	-	-
Net property expenses	-	-	-	-	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result on disposals	-	-	-	-				-
Costs connected with developments	-	(192)	-	(192)	-	(93)	-	(93)
Revaluation of investment properties, net	-	(10,020)	-	(10,020)	-	-	-	-
Other depreciation, amortisation and impairments	-	(4,480)	-	(4,480)	-	-	(251)	(251)
Administrative expenses	-	(75)	(339)	(414)	-	-	(9,969)	(9,969)
Share of profit of equity-accounted investment in joint ventures	-	-	-	-	-	-	-	-
Net operating profit/(loss)	**-**	**(14,767)**	**(339)**	**(15,106)**	**-**	**(93)**	**(10,220)**	**(10,313)**
Interest expenses, net	-	(524)	-	(524)	-	-	92	92
Foreign currency differences	-	(190)	7	(183)	-	-	708	708
Other financial income/(expenses)	-	-	(26)	(26)	-	-	1,633	1,633
Profit/(loss) before taxation	**-**	**(15,481)**	**(358)**	**(15,839)**	**-**	**(93)**	**(7,787)**	**(7,880)**
Taxation credit/(charge) for the year	-	-	(19)	(19)	-	-	(4,379)	(4,379)
Profit/(loss) after taxation for the year	**-**	**(15,481)**	**(377)**	**(15,858)**	**-**	**(93)**	**(12,166)**	**(12,259)**
Investment properties	-	90,365	-	90,365	-	-	-	-
Additions to investment properties	-	-	-	-	-	-	-	-
Segment assets	-	90,412	117	90,529	-	-	69,043	69,043
Segment liabilities	-	14,473	448	14,921	-	-	48,045	48,045

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2016

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

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

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

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

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

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

2.37 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 2017, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2017 €'000
Standing investments	2.5				
Poland		-	-	1,522,832	1,522,832
Czech Republic		-	-	333,055	333,055
Slovakia		-	-	166,820	166,820
Russia		-	-	289,305	289,305
Hungary		-	-	10,190	10,190
Romania		-	-	86,790	86,790
Total standing investments		**-**	**-**	**2,408,992**	**2,408,992**
Redevelopments and land	2.6				
Poland		-	-	212,323	212,323
Russia		-	-	31,180	31,180
Turkey		-	-	90,365	90,365
Others		-	-	11,463	11,463
Total redevelopments and land		**-**	**-**	**345,331**	**345,331**
Assets and liabilities, net of disposal group held for sale	2.16	**-**	**58,350**	**-**	**58,350**
Financial assets at FVOCI	2.15	**19,961**	**-**	**-**	**19,961**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.19	**-**	**1,030**	**-**	**1,030**

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2017.

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

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2016 €'000
Standing investments	2.5				
Poland		-	-	1,529,463	1,529,463
Czech Republic		-	-	340,573	340,573
Slovakia		-	-	163,625	163,625
Russia		-	-	284,344	284,344
Hungary		-	-	61,165	61,165
Romania		-	-	79,590	79,590
Total standing investments		**-**	**-**	**2,458,760**	**2,458,760**
Redevelopments and land	2.6				
Poland		-	-	146,397	146,397
Russia		-	-	30,860	30,860
Turkey		-	-	100,385	100,385
Others		-	-	14,975	14,975
Total redevelopments and land		**-**	**-**	**292,617**	**292,617**
Assets and liabilities, net of disposal group held for sale	2.16	**-**	**11,798**	**-**	**11,798**
Available for sale	2.15	**42,036**	**-**	**-**	**42,036**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.19	**-**	**4,704**	**-**	**4,704**

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

Investment properties measured at level 3 fair value:

	2017		2016	
	Standing investments €'000	Redevelopments and land €'000	Standing investments €'000	Redevelopments and land €'000
Balance as at 1 January	**2,458,760**	**292,617**	**2,396,951**	**307,845**
Losses included in the Statement of profit or loss				
Revaluation of investment properties	14,319	(16,831)	40,343	(26,243)
Additions and Disposals				
New Properties	-	-	-	-
Construction, technical improvements and extensions	23,528	44,650	29,545	28,008
Disposals	(10,556)	(9,445)	(14,071)	(267)
Other movements				
Movements in financial leases	1,505	2,862	469	253
Interest capitalised	-	468	-	342
Transfers from redevelopments and land to standing Investments	3,836	(3,836)	34,119	(34,119)
Transfers to redevelopments and land from standing Investments	(24,050)	24,050	(28,596)	28,596
Transfer (to)/ from assets held for sale	(58,350)	10,796	-	(11,798)
Balance as at 31 December	**2,408,992**	**345,331**	**2,458,760**	**292,617**

A description of the Investment Properties' valuation process:

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

The criteria for selecting the valuation companies include recognised professional qualifications, reputation and recent experience in the respective locations and categories of the properties being valued.

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

For interim reporting purposes, the valuations of 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, as at 31 December 2017, were determined on the basis of independent external valuations received from Cushman & Wakefield or JLL. The fair values of most of the developments and land, as at 31 December 2017, were determined on the basis of independent external valuations received from Cushman & Wakefield. Approximately 46% (2016: 30%) of the redevelopments and land properties were valued internally. Cushman & Wakefield and JLL are both external, independent, international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book").

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

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

For the yields diversification across the Group's income producing portfolio see note 2.5.

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 2017:
Standing investments:

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

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

Significant unobservable inputs 2017	Range	Weighted average
Estimated rental value ("ERV")	€1-€177 per sqm per month	€13 per sqm, per month
Equivalent yield	5.5%-14.8%	7.1%

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

2017	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	121.8	2,589.1
Decrease of 5% in ERV[1]	(121.8)	2,345.6
Increase of 25bp in equivalent yield[2]	(87.4)	2,380.0
Decrease of 25bp in equivalent yield[3]	94.4	2,561.7

1 The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € millions): Poland-57.6, Czech Republic-14.4, Slovakia-5.7, Russia-5.5, Hungary-1.5, Romania-2.6
3 The distribution of the estimated increase (in € millions): Poland-62.5, Czech Republic-15.7, Slovakia-6.2, Russia-5.8, Hungary-1.6, Romania-2.8

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

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

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

1 The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € millions): Poland-57.4, Czech Republic-14.0, Slovakia-5.5, Russia-5.4, Hungary-1.6, Romania-2.4
3 The distribution of the estimated increase (in € millions): Poland-62.3, Czech Republic-15.2, Slovakia-5.9, Russia-5.6, Hungary-1.7, Romania-2.5

Redevelopments and land:

The fair value of 29% of redevelopments and land (31 December 2016: 33%) was determined using the Comparable method. The Comparable valuation method is based on the sales (offering and listing) prices of similar properties that have recently been transacted in the open market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the valued property on the basis of elements of comparison, such as location, land ownership risk, size of the plot and zoning etc. Such adjustments are not considered to be observable market inputs.

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

Significant unobservable inputs 2017	Range	Weighted average
Price[1]	€19-€76 per sqm	€49 per sqm

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

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

2017	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	4.8	104.8
Decrease of 5% in price[1]	(4.8)	95.1

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

Significant unobservable inputs 2016	Range	Weighted average
Price[1]	€21-€77 per sqm	€49 per sqm

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

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

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

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

The fair value of the remaining 71% of redevelopments and land (31 December 2016: 67%) was determined using the Residual value method. The Residual value method uses the present value of the market value expected to be achieved in the future from the standing investment once it is developed less estimated cost to completion on the basis that the development is compliant with zoning regulations. The rental levels are set at the current market levels capitalised at the net yield which reflects the risks inherent in the net cash flows

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

Significant unobservable inputs 2017	Range	Weighted average
ERV	€13.7-€16.4 per sqm, per month	€15.8 per sqm, per month
Equivalent yield	6.3%-8.0%	7.5%
Construction costs	€748-€1,329 per sqm GLA	€989 per sqm GLA

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

2017	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	12.2	257.6
Decrease of 5% in ERV[1]	(11.1)	234.3
Increase of 25bp in equivalent yield[2]	(6.8)	238.6
Decrease of 25bp in equivalent yield[3]	8.5	253.8
Increase of 5% in expected construction costs[4]	(9.9)	235.4
Decrease of 5% in expected construction costs[5]	11.1	256.5
Increase of +1 year in development timeframe[6]	(7.4)	238.0
Decrease of - 1 year in development timeframe[7]	6.9	252.3

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-3.1, Turkey-3.7
3 The distribution of the estimated increase (in € million): Poland 4.5, Turkey 4.0
4 The distribution of the estimated decrease (in € million): Poland-4.6, Turkey-5.3
5 The distribution of the estimated increase (in € million): Poland 5.8, Turkey 5.3
6 The distribution of the estimated decrease (in € million): Poland -2.3, Turkey -5.1
7 The distribution of the estimated increase (in € million): Poland 1.5, Turkey 5.4

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

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

2016	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	13.8	211.3
Decrease of 5% in ERV[1]	(12.6)	184.9
Increase of 25bp in equivalent yield[2]	(7.8)	189.7
Decrease of 25bp in equivalent yield[3]	9.5	207.0
Increase of 5% in expected construction costs[4]	(13.7)	183.8
Decrease of 5% in expected construction costs[55]	14.9	212.4

1 The effect of the increase (decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € million): Poland-3.8, Turkey-4.0
3 The distribution of the estimated increase (in € million): Poland 5.3, Turkey 4.2
4 The distribution of the estimated decrease (in € million): Poland-5.3, Turkey-5.7, Others-2.7
5 The distribution of the estimated increase (in € million): Poland 6.5, Turkey 5.7, Others 2.7

Assets and liabilities, net of disposal group held for sale

At 31 December 2017, the disposal group was stated at fair value. The Group categorises the fair value of the assets and liabilities held for sale as Level 2 within the fair value hierarchy based on the sale agreements signed by the Group and third parties. For additional information see note 2.16.

Financial assets at FVOCI

For additional details on the available for sale financial assets see note 2.15

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 2017, including their levels in the fair value hierarchy:

	Level	2017		2016	
		Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	834,392	890,979	838,086	899,619
Bank loans	2	134,897	135,787	109,319	108,991
Total		**969,289**	**1,026,766**	**947,405**	**1,008,610**

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

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

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

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

2.38 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

2017	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					
Long term loans	3,128	3,128	-	-	-
Other assets	120	120	-	-	-
Receivables from tenants	10,646	10,646	-	-	-
Other receivables	13,270	13,270	-	-	-
Cash and cash equivalents	71,920	71,920	-	-	-
Financial assets at FVOCI	19,961	-	19,961	-	-
Total financial assets	**119,045**	**99,084**	**19,961**	**-**	**-**
Financial liabilities					
Long term borrowings	968,011	-	-	968,011	-
Derivatives	1,030	-	-	-	1,030
Long term liabilities from leases	36,627	-	-	36,627	-
Other long term liabilities	14,048	-	-	14,048	-
Trade and other payables	22,825	-	-	22,825	-
Accrued expenditure	47,827	-	-	47,827	-
Short term borrowings	1,278	-	-	1,278	-
Total financial liabilities	**1,091,646**	**-**	**-**	**1,090,616**	**-**

2016	Carrying amount €'000	Financial assets at amortised cost €'000	Available for sale financial assets €'000	Financial liabilities at amortised cost €'000	Financial liabilities at fair value €'000
Financial assets					
Long term loans	8,477	8,477	-	-	-
Other assets	2,003	2,003	-	-	-
Receivables from tenants	10,467	10,467	-	-	-
Other receivables	29,626	29,626	-	-	-
Cash and cash equivalents	103,671	103,671	-	-	-
Available for sale	42,036	-	42,036	-	-
Total financial assets	**196,280**	**154,244**	**42,036**	**-**	**-**
Financial liabilities					
Long term borrowings	942,009	-	-	942,009	-
Derivatives	4,704	-	-	-	4,704
Long term liabilities from leases	31,233	-	-	31,233	-
Other long term liabilities	14,474	-	-	14,474	-
Trade and other payables	17,726	-	-	17,726	-
Accrued expenditure	42,240	-	-	42,240	-
Short term borrowings	5,396	-	-	5,396	-
Total financial liabilities	**1,057,782**	**-**	**-**	**1,053,078**	**4,704**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.18 and 2.37. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The fair values of the financial assets are deemed to equal their book values. The Group has pledged some cash as collateral, for more information see note 2.18.

2.39 CAPITAL MANAGEMENT

The Group manages its capital to provide stability and reduce risk while generating a solid return over the long term to shareholders through improving the capital structure and efficiency of the Group's balance sheet. The Group's capital strategy remains unchanged from 2016.

The capital structure of the Group consists of borrowings (as detailed in note 2.18), cash and cash equivalents and the equity.

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

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

For information about loans and bond covenants see note 2.18 and for information about the capital structure of the Group see note 2.17.

2.40 RISK MANAGEMENT

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

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

DEVELOPMENT RISK

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

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

CREDIT RISK

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

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

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

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

Furthermore, the Group holds collateral from tenants which would reduce the financial impact on the Group in the event of default. The collateral is represented by deposits from tenants and covers rents of one to three months. In 2017, the Group had secured long term deposits from tenants amounting to €13.3 million (2016: €14.1 million) and short term deposits amounting to €8.0 million (2016: €7.6 million) and secured bank guarantees.

The table in note 2.13 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 2.37, represents the maximum credit exposure due to financial assets.

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

LIQUIDITY RISK

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

The Group's liquidity requirements arise primarily from the need to fund its redevelopment projects, property acquisitions and other capital expenditures, debt servicing costs, property management services and operating expenses. To date, these have been funded through a combination of equity funding, bonds, proceeds from disposal of assets and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges). In addition, the Group has a €225 million revolver credit facility.

Liquid funds, comprising cash and cash equivalents amounted to €71.9 million as at 31 December 2017 (2016: €103.7 million). The total net liquid funds calculated as cash and cash equivalents less short term borrowings amounted to €70.6 million (2016: €98.3 million).

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

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

2017	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives[1]	983,516	1,124,609	35,522	35,473	914,507	139,107
Other liabilities[2]	108,130	266,246	60,798	8,244	15,680	181,523
Total	**1,091,646**	**1,390,854**	**96,321**	**43,717**	**930,187**	**320,630**

1 Borrowings include accrued interest.
2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables, liabilities held for sale and accrued expenditure.

2016	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives[1]	965,377	1,130,244	41,712	37,780	534,090	516,662
Other liabilities[2]	95,936	233,476	50,310	7,509	16,106	159,551
Total	**1,061,313**	**1,363,720**	**92,022**	**45,289**	**550,196**	**676,213**

1 Borrowings include accrued interest.
2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables, liabilities held for sale and accrued expenditure.

MARKET RISK

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

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

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

Information about the key unobservable inputs used in fair value measurement is disclosed in note 2.37.

Price risk

The Group's investment properties are valued at fair value. These fair values are influenced by the turbulence in the global markets as well as the limited amount of publicly available and up to date data relating to the real estate markets in the countries in which the Group operates. The Group is therefore exposed to price risks resulting from movements in the Group's asset values that could change significantly during subsequent periods, see also note 2.37. 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:

2017	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	6,955	(2,458)	4,497
HUF	1,238	(343)	895
PLN	23,693	(62,567)	(38,874)
RON	695	(817)	(122)
RUB	3,902	(9,852)	(5,950)
TRY	30	-	30
Other	15	(185)	(170)

2016	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	9,664	(2,770)	6,894
HUF	2,054	(1,474)	580
PLN	33,964	(50,634)	(16,670)
RON	595	(492)	103
RUB	3,798	(6,760)	(2,962)
TRY	7	-	7
Other	28	(257)	(229)

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2017 and 31 December 2016 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 (e.g. rents in Russia denominated in USD) nor does it take into account the impact on any other non-financial assets or liabilities.

	2017 Gain/(Loss) €'000	2016 Gain/(Loss) €'000
CZK	450	689
HUF	89	58
PLN	(3,887)	(1,667)
RON	(12)	10
RUB	(595)	(296)
TRY	3	-
Other	(17)	(23)

Interest rate risk

The majority of financial instruments bear interest on a fixed interest basis. The interest rate risks associated with the Group's financial instruments bearing variable interest rates are mainly hedged by making use of financial derivatives (interest rate swaps), see also note 2.37. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2017, there were no value movements due to interest rate risk fluctuations in 2017. The interest rate risk was, therefore, reduced to the impact on the statement of profit or loss of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates was nil as at 31 December 2017 (2016: €3.8 million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2017, all of the Group's borrowings were at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

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

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

Sensitivity Analysis

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

RISK RELATED TO EMERGING AND DEVELOPING MARKETS

The Group operates in emerging and developing markets in the CEE and in Russia. The Group's operations in those markets are exposed to higher risks compared with operations in developed markets; this includes also legal, economic and political risks to which the operations in these countries are exposed.

In addition, these markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic and social status quo of the Group's markets. Changes in economic 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.

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

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

CHANGE IN TAX BURDEN

The group is 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 may be 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.

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

The Group aims to mitigate the above risks by having experienced local management teams in the different countries in which the Group operates that are making use of external local experts and specialists.

2.41 TRANSACTIONS WITH RELATED PARTIES

- During 2017, Gazit-Globe indirectly purchased a total of 474,407 additional shares in the Company, or approximately 0.1% of the entire issued share capital. Consequently, Gazit-Globe directly or indirectly holds a total of 224,733,142 shares in Atrium, comprising 59.6% of the issued shares and voting rights in the Company. Transactions between Atrium and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

- Except as described in the following paragraphs, the directors have not entered into any transactions with Atrium and its subsidiaries, do not own shares in Atrium and have not invested in any debt issued by the Group.

A. Chaim Katzman, Director and Chairman of the Board of Directors, together with family members held directly 385,119 shares in Atrium as at 31 December 2017 and 255,000 shares as at 31 December 2016. In total, Mr. Katzman, together with family members, through his holdings in Norstar Holdings Inc and Gazit-Globe, held directly and indirectly approximately 10.5% (2016: 9.1%) of Atrium's total shares as at 31 December 2017.

   Based on a consultancy agreement with the Group, Mr. Katzman, Chairman of the Board, was entitled to consultancy fees of €550,000 in 2016 and expenses as permitted under the agreement. For the period from 1 January to 31 March 2017, the consultancy fee was €187,500 and as from 1 April 2017 the annual consultancy fee is €700,000, payable in four equal quarterly instalments and subject to an annual review.

   Atrium has paid flight and travel expenses of €0.9 million (2016: €1.0 million) to MGN Icarus Inc, a subsidiary of Gazit-Globe. Such travel expenses were at arm's length and were incurred by the Chairman of the Board and other executives for property tours and other business activities

B. Rachel Lavine, Director and Vice Chairman of the Board, held 484,308 shares in Atrium as at 31 December 2017 and as at 31 December 2016.

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

   Based on a consultancy agreement with the Group, Mrs. Lavine was entitled to consultancy fees of €475,000 in 2017 (2016: €475,000) and expenses as permitted under the agreement. The Group contracted legal services from Atlas Legal Consultancy Services B.V., a consultancy company controlled by Marc Lavine, a related party to Rachel Lavine, amounting to €0.1 million in 2017. Amounts were billed on the basis of arm's length rates for such services.

C. Simon Radford, Director, held 11,065 shares in Atrium as at 31 December 2017 and as at 31 December 2016.

D. The aggregate annual remuneration paid or payable to the Directors for the year ended 31 December 2017 was €1.9 million (2016: €2.3 million). Please see the breakdown on page 37.

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

- The aggregate annual remuneration paid or payable to the Group Executive Team for the year ended 31 December 2017, including base salaries, annual guaranteed bonuses, allowances and benefits was €2.9 million (2016: €3.1 million).

- Gazit-Globe reimbursed Atrium for audit and SOX expenses of €0.3 million which were paid by Atrium (2016: €0.6 million for audit costs).

2.42 CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of Atrium announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria. In 2012, following an investigation, the Jersey Financial Services Commission reconfirmed its conclusions that the ADC Purchases involved no breach of the Jersey Companies (Jersey) Law and that its investigation had concluded without any finding of wrong doing.

With regard to the Austrian proceedings and investigations, Atrium continues to be subject to certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 19 March 2018, the latest practicable date prior to authorisation of this report, the aggregate amount claimed in 254 separate proceedings to which Atrium was then a party in this regard was approximately €12.4 million. The number of claims and amounts claimed are expected to fluctuate over time as proceedings develop, are dismissed, withdrawn, settled or otherwise resolved. The claims are at varying stages of development and are expected to be resolved over a number of years.

In January 2016, the Company announced the establishment of an arrangement to create a compensation fund through which to resolve the Austrian proceedings as well as submissions by individuals to join pending criminal proceedings referred to below. The period for participation in the arrangement expired on 15 October 2016 and has resulted in total approved compensation payments to date of approximately €11 million (of which the Company bears 50%) in respect of some 1,590 individual submissions, with an additional approximately €1 million (of which the Company bears 50%) in respect of some 90 submissions still being processed.

Because the Company believes it is important to support reasonable efforts to help bring final resolution to these longstanding issues, in addition to the 2016 arrangement, the Company has continued to explore other possible settlements as a means to put legacy issues behind it and so address a source of significant demands on management time and associated legal fees and costs, which are detrimental to its shareholders. To that end, in March 2017, the Company also announced it had reached an agreement with AdvoFin Prozessfinanzierung AG and Salburg Rechtsanwalts GmbH which establishes a mechanism by which AdvoFin and Salburg clients who are ADC investors who brought claims or made submissions to join pending criminal proceedings referred to below can resolve their claims and potential claims against the Company. The maximum payment by Atrium under the Agreement with AdvoFin and Salburg in the event that all eligible AdvoFin and Salburg clients opt to participate would be €44 million, of which the Company has paid approximately €13.7 million as at 31 December 2017. The actual level of participation and compensation will be determined over time. For those who choose to push forward with litigation against the Company tied to these legacy issues, the Company has confirmed that it rejects the claims against it and that it will continue to defend itself vigorously in all proceedings.

Based on current knowledge and management assessment in respect of the actual outcome of claims to date in the Austrian proceedings, the terms of and methodologies adopted in the compensation arrangements in 2016, and with AdvoFin and Salburg in March 2017, the expected cost and implications of implementing those arrangements, a total provision of €35.5- million has been estimated by the Company. Certain further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets', has not been disclosed on the grounds that to do so could be expected to seriously prejudice the resolution of these issues, in particular certain details of the calculation of the total provision and the related assumptions. The criminal investigations pending against Mr. Julius Meinl and others relating to events that occurred in 2007 and earlier remain ongoing. In connection with this, law firms representing various Atrium investors, who had invested at the time of these events, have alleged that Atrium is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor directed Atrium to reply to the allegations and started criminal investigation proceedings against Atrium based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into force in 2006, is applicable to Atrium. In any event, Atrium believes a finding of liability on its part would be inappropriate and, accordingly, intends to actively defend itself.

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

From 2015 onwards, the Polish Ministry of Finance and Polish regulatory authorities have published several draft bills that could impose significant changes to the regulatory and fiscal environment in which the Group operates including regulation of trading hours, imposition of industry specific retail tax and changes in the interpretation of rules around sales and transfer taxes applicable on the purchase and sale of assets. In November 2017, an amendment to the Polish corporate income tax law, effective from 1 January 2018, was published. The amendment includes, among others, introduction of a separate income basket for capital gains and disallowing the offsetting of capital gains or losses against other sources of income, new earnings stripping rules limiting the ability to deduct financing costs, both external and group, for tax purposes. Furthermore, an alternative minimum tax is introduced, resulting in a minimum levy on investment properties owners at the level of 0.42% per year on the tax value of the property.

Certain Russian and Polish subsidiaries within the Atrium Group are, or have been, 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. See also note 2.39, risks related to emerging and developing markets section.

2.43 SUBSEQUENT EVENTS

In January 2018, two assets in Hungary with a total lettable area of approximately 29,100 sqm and valued at approximately €2.8 million were sold.

In February 2018, a 41,200 sqm portfolio of assets in Budapest, comprising the Atrium EuroCenter, the Szombathely Family Center and adjacent Szombathely Praktiker building, was sold for €42.0 million.

Also in February 2018, Atrium sold its interest in the 18,800 sqm Futurum Shopping Centre in Brno, in Czech Republic for €13.6 million.

Following the payments made in the fourth quater of 2017 to eligible claimants under the agreement with AdvoFin Prozessfinanzierung AG and Salburg Rechtsanwalts GmbH in a total amount of €13.8 milion, Atrium made in February and March 2018 additional payments in a total of €21.2 million.

An Employee Share Participation Plan for Group Executive Management and other Key Employees was approved after the reporting period. The plan allows the participants to elect to receive part of their 2017 bonus as shares as an alternative to cash, with the company issuing matching shares after three years. The cost related to the share participation plan for 2017 amounts to approximately €0.6 million.

In March 2018, the Board of Directors approved the payment of a special dividend (to be paid as a capital repayment) of €cents 14 per ordinary share, representing a total amount of €52.8 million. The Special Dividend will be paid on 29 March 2018 to shareholders on the register as at 23 March 2018, with an ex-dividend date of 22 March 2018, at the same time as and in addition to the regular quarterly dividend.

03

ATRIUM'S STANDALONE FINANCIAL REPORT


GALERIA DOMINIKAŃSKA
GALERIA
GALERIA
VAN GRAAF
VAN GRAAF
market
MediaMarkt
CCC
C&A
CCC
SUSHI & GRILL
Vision Express
MaxMara

ATRIUM'S STANDALONE FINANCIAL REPORT

3.1 BASIS OF ATRIUM'S STANDALONE FINANCIAL REPORT

The significant accounting policies of Atrium are the same as those of the Group as described in note 2.4 except for those mentioned below.

The financial assets of Atrium are classified into the following categories:

- Loans and receivables; and
- Financial assets at fair value through profit and loss ("FVTPL").

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 FVTPL under IFRS 9, the net asset value of the subsidiaries that hold investment properties generally represents the best estimate of fair value when lacking a quotation in an active market.

Financial assets policy applicable before 1 January 2017

The financial assets of Atrium were classified into the following categories:

- Loans and receivables; and
- Available for sale financial assets.

The financial investments in subsidiaries were classified as available for sale financial assets stated at cost less impairment, which approximate their fair value, as they are not quoted in active market.

Statement of Financial Position of Atrium European Real Estate Limited

	Note	31 December 2017 €'000	€'000	31 December 2016 €'000	€'000
ASSETS					
Non-current assets					
Fixed assets		33		-	
Financial investments in subsidiaries	3.2	2,596		2,616	
Loans and receivables	3.3	2,732,343		2,795,413	
Other assets		400		459	
			2,735,372		**2,798,488**
Current assets					
Other receivables	3.4	6,228		13,104	
Financial assets at FVOCI	3.5	19,961		-	
Available for sale financial assets	3.5	-		42,036	
Cash and cash equivalents		31,195		78,283	
			57,384		**133,423**
TOTAL ASSETS			**2,792,756**		**2,931,911**
EQUITY AND LIABILITIES					
Equity					
Stated capital		2,269,199		2,422,587	
Other reserves		1,300		2,384	
Retained Earnings		(367,857)		(481,328)	
Total equity			**1,902,642**		**1,943,643**
Liabilities					
Non-current liabilities					
Bonds	3.6	834,392		834,248	
			834,392		**834,248**
Current liabilities					
Bonds	3.6	-		3,838	
Other payables	3.7	4,534		78,833	
Accrued expenditure	3.8	15,671		17,829	
Provisions	3.9	35,517		53,520	
			55,722		**154,020**
Total liabilities			**890,114**		**988,268**
TOTAL EQUITY AND LIABILITIES			**2,792,756**		**2,931,911**

Statement of Profit or Loss of Atrium European Real Estate Limited

		2017		2016	
	Note	€'000	€'000	€'000	€'000
Administrative expenses	3.10	(9,712)		(52,228)	
Write off of assets	3.3	(8,627)		(89,436)	
Fair value changes of financial asset at FVTPL	3.12	(539,887)		-	
Reversal/(additions) impairment of assets, net	3.11	405,148		(166,301)	
Net operating loss			**(153,078)**		**(307,965)**
Interest income	3.13	261,043		290,701	
Interest expense	3.13	(32,265)		(37,367)	
Other financial (expense)/income, net	3.14	38,835		(163,996)	
Total net financial income			**267,613**		**89,338**
Profit/(Loss) before and after taxation for the year			**114,535**		**(218,627)**

Statement of Other Comprehensive Income of Atrium European Real Estate Limited

		2017		2016	
	Note	€'000	€'000	€'000	€'000
Profit/(Loss) for the year			114,535		(218,627)
Items that will not be reclassified to the statement of profit or loss:					
Movements in financial assets at FVOCI		(1,612)		-	
Items that are or may be reclassified to the statement of profit or loss:					
Movements in available for sale reserve	3.5	-		(1,419)	
Movements in hedge reserve		-		(1,719)	
Amounts reclassified to profit or loss in respect of cash flow hedges	3.14	-		1,719	
Total comprehensive profit/(loss) for the year			**112,923**		**(220,046)**

Statement of Changes in Equity of Atrium European Real Estate Limited

	Note	Stated capital €'000	Share based payment reserve €'000	Financial assets at FVOCI reserve €'000	Available for sale reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2017		**2,422,587**	**3,803**	**-**	**(1,419)**	**(481,328)**	**1,943,643**
Adjustment on initial application of IFRS 9 (net of tax)		-	-	(1,419)	1,419	-	-
Restated balance as at 1 January 2017		**2,422,587**	**3,803**	**(1,419)**	**-**	**(481,328)**	**1,943,643**
Profit for the year		-	-	-	-	114,535	114,535
Other comprehensive income (expense)		-	-	(1,612)	-	-	(1,612)
Total comprehensive income/(expense)		**-**	**-**	**(1,612)**	**-**	**114,535**	**112,923**
Reclassified to retained earnings (due to sold shares)		**-**	**-**	1,064	-	(1,064)	-
Transaction with owners of the Company							
Share based payment		-	241	-	-	-	241
Issuance of no par value shares		1,155	(777)	-	-	-	378
Dividends[1]		(154,543)	-	-	-	-	(154,543)
Balance as at 31 December 2017		**2,269,199**	**3,267**	**(1,967)**	**-**	**(367,857)**	**1,902,642**

[1] See note 2.17 for the consolidated financial statements

	Note	Stated capital €'000	Share based payment reserve €'000	Available for sale reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2016		**2,574,836**	**4,153**	**-**	**(262,701)**	**2,316,288**
Loss for the year		-	-	-	(218,627)	(218,627)
Other comprehensive expense		-	-	(1,419)	-	(1,419)
Total comprehensive expense		**-**	**-**	**(1,419)**	**(218,627)**	**(220,046)**
Transaction with owners of the Company						
Share based payment		-	327	-	-	327
Issuance of no par value shares		2,173	(677)	-	-	1,496
Dividends[1]		(154,422)	-	-	-	(154,422)
Balance as at 31 December 2016		**2,422,587**	**3,803**	**(1,419)**	**(481,328)**	**1,943,643**

[1] See note 2.17 for the consolidated financial statements

3.2 FINANCIAL INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership 2017 %	Ownership 2016 %	Carrying amount 2017[1] €'000	Carrying amount 2016 €'000
Broadvale Holdings Limited	Cyprus	Holding company	100%	100%	-	-
Mall Gallery I Limited	Cyprus	Holding company	63%	63%	-	-
Mall Gallery II Limited	Cyprus	Holding company	100%	100%	287	307
Atrium European Cooperatief U.A.[2]	Netherlands	Holding company	95%	7%	-	-
Atrium Czech Real Estate Management, s.r.o.	Czech Republic	Management company	100%	100%	1,756	1,756
Manhattan Real Estate Management Kft.	Hungary	Management company	100%	100%	240	240
Atrium Treasury Services Ltd.	Jersey	Holding company	100%	100%	-	-
SIA Manhattan Real Estate Management[3]	Latvia	Management company	0%	100%	-	-
Atrium Poland Real Estate Management Sp. z o.o.	Poland	Management company	100%	100%	-	-
Atrium Romania Real Estate Management SRL	Romania	Management company	100%	100%	119	119
OOO Manhattan Real Estate Management	Russia	Management company	100%	100%	-	-
Atrium Slovakia Real Estate Management SK s.r.o	Slovakia	Management company	100%	100%	194	194
Manhattan Gayrimenkul Yönetimi Limited Sirketi	Turkey	Management company	100%	100%	-	-
Total net value					**2,596**	**2,616**

1 Investments in subsidiaries are classified at fair value through profit and loss under IFRS 9 with a date of initial application of 1 January 2017. There is no impact on the opening retained earnings of the standalone financial statements of the Group on the date of initial application of IFRS 9

2 In 2017, the company made a capital contribution to Atrium European Cooperatief U.A in an amount of €540 million which increased the ownership in the subsidiary from 7% to 95 %

3 In 2017, the subsidiary, SIA Manhattan Real Estate Management was liquidated

3.3 LOANS AND RECEIVABLES

	2017 €'000	2016 €'000
Loans to third parties	-	17,227
Accumulated impairment of amounts due from third parties	-	(14,227)
Amounts due from subsidiary undertakings	3,345,168	3,806,779
Accumulated impairment of amounts due from subsidiary undertakings	(612,825)	(1,014,366)
Total	**2,732,343**	**2,795,413**

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

In 2017, the Company reversed an existing impairment provision of €540.0 million and recorded an additional impairment provision of €134.9 million (2016: impairment of €163.8 million) to the statement of profit or loss related to amounts due from subsidiary undertakings.

In 2017, the Company wrote-off €8.6 million (2016: €89.4 million) of amounts due from subsidiary undertakings, as there are no realistic prospects for future recovery. In addition, the Company waived €95.4 million (2016: €172.1 million) of amounts due from subsidiary undertakings.

3.4 OTHER RECEIVABLES

	2017 €'000	2016 €'000
Restricted cash[1]	3,873	12,465
Other receivables	2,355	639
Total	**6,228**	**13,104**

1 The Company held cash of €3.9 million restricted as security for the Stichting compensation arrangement (see note 2.42 for the Group's consolidated financial statements).

3.5 FINANCIAL ASSETS AT FVOCI

The Company's financial assets at FVOCI include a diversified portfolio of listed equity securities with less than 1% total holding in individual investment. The financial assets at FVOCI are carried at fair value, based on quoted prices (unadjusted) in active markets (Level 1 within the fair value hierarchy). As of 31 December 2017, the financial assets at FVOCI balance amounted to €20 million.

3.6 BONDS

2017 Bond/Issue year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2013	EUR	4.0%	2.4	2020	333,517	355,535	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	4.9	2022	500,875	535,444	3.5%
Total/Average		**3.8%**	**3.9**		**834,392**	**890,979**	**3.8%**

2016 Bond/Issue year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2005	EUR	4.00%	0.6	2017	3,838	3,917	4.4%
Atrium European Real Estate Limited 2013	EUR	4.0%	3.4	2020	332,895	360,525	4.2%
Atrium European Real Estate Limited 2014	EUR	3.625%	5.9	2022	501,353	535,177	3.5%
Total/Average		**3.8%**	**4.8**		**838,086**	**899,619**	**3.8%**

For information about the fair value of loans and bonds, see note 2.18 for the Group's consolidated financial statements.

In August 2017, €3.9 million of the Company's 2005 Bond reached its maturity date and was repaid.

In 2016, Atrium repurchased bonds issued in 2013 and due in 2020 with a nominal value of €15.1 million and bonds issued in 2014 and due in 2022 with a nominal value of €1.4 million.

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

Revolving credit facility

The Company has a €200 million unsecured revolving credit facility from a group of three banks available until October 2020. As at 31 December 2017, the drawn amount was nil.

In addition, the Group has another €25 million unsecured revolving credit facility from Deutsche Bank Luxembourg S.A. available until October 2019. As at 31 December 2017, the drawn amount was nil.

The revolving credit facilities are subject to the same financial covenants as of the bonds issued in 2013 and 2014 (see above).

3.7 OTHER PAYABLES

	2017 €'000	2016 €'000
Payables to a related party[1]	-	76,062
Other payables	4,534	2,771
Total	**4,534**	**78,833**

1 Amount payable to the Company's indirect subsidiary and bearing an annual interest rate of 5%.

3.8 ACCRUED EXPENDITURE

	2017 €'000	2016 €'000
Accrued interest	13,197	13,260
Accrued consultancy and audit fees	2,007	3,993
Other accrued expenditure	467	576
Total	**15,671**	**17,829**

3.9 PROVISIONS

Legacy legal provision	2017 €'000	2016 €'000
Balance as at 1 January	**53,520**	**21,000**
Additional provision in the period	2,741	38,245
Amounts paid during the period	(20,744)	(5,725)
Balance as at 31 December	**35,517**	**53,520**
Of which Current portion	35,517	53,520
Non-current portion	-	-
Total provisions	**35,517**	**53,520**

For additional details see notes 2.25 and 2.42 for the Group's consolidated financial statements.

3.10 ADMINISTRATIVE EXPENSES

	2017 €'000	2016 €'000
Consultancy and other fees	(538)	(1,972)
Directors' fees and expenses	(1,989)	(2,238)
Legal fees	(284)	(600)
Legacy legal matters	(2,336)	(6,969)
Legacy legal – provision	(2,741)	(38,245)
Audit fees	(680)	(865)
Other expenses	(1,144)	(1,339)
Total	**(9,712)**	**(52,228)**

3.11 IMPAIRMENT OF LOANS AND RECEIVABLE

In 2017, the company made a capital contribution to an existing subsidiary in an amount of €540 million. The proceeds of €540 million were used by the indirect subsidiaries to repay their loans to the Company.

The Company credited €405.1 million to the statement of profit or loss related to amounts due from subsidiary undertakings, it consists of a reversal of an existing impairment provision following the repayments of loans by certain subsidiaries as stated above in an amount of €540 million and additional impairment provision, €134.7 million.

The impairment of loans and receivable for the year 2016 amounted to €166.3 million and comprised of net impairment loss on amounts due from subsidiary undertakings of €163.8 million and net impairment loss on financial investments of €2.5 million.

3.12 FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FVTPL

€540 million loss arising from the fair value changes of the investment in subsidiaries are recorded to the statement of profit or loss. This drives from capital contribution to an existing subsidiary mentioned in note 3.11.

3.13 INTEREST INCOME AND INTEREST EXPENSE

	2017 €'000	2016 €'000
Interest income		
From loans to subsidiary undertakings	261,043	290,606
From deposits, loans to third parties and other	-	95
Total	**261,043**	**290,701**
Interest expense		
Interest on bonds	(31,814)	(31,997)
Interest on a loan from related party[1]	(322)	(5,175)
Other interest expense	(129)	(195)
Total	**(32,265)**	**(37,367)**

1 Interest charges on payables to an direct subsidiary of the Company at an annual interest rate of 5%, see also note 3.7.

3.14 OTHER FINANCIAL (EXPENSES)/INCOME, NET

	2017 €'000	2016 €'000
Impairment on third party loan (see note 3.3)	-	(1,094)
Forward transactions results	-	(2,100)
Bond buy back costs (see note 3.6)	-	(1,422)
Dividend income	39,009	3,500
Loss from waivers of loans to subsidiaries	(95,391)	(172,086)
Payables waived	75,703	-
Foreign exchange gains, net	19,682	9,807
Other financial income/(expenses), net	(168)	(601)
Total	**38,835**	**(163,996)**

Foreign currency exchange losses and gains arise largely from foreign currency loans provided to subsidiaries. The foreign exchange gain in 2017 is primarily derived from the loans to subsidiaries denominated in Polish Zloty €80.5 million (2016- foreign exchange loss €2.8 million) and Czech korona of €11.2 million (2016 – loss of €0.2 million), offset by a loss on the loans to subsidiaries denominated in US Dollar €58.8 million (2016: foreign exchange gain €11.8 million) and Russian roubles of €12.9 million (2016 – nil). For a breakdown of the Company financial assets and liabilities per currency see note 3.17.

3.15 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%.

3.16 CATEGORIES OF FINANCIAL INSTRUMENTS

Atrium distinguishes the following categories of financial instruments

2017	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	2,596	-	2,596	-	-
Long term loans and receivables	2,732,343	2,732,343	-	-	-
Other receivables	4,855	4,855	-	-	-
Financial assets at FVOCI	19,961	-	-	19,961	
Cash and cash equivalents	31,195	31,195	-	-	-
Total financial assets	**2,790,950**	**2,768,393**	**2,596**	**19,961**	**-**
Financial liabilities					
Long/short term borrowings	834,392	-	-	-	834,392
Other payables	4,535	-	-	-	4,535
Accrued expenditure	15,671	-	-	-	15,671
Total financial liabilities	**854,598**	**-**	**-**	**-**	**854,598**

2016	Carrying amount €'000	Loans and receivables €'000	Available for sale financial assets €'000	Financial liabilities at amortised cost €'000
Financial assets				
Financial investments	2,616	-	2,616	-
Long term loans and receivables	2,795,413	2,795,413	-	-
Other receivables	12,534	12,534	-	-
Available for sale financial assets	42,036	-	42,036	-
Cash and cash equivalents	78,283	78,283	-	-
Total financial assets	**2,930,882**	**2,886,230**	**44,652**	**-**
Financial liabilities				
Long/short term borrowings	838,086	-	-	838,086
Other payables	78,833	-	-	78,833
Accrued expenditure	17,829	-	-	17,829
Total financial liabilities	**934,748**	**-**	**-**	**934,748**

The fair values of bonds presented under long term and short term borrowings are stated in note 3.6. The fair values of financial assets and remaining financial liabilities approximate their book values. Financial liabilities are stated at amortised cost.

3.17 RISK MANAGEMENT

The risk management processes of Atrium are the same as those of the Group, described in note 2.40 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.

Atrium's principal financial assets are cash and cash equivalents, other receivables, loans and receivables and financial assets at FVOCI, the maximum exposure of Atrium to credit risk is the carrying amount of each class of financial assets. See also note 3.15.

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

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

In 2017, the carrying value of loans and receivable decreased mainly due to additional impairments relating to subsidiary undertakings as a result of a decrease in the fair value of those companies. The amounts due from subsidiary undertakings were impaired as disclosed in note 3.11. As intercompany transactions and balances are eliminated in the consolidated financial statements, they only represent a credit risk exposure on Atrium's level. To mitigate the other credit risk arising from financial instruments - loans to third parties, historical data of counterparties from the 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 subsidiaries.

Liquidity risk

The Company's liquid financial instruments comprise of cash and cash equivalents at the amount of €31.2 million (2016: €78 million) and listed equity securities at the amount of €20 million (2016: 42 million).

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

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

2017	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	847,589	964,101	31,472	31,472	901,157	-
Other liabilities	7,009	7,009	7,009	-	-	-
Total	**854,598**	**971,110**	**38,481**	**31,472**	**901,157**	

2016	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and accrued interest	851,345	999,577	35,476	31,472	415,967	516,662
Other liabilities	83,403	83,403	83,403	-	-	-
Total	**934,748**	**1,082,980**	**118,879**	**31,472**	**415,967**	**516,662**

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

Currency risk

Atrium is financed in Euros. Atrium's main exposure to currency risk arises from financial instruments representing intercompany transactions within the Group. Atrium currently has 9% of net financial instruments denominated in EUR (2016: 18%), 6% in USD (2016: 4%), 73% in PLN (2016: 66%), and 12% in other currencies (2016: 12%).

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:

2017	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	177,361	-	177,361
HUF	32,750	-	32,750
PLN	1,419,405	-	1,419,405
USD	124,887	-	124,887

2016	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	189,564	-	189,564
HUF	46,670	-	46,670
PLN	1,315,220	-	1,315,220
USD	82,400	-	82,400

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2017 and 31 December 2016 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

	2017 (Loss) €'000	2016 (Loss) €'000
CZK	(17,736)	(18,956)
HUF	(3,257)	(4,667)
PLN	(141,940)	(131,522)
USD	(12,489)	(8,240)

A 10 percentage point weakening of the Euro against the above currencies at 31 December 2017 and 31 December 2016 would increase the profit by approximately the same amounts.

3.18 CONTINGENCIES AND SUBSEQUENT EVENTS

Contingencies and subsequent events are the same as those of the Group and are disclosed in notes 2.42 and 2.43.

04

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

OUR OPINION IS UNMODIFIED

We have audited the Group and Parent Company financial statements (the "Annual Financial Statements") of Atrium European Real Estate Limited for the year ended 31 December 2017, which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Profit or Loss, the Consolidated and Parent Company Statements of Other Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statements of Changes in Equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

IN OUR OPINION:

- the Annual Financial Statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2017, the Group's profit and the Parent Company's profit, and the Group's cash flows for the year then ended;
- the Annual Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU; and
- the Annual Financial Statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Parent Company and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

KEY AUDIT MATTERS: OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Annual Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 were addressed in the context of our audit of the Annual Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our Group audit opinion above, the key audit matter was as follows:

	The risk	Our response
Valuation of Investment Property comprising: Standing investments €2,408,992,000 (2016: €2,458,760,000) Redevelopments and land €345,331,000 (2016: €292,617,000) Refer to the accounting policy in note 2.4, and to disclosures in notes 2.5, 2.6 and 2.16.	Basis: Investment Property represents 88% of the Group's total assets at 31 December 2017 (2016: 87%). The Group accounts for Investment Property at fair value. In the absence of regular transactions in active markets, management is required to estimate fair values at each reporting date. Valuations are generally performed through the use of external valuation experts, however certain redevelopments and land may be valued using internal valuation methodologies such as the residual value method. The valuations of these assets is a key audit matter as they: • are judgmental; and • contain assumptions with estimation uncertainty, which are inherently challenging to audit. Risk: Valuations may be estimated using methodologies, inputs, or assumptions which are inappropriate or out of line with observable market data. The amounts recorded in the financial statements may not reflect fair value.	Our audit procedures included: Internal Controls: Assessed the design and implementation of controls over the valuation of Investment Property. Evaluating experts engaged by management: Assessed the scope, competence and objectivity of external valuation experts engaged by management. Challenging the valuations: Assessed the valuation methodologies adopted for consistency with accounting standards and industry practice. Challenged key inputs and assumptions, such as yields, discount rates, passing rent, capital expenditure projections, and lease terms through comparison to published market data, other supporting evidence, and knowledge gained through our audit work. KPMG valuation specialists were involved alongside the audit team in performing this work. Assessing disclosures: Assessed the fair value disclosures in the financial statements for compliance with IFRS requirements.

There were no key audit matters identified in respect of our audit of the Parent Company.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group as a whole was set at €16 million, determined with reference to a benchmark of Group total assets of €3,122 million, of which it represents 0.5% (2016: 0.5%).

We agreed with the Audit Committee to report any corrected or uncorrected identified misstatements exceeding €640,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Audit work in certain areas, principally Standing investments, and Redevelopments and land (collectively representing 88% (2016: 87%) of Group total assets), was performed on a consolidated basis by the group audit team based in Jersey and the Netherlands.

Audits of other balances for consolidation purposes were performed by component auditors based in Poland, Russia, Czech Republic, and Slovakia, and by the group audit team. In the case of the Group's joint venture, specified procedures were performed by a component auditor. In determining the scope of component work, the group audit team considered the significance of individual components to the Group in terms of size and risk. Detailed instructions were sent to component auditors which outlined the significant areas to be covered by the component auditors' work, and set out the information required to be reported back to the group audit team. The group audit team visited the component auditors in Poland, Russia, and Czech Republic. Telephone meetings were also held with all component auditors. The group audit team approved the component materialities, which ranged from €1.2 million to €2.4 million (2016: €1.5 million to €2.5 million), having regard to the mix of size and risk profile of the Group across components.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue	Group operating profit	Group total assets
Audits procedures performed on in-scope components (by Group or component auditors)	16	69%	75%	63%
Specified procedures over joint venture	1	-	6%	9%
Total	**17**	**69%**	**81%**	**72%**
Total (2016)	18	64%	86%	76%

Materiality of €2.4 million (2016: €2.5 million), as determined by the group audit team, was applied to the audit of the Parent Company. This is lower than the materiality which would otherwise have been determined by reference to total assets of the Parent Company, and represents 0.09% of the Parent Company's total assets (2016: 0.09%).

WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL FINANCIAL REPORT

The directors are responsible for the other information presented in the Annual Financial Report together with the Annual Financial Statements. Our opinion on the Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Annual Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the parent Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS: GROUP MANAGEMENT REPORT AND COMMENT ON THE DECLARATION OF THE PARENT COMPANY'S MANAGEMENT ACCORDING TO SECTION 124 OF THE AUSTRIAN STOCK EXCHANGE ACT (§ 124 BOERSEG)

Pursuant to statutory provisions, the Group management report is to be audited as to whether it is consistent with the Annual Financial Statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the Group management report is consistent with the Annual Financial Statements.

In our opinion, the Group management report is consistent with the Annual Financial Statements. The Group management report for the year ended 31 December 2017 includes the declaration of the Parent Company's management according to § 124 (1) BoerseG.

RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in the Directors' Report set out on page 44, the Directors are responsible for: the preparation of the Annual Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company'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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) 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 the Annual Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Hunt

for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditor
37 Esplanade
St Helier
Jersey
JE4 8WQ
20 March 2018

05

DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS


ARKÁDY
PANKRÁC
SPORTISIMO
next

DIRECTORS

Chaim Katzman
Rachel Lavine
Michael Erichetti
Neil Flanzraich
Simon Radford
Andrew Wignall

ADMINISTRATOR AND REGISTRAR

Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH

INDEPENDENT AUDITORS

KPMG Channel Islands Limited
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 8WQ

MEDIA RELATIONS ADVISOR

FTI Consulting
200 Aldersgate, Aldersgate Street
London, EC1A 4HD, UK

REGISTERED OFFICE

11-15 Seaton Place
St Helier
Jersey
JE4 0QH

BUSINESS ADDRESS

4th Floor, Channel House
Green Street
St Helier
Jersey

PRINCIPAL LOCATIONS

Czech Republic
Atrium Czech Real Estate Management s.r.o.
Vinohradská 2828/151, 130 00
Praha 3- Žižkov
Prague
Hungary
Manhattan Real Estate Management Kft
Bécsi út 154, HU-1032
Budapest
The Netherlands
Atrium Group Services B.V.
World Trade Center, I tower, Strawinskylaan 1959
1077 XX Amsterdam
Poland
Atrium Poland Real Estate Management Sp. z o.o.
Ostrobramska 75C, Staircase no 2, 4th floor, 04-175
Warsaw
Romania
Atrium Romania Real Estate Management SRL
Auchan Mall Office, Et.1, Office 2
560A Iuliu Maniu Boulevard
Bucharest
Russia
OOO Manhattan Real Estate Management
JAVAD Business Centre, The Triumph Palace
Chapaevskiy pereulok, Building 3, RU-125057
Moscow

HOW TO CONTACT US

Website www.aere.com
Analysts & Investors ir@aere.com
Media atrium@fticonsulting.com
General enquiries atrium@aere.com

Cover photo: Atrium Promenada in Warsaw, Poland
Source: Visualisation


SIGNAGE