ANNUAL FINANCIAL REPORT 2018

LEADER IN CENTRAL EUROPEAN SHOPPING CENTRES

OUR MISSION

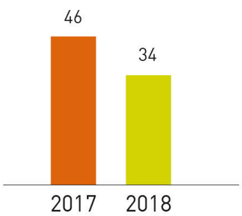
Atrium's mission is to remain a leading owner and manager of high quality retail and leisure shopping destinations in growing urban locations in Central Europe and for the Atrium brand to be a hallmark of high quality retail experience for consumers and retailers.

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

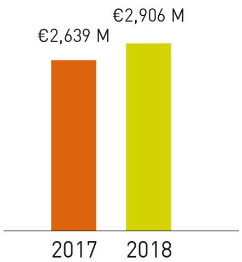
Further growth will be achieved through redevelopments, upgrades and extensions to our existing portfolio and through the selective acquisition of high quality retail assets in our region.

Our balance sheet will continue to be proactively managed to remain efficient and optimally leveraged.

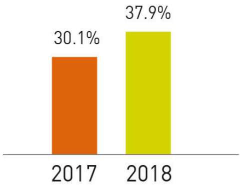
NUMBER OF STANDING INVESTMENTS[1]



STANDING INVESTMENTS[1]



LTV (NET)



OUR PROFILE

Atrium Group owns a €2.9 billion[1] portfolio of 34 retail properties which produced €185.6 million[1] of rental income in 2018. These properties are located predominantly in Poland and the Czech Republic, and, as of today, with the exception of one[1], 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 2019

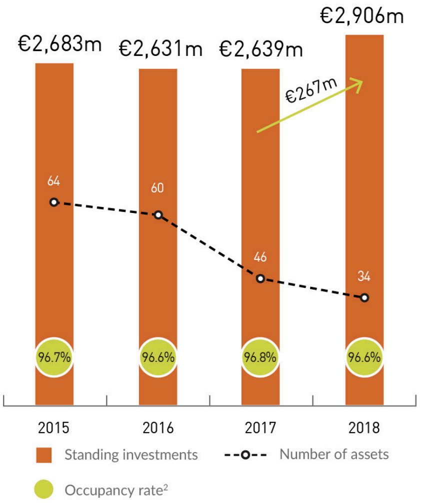
- In a changing retail environment, to continue to improve the quality of our portfolio through further selective rotation, driving the operational and financial performance of our assets and increasing the offer to retailers through the relevant extension of our already stable and successful investments and redevelopments;
- Strengthening our relationships with tenants and supporting new market entrants;
- Increase the resilience of the portfolio by meeting the every-day needs of consumers whilst at the same time be positioned as an attractive destination location;
- Maintain a strong capital structure with financing flexibility and appropriate liquidity.

1 Including a 75% stake in assets held in Joint Ventures (Arkady Pankrac is managed externally)

HIGHLIGHTS

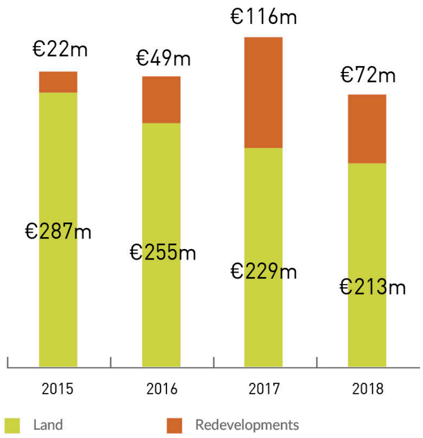
STANDING INVESTMENTS[1]

TOWARDS HIGH QUALITY PORTFOLIO



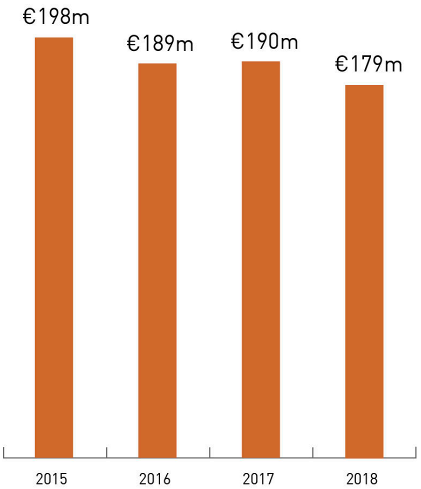
REDEVELOPMENTS AND LAND

3 PROJECTS COMPLETED IN WARSAW IN 2018



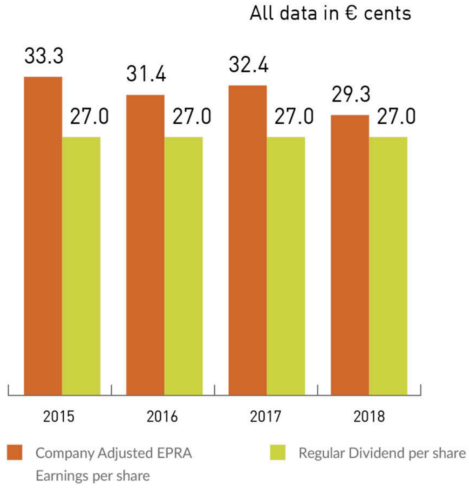
NET RENTAL INCOME[1]

↓€13M IMPACT OF PORTFOLIO PHASING



COMPANY ADJUSTED EPRA EARNINGS AND REGULAR DIVIDEND PER SHARE

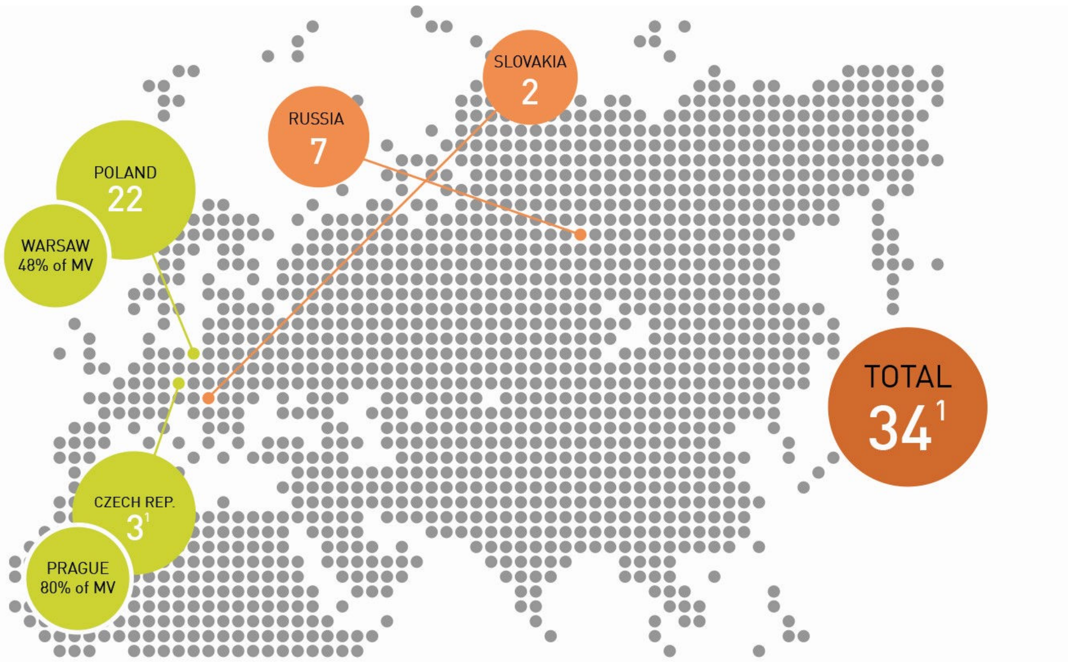
IMPACT OF PORTFOLIO PHASING

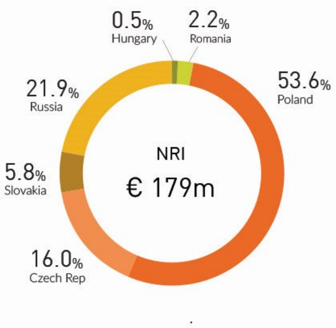


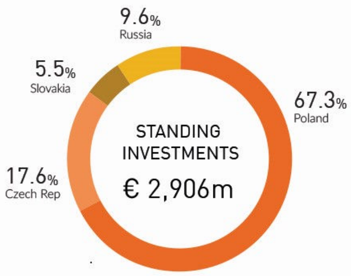
1 Including a 75% stake in assets held in Joint Ventures
2 The Occupancy rate, shown above, is defined as 100% less EPRA vacancy

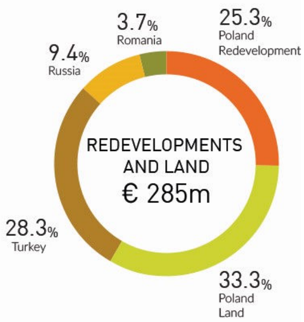
OUR BUSINESS

STANDING INVESTMENT PORTFOLIO SPREAD









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

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

KEY PERFORMANCE INDICATORS

KEY FINANCIAL FIGURES OF THE GROUP	Unit	2018	2017	Change %/ppt
EPRA like-for-like net rental income	€'000	118,166	116,793	1.2%
EPRA like-for-like net rental income excl. Russia	€'000	79,024	77,596	1.8%
Net rental income	€'000	178,947	189,910	(5.8%)
NRI excl. impact of acquisitions, disposals and redevelopments	€'000	118,142	116,230	1.6%
Operating margin	%	96.4	95.6	0.8%
EBITDA[1]	€'000	149,511	159,879	(6.5%)
Adjusted EBITDA[2]	€'000	166,914	159,879	4.4%
EPRA Costs ratio (including direct vacancy costs)	%	16.8	17.8	(1.0%)
Company adjusted EPRA earnings	€'000	110,751	122,146	(9.3%)
Revaluation of standing investments	€'000	17,895	13,750	
Revaluation of redevelopments and land[3]	€'000	(19,244)	(14,098)	
Profit after taxation for the year	€'000	60,627	89,092	(32.0%)
Net cash generated from operating activities	€'000	57,773	101,754	(43.2%)
Cash and cash equivalents	€'000	38,493	71,920	(46.5%)
Total assets	€'000	3,293,336	3,122,039	5.5%
Equity	€'000	1,793,049	1,893,660	(5.3%)
Borrowings	€'000	1,249,038	969,289	28.9%
LTV (net)	%	37.9	30.1	7.8%
PORTFOLIO KEY FIGURES				
Number of standing investment assets	Number	34	46	
Standing investments at fair value	€'000	2,905,858	2,639,467	10.1%
Net equivalent yield (weighted average)	%	6.4	7.0	(0.6%)
Occupancy rate[4]	%	96.6	96.8	(0.2%)
Redevelopments and land at fair value	€'000	284,492	345,331	(17.6%)
PER SHARE FIGURES				
IFRS Earnings per share	€cents	16.05	23.60	(32.0%)
Company adjusted EPRA earnings per share	€cents	29.3	32.4	(9.3%)
Dividend per share	€	0.41	0.41	-
Dividend pay-out ratio[5]	%	92.2	83.3	8.9%
IFRS NAV per share	€	4.75	5.02	(5.4%)
EPRA NAV per share	€	5.03	5.24	(4.0%)
Share price end of year	€	3.23	4.15	(22.2%)

1 Excluding revaluation, disposals and impairments
2 Adjusted for the impact of new/disposed of assets/re-dev. and one-off fees
3 Mainly related to devaluations in Turkey and Russia
4 The above Occupancy rate is defined as 100% less EPRA vacancy
5 Excluding special dividends of €cents 14 per share each paid in 2018 and 2017

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

CHAIRMAN'S STATEMENT

"WE ACHIEVED A NUMBER OF VERY SIGNIFICANT MILESTONES OVER THE COURSE OF 2018 WHICH I BELIEVE ARE KEY CATALYSTS TO UNLOCKING FURTHER LONG TERM VALUE AND INCOME GROWTH"

Throughout 2018 we continued our efforts to execute our long term portfolio repositioning strategy in what is undeniably a changing and, in some areas, a challenging retail market. I am pleased to report that, as a result, Atrium has once again delivered strong performance, marked by like-for-like rental growth and positive operational metrics in the Group's core markets.

Furthermore, we achieved a number of very significant milestones over the course of 2018, which I believe are key catalysts to unlocking further long term value and income growth from our portfolio.

The first of these initiatives was the progress we made with our redevelopment programme in Warsaw where we completed the extensions at Atrium Promenada (stage two) and Atrium Targowek in time for Christmas trading. Additionally, we opened the leisure elements of our programme at Atrium Reduta, comprising a new cinema and fitness centre.

In terms of phasing out non-core assets, we completed around €176 million of disposals over the course of the year at a healthy premium to book value. We also seized the opportunity to add a well established, first class asset to our portfolio when we acquired the iconic Wars Sawa Junior retail centre in the heart of Warsaw. This asset will be discussed in more detail later in this report but, suffice to say, that this is a very high footfall destination asset on the Polish capital's busiest street with in excess of 60 million people passing by annually. It is also set to benefit from a number of adjacent office and cultural developments, which will attract a further influx of both visitors and people working in the surrounding area, and offers a number of exciting value accretive asset management opportunities in the future. Furthermore, it increases our weighting towards dominant assets in strong urban locations in our preferred regional economies of the Czech Republic and, in this case, Poland. While the purchase of Wars Sawa Junior was a rare opportunity, we continue to seek further acquisitions, whilst in parallel disposing of assets that we have identified as no longer serving our long term strategy.

The difference in timing of our disposals and acquisitions has impacted our results in the short-term, since income lost from disposals was not seamlessly matched by new income from our redevelopments and acquisitions. In subsequent results, we will receive a full reporting period's contribution from Wars Sawa Junior and an increasing benefit of our extensions as new rental streams come on line.

As I have said before, this process of recycling and redeveloping assets is critical to the futureproofing of our portfolio by ensuring it comprises dominant retail centres in high density urban areas which are well connected by road and/or mass transport hubs. Furthermore, these modern, large scale, well-tenanted assets allow us to fulfill not only the retail 'needs' and 'wants' of the communities they serve, but also their social and leisure 'time out' requirements. Satisfying these demands increases footfall, improves dwelling time and makes a compelling proposition for the tenants we can and want to attract, whilst improving the portfolio's resilience to e-commerce.

Once again, the CEE's GDP growth remained strong during the year under review. Looking at our two most important markets; Poland was the strongest performer, with the Czech Republic also performing well; against a backdrop of low unemployment and strong retail sales, growth forecast for the year. Our confidence in the Group's prospects, both in terms of the initiatives we are putting in place to improve our portfolio through redevelopment and recycling out of noncore assets, together with the economic outlook of our markets, led the Board to reaffirm the annual dividend at 27 €cents per share for 2019.

Throughout the year, we also successfully completed a number of pro-active balance sheet initiatives which will further support our ambitions. We extended our revolving credit facility to €300 million and its duration to 2023 and issued a new, seven year Eurobond while simultaneously repurchasing €242 million of our more expensive 2020 and 2022 notes. We were also successful in obtaining an 8 year secured loan for Wars Sawa Junior at 2.3% interest rate. Following these actions and the ongoing progress in delivering on our strategy across the whole Company, it was very pleasing to see Atrium rewarded with a credit rating upgrade from Fitch at the end of the year.

As in previous reports, I would like to take this opportunity to pass on my own thanks, and those of the Board, to our executive team and all our staff, for their hard work and commitment during the year – they are the engine that really drives this business. Finally, a thank you to our shareholders, bondholders and other stakeholders for their continued support, and to close, I would like to reiterate our dedication to delivering long term value on their behalf.

Sincerely,

Chaim Katzman

GROUP CHIEF EXECUTIVE'S STATEMENT

"WE FINISHED THE YEAR WITH A HIGHER QUALITY PORTFOLIO OF LARGER, MORE DOMINANT RETAIL ASSETS AND OUR BELIEF THAT THESE ASSETS ARE WELL PLACED TO BENEFIT FROM THE CHANGES BEING SEEN IN THE RETAIL SECTOR IS EVIDENCED BY THE STRONG OPERATIONAL METRICS WE HAVE ONCE AGAIN SEEN IN OUR CORE TERRITORIES"

I am pleased to report that, once again, our 2018 results provide tangible evidence of the positive impact of executing the Group strategy across all aspects of our business. Whilst it is fair to say that retail as a sector has experienced challenges this year, we are building a portfolio that we believe is composed of quality retail assets that will remain attractive and relevant in today's fast-evolving retail and consumer environment and beyond. The portfolio's strength is clearly reflected in the figures we report and follow a year that has seen us undertake significant transactional activity, progress and complete a number of major redevelopments and achieve further positive momentum in the implementation of our asset management initiatives. As a result, we finished the year with a higher quality portfolio of larger, more dominant retail assets that are predominantly located in the capital and tier one cities in our core markets of Poland and the Czech Republic.

We believe these assets are well placed to benefit from the changes being seen in the retail sector and this is evidenced by the fact that we have again grown like-for-like rental income across our core territories in 2018, with Russia, which remains a challenging and unpredictable market, finishing the year flat. EBITDA, excluding the impact of disposals, acquisitions and our redevelopment projects, as well as an one off-cost of the buyout of the Atrium Dominikanska management, has also grown by 4.4% in 2018 reflecting the underlying quality of our assets and the occupier appetite for our space, and driven by the completion of our cost savings programme, having now achieved our cumulative cost savings target of €10 million. Valuations were also up in our core territories, further endorsing the logic of our strategy and the higher quality of these assets and their locations.

The Company also achieved a number of important milestones on our strategic roadmap over the year under review. First, we have completed €176 million of disposals including the sale of Atrium Militari, for €95 million, which marked our exit from operations in Romania; secondly the sale of our last four assets in Hungary to conclude our withdrawal from that market; and lastly the effective completion of our portfolio repositioning in the Czech Republic.

The subsequent €301.5 million completion of the acquisition of Wars Sawa Junior in October marked the successful recycling of the capital derived from disposals into one of the most popular and well-established retail centres in Poland. It also broadly offsets the income reduction from asset sales with higher quality revenues although the phasing of these disposals in relation to the acquisition led to a reduction in Group EBITDA for this financial year.

Wars Sawa Junior is truly one of the most coveted assets in the region; with footfall in and around it in excess of 60 million visitors per annum. It offers 26,000 sqm of high quality modern retail space which is fully let to a range of strong international and domestic retail and leisure brands such as H&M, C&A, CCC, TK Maxx and Zara. Additionally, the centre has 11,000 sqm of office and storage space with tenants providing a captive audience and footfall driver for the centre. Importantly, the centre is set to benefit from several significant new developments that are under construction nearby and are planned to open soon. These local developments will provide us with a further increase in the catchment for our centre and will help to drive footfall levels, bringing more visitors and a new permanent working population to our doorstep.

85% of our portfolio is now located in our core markets of Poland and the Czech Republic. Our Polish portfolio was further boosted ahead of the important Christmas trading period when we opened stage two of our Atrium Promenada redevelopment and the extensions of both Atrium Targowek as well as the leisure phase of Atrium Reduta. Our redevelopment projects are substantial strategic investments that align to our objectives of strengthening the Group's resilience, long term profitability and sustainable growth trajectory. Our overriding aim is to create dominant and convenient destinations that offer consumers a place making experience with a wider selection of leisure, dining and entertainment tailored to the catchment area.

Further progress was also made to proactively manage our balance sheet to ensure we have the right financial structure in place to support growth and, ultimately, deliver value for shareholders. In September, the Group issued a €300 million unsecured seven-year Eurobond maturing in 2025, carrying a fixed 3.0% coupon and repurchased €242 million of the outstanding 2020 and 2022 notes. This followed the signing in May of a €75 million increase to €300 million of the Group's revolving credit facility, which was also extended to 2023. Leverage levels remain within the range of long term target of approx. 40% at around 38%. We were also able to successfully secure a long term eight year loan on competitive terms of 2.3% for our new acquisition Wars Sawa Junior.

The careful attention we have given to our balance sheet throughout the year was rewarded by a ratings upgrade from Fitch to our Company's Long Term Issuer Default Rating from 'BBB-' to 'BBB'. This is an important endorsement of the improvements that we've made to the portfolio over recent years, and particularly in 2018, and an acknowledgement of the expected supportive operating momentum across our geographies.

Having paid a special dividend to our shareholders in March, the achievements of 2018 and the continued success of our strategy, have given the Board the confidence to maintain the Group's annual dividend at 27 €cents per share for 2019, reviewed on a quarterly basis.

We continue to experience a supportive economic landscape in the markets in which we operate, particularly in our core territories of Poland and the Czech Republic where we saw ongoing high GDP growth in 2018 (5.1% and 2.9% respectively) and forecasts for 2019 3.5% and 3.0% respectively. Retail sales again saw strong growth in 2018 and a further growth forecasted for 2019 of 6.2% and 2.7% for Poland and the Czech Republic respectively. Russian GDP also grew, though at a lower rate of 1.7% forecast for 2018 and coupled with a year on year devaluation of its currency of 15%. We continue to monitor closely what remains a challenging Russian market where our on ground team continues to actively manage our assets and tenant relationships.

I'm also pleased to report that broader global events have had limited direct impact so far on market growth in the countries in which we operate, which is largely driven by their healthy economies.

None of this could be achieved without the hard work and dedication of our staff, Management and Board of Directors. The continued support of our shareholders and bondholders is also invaluable and our overall focus remains on continuing to deliver value on their behalf.

Looking forward, the combination of the positive macro drivers in our key geographies which flow through to consumer confidence and retail spend, together with the significant strides we continue to take to future proof and further improve the quality of our portfolio give me confidence in the near and long term prospects of the Group.

Sincerely,

Liad Barzilai

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GROUP MANAGEMENT REPORT


RESERVED

OPERATING ACTIVITIES

OUR MARKETS

Business environment	Poland	Czech Republic	Russia	Slovakia	EU Average	France	Germany
GDP growth, 2018F	5.1%	2.9%	1.7%	3.9%	2.1%	1.6%	1.9%
GDP growth, 2019F	3.5%	3.0%	1.8%	4.1%	1.8%	1.6%	1.9%
Unemployment, 2018F	5.7%	2.1%	4.7%	6.6%	8.1%	9.1%	3.2%
Unemployment, 2019F	4.0%	3.0%	5.3%	6.9%	7.9%	8.5%	3.4%
Inflation, 2018F	2.3%	2.6%	3.6%	2.8%	1.7%	1.6%	1.8%
Inflation, 2019F	2.9%	2.1%	5.7%	2.0%	1.9%	2.2%	1.9%
Retail Sales growth, 2018F	6.7%	2.8%	5.6%	4.9%	1.8%	2.6%	2.5%
Retail Sales growth, 2019F	6.2%	2.7%	5.6%	4.7%	2.2%	3.6%	2.2%

On the global stage in 2018, the many events that we have witnessed have yet to have any major impact on Central Europe. In the CEE, the economies are still demonstrating high growth, apart from Russia, where growth has slowed again through the second half of 2018.

Emerging Europe indicators suggest that CEE GDP growth held strong in 2018 at 4.5% over last year. The forecast GDP growth for our core markets for 2018 remains strong, showing Poland and the Czech Republic growth of 5.1% and 2.9% respectively against a background of low unemployment and strong retail sales. Russian GDP growth stays on forecast at 1.7% in 2018, despite year-on-year growth slipping to 1.5% in Q3; forecasters expect stronger performance in the fourth quarter of 2018. However, with poor growth numbers in the major EU markets, this will affect the net trade with CEE markets. This shows in expected Polish GDP growth dropping from 5.1% in 2018 to 3.5% in 2019.

Consumer spending continued to grow at good rates, attracting more investment into the sector, resulting in yields for primary shopping centres continuing to trend downwards in our markets.

In Poland, investment in retail space was higher than in the prior two years, adding approximately 430,000 sqm to a total of 12 million sqm. There are fewer and fewer land plots available on Poland's prime modern retail space map, and the country is quickly becoming a mature market. Under these circumstances, property developers are approaching new projects, particularly larger scale projects, with greater caution. Many are focusing on retail parks and convenience centres as a source of new opportunities, seeking to satisfy unmet needs of smaller communities. Another trend is increasing popularity of mixed-use schemes that combine retail, office, entertainment and gastronomic functions.

Within the EU, Poland and Czech Republic's higher growth is evident compared to Germany and France, where 2018 GDP current forecasts revised downwards from the Q2 forecasts of 2.5% to 1.9% and from 2.1% to 1.6% respectively. The ECB continues to affirm that Euro interest rates will not start to rise until Q3 2019.

Looking at our largest market in more detail; Poland's high retail sales growth of 6.7% combined with a low unemployment rate of 5.7% and inflation of 2.3% provides strong economic fundamentals. The highly educated work-force is very attractive for business, given the relatively low pay rates. Sunday Trading restrictions extend in 2019, reducing the allowable trading to the last Sunday of each month. Exceptions to the ban include gastronomy, cinema, pharmacies and other services. This has caused a move for some of the consumer spending into exempt locations, using existing and recently added in-location food and essentials shops.

Czech Republic continued its strong retail sales growth with an uplift of around 2.8% over last year and, at the end of Q2, employment in the republic's retail sector had grown by 3.1%. Despite imports growing faster than exports, there was still a surplus (down 1/3 on previous year) contributing to an accumulated foreign trade surplus of €4.6 bn. Investment activity slowed dramatically in Q3, decreasing 59% yoy. Total retail space of 227 sqm per 1,000 inhabitants puts the Czech Republic into a group of countries above the European average. Within CEE, the density volume is the second highest after Slovakia, with Poland slightly behind with 208 sqm per 1,000 inhabitants.

Slovakia has an almost saturated market in retail, with similar strong economics to its neighbouring Czech Republic.

Taking a look at Russia, the impact of the sanctions and the polarisation of its standing in the world continues to cause problems. In the face of adverse sanctions, the management of the Russian economy has succeeded in delivering economic growth. Despite the improvement of the country's macro-economic situation, discounting of prices in the Russian retail sector has become habit forming amongst the shoppers. Most customers take discount into consideration at traditional and internet stores. In response to this trend, retailers have increased the volume of discounted products.

Retail E-commerce continues to grow. According to an October 2018 survey of Polish e-buyers by PMR, online purchases are much more attractive than the traditional channels in almost every respect. The analysis mentions the innovation of stores using both traditional and online channels with touchscreen facilities for the customer to select the products available. However, interestingly, a separate report from PMR at the end of September also shows the pace of growth in Polish online sales slowing. In the Czech Republic, internet penetration of the total retail market was 15% in 2018, one of the highest in Europe. Analysis from the mature internet markets show the impact on retail spending is highest in secondary locations.

In conclusion, against the background of European tensions in the EU and Brexit, we can look back to see strong and sustained growth. Looking forward, the key drivers that have supported our business in recent years remain in place but no one can deny that there is much uncertainty and that any negative impact from Brexit on the EU economy might send ripples through all markets.

Sources: IMF, PMR, Bloomberg, CBRE, Capital Economics, CUS, Trading Economics

OUTLOOK

We have seen continued economic growth in the retail sector and although this rate of economic growth, arising from the high wage and GDP growth in the CEE, is expected to slow in the next two years, the underlying economic strength, combined with continued low interest rates, is good for retail investment. This is especially true in the prime locations which dominate our portfolio and which are the focus for future investment strategies. We will continue to invest in our redevelopment and extension programme to ensure that our shopping centres remain attractive and competitive. At the same time, we will continue to seek new opportunities to further align our portfolio with our strategy of owning a high quality, urban portfolio with large, dominant retail assets.

INCOME PRODUCING PORTFOLIO

As at 31 December 2018, Atrium's income producing portfolio comprised 34[2] standing investment properties in four CEE countries with a market value of €2.9 billion[2]. In total, this portfolio had a total gross lettable area ("GLA") of approximately 1.0 million sqm and in 2018 produced a gross rental income of €185.6 million[2].

The Polish and Czech portfolios make up 85% of the total market value of the portfolio. 80% of the Czech portfolio is located in Prague and following the acquisition of Wars Sawa Junior, 48% of the Polish portfolio in concentrated in the capital city of Warsaw. Average assets size has increased in both of these core markets which now account for almost 70% of the Group's Net Rental income.

Twenty-eight of the assets owned by the Group at year-end were shopping centres, eighteen of which were large scale centres of over 30,000 sqm of GLA, while the other ten ranged in size from between 10,000 sqm and 30,000 sqm of GLA. The six 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 anchored by food, fashion as well as leisure and entertainment tenants and that these are relevant to its local environment. This increases the resilience of the portfolio by allowing it to both meet the every-day needs of consumers while at the same time be positioned as an attractive destination. This combination is fundamental to driving footfall, generating additional income and value creation in a changing retail market. 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 remains a major component of the sustainable levels of rental income and cash flow that the Group produces.

The overall market value of the Group's standing investments portfolio increased by 10.1% to €2.9 billion over the course of the year compared to €2.6 billion at the same time in 2017. During 2018, Atrium made significant progress in portfolio repositioning strategy with the completion of disposals and exit of Hungary and Romania and the acquisition of Wars Sawa Junior, a prime retail asset in Warsaw, for €301.5 million. In addition, in the last quarter of the year, Atrium opened stage two of Atrium Promenada redevelopment and the extensions of both Atrium Targowek and Atrium Reduta.

The market value of the Groups standing investments in Russia represented only 9.6% (31 December 2017: 11.0%) of the total market value of standing investments.

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

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

Standing investments	No. of properties		Market value		Gross lettable area		Average asset size		Revaluation	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Country			€'000	€'000	in thousand sqm	in thousand sqm	in thousand sqm	in thousand sqm	€'000	€'000
Poland	22	21	1,956,194	1,522,832	581.2	517.4	26.4	24.6	20,729	1,803
Czech Republic	2	3	336,563	333,055	60.8	62.0	30.4	20.7	2,244	7,083
Slovakia	2	3	160,510	166,820	68.4	76.8	34.2	25.6	(891)	(2,798)
Russia	7	7	278,771	289,305	240.1	241.5	34.3	34.5	(14,255)	3,126
Hungary	-	4	-	10,190	-	15.3	-	3.8	1,410	(278)
Romania	-	1	-	86,790	-	56.4	-	56.4	7,987	5,236
Total	**33**	**39**	**2,732,038**	**2,408,992**	**950.5**	**969.4**	**28.8**	**24.9**	**17,224**	**14,172**
Investment in Joint Ventures (75%) in the Czech Republic	1	1	173,820	172,125	30.0	30.0	30.0	30.0	671	(568)
Standing investments classified as assets held for sale	-	6	-	58,350	-	89.0	-	14.8	-	146
Total standing investments	**34**	**46**	**2,905,858**	**2,639,467**	**980.5**	**1,088.4**	**28.8**	**23.7**	**17,895**	**13,750**

The key drivers behind the 0.7% or €17.9 million revaluation as at 31 December 2018 was the completion of our redevelopment assets and an increase in our income. Positive revaluation was in part offset by devaluation in Russia, predominantly as a result of the fluctuation of Rouble in 2018.

Our core portfolio of prime Polish assets continues to perform well while benefiting 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 in secondary assets.

In the Czech Republic, the positive revaluation was due to rental growth and subsequent ERV increases. Slovakia was relatively stable during the year, with marginal movement in fair value.

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	2018	2017	2018	2017
Poland	5.8%	6.2%	5.4%	6.0%
Czech Republic	5.3%	5.6%	5.4%	5.5%
Slovakia	6.8%	7.0%	6.8%	6.3%
Russia	12.7%	12.5%	11.9%	11.7%
Hungary	-	9.3%	-	11.0%
Romania	-	8.1%	-	8.3%
Average	**6.4%**	**7.0%**	**6.1%**	**6.7%**

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 tightened to 6.4% and to 6.1% respectively (31 December 2017: 7.0% and 6.7%) and the EPRA "topped up" NIY as at 31 December 2018 decreased to 6.6% (31 December 2017: 7.2%). The tightening of yields is due to the acquisition of our prime asset in Poland, Wars Sawa Junior, the completion of our redevelopments and the disposal of high yielding assets - improving the overall quality of the portfolio.

ACQUISITIONS

In October 2018, Atrium completed the acquisition of Wars Sawa Junior, a prime retail asset located in the heart of Warsaw and in its most prominent high street retail area, for a consideration of €301.5 million. The acquisition of Wars Sawa Junior was funded using a mixture of a bridge loan facility, a drawdown from our revolving loan facility and existing cash resources. In December 2018, the bridge loan was refinanced by a €170.0 million secured bank loan with a tenor of eight years.

DISPOSALS

During the year, the Group completed the following transactions:

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

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, were sold for €42.0 million.

The sale of Atrium's interest in the 18,800 sqm Futurum Shopping Centre in Brno, in the Czech Republic for €13.6 million.

In May 2018, the disposal of Atrium Saratov in Slovakia for €10.3 million was completed.

In July 2018, the 56,400 sqm Atrium Militari shopping centre in Bucharest, Atrium's only asset in Romania, was sold for €95 million.

During August and September 2018, the Company completed the disposal of the four residual assets in Hungary for €11.6 million.

In total, Atrium sold 13 assets in 2018 for €176 million, 9% above book value, allowing it to complete the Group's portfolio rotation in the Czech Republic and exit the operations in Hungary and Romania.

The number of assets decreased from 46 at the beginning of the year to 34 as of today. The average asset value and the average asset size increased from €57.4 million to €85.5 million and from 23.7 thousand sqm to 28.8 thousand sqm respectively.

OCCUPANCY

Atrium's occupancy remained strong throughout the year, with rates of 96.6% and 96.3% at year end on the basis of EPRA[3] and GLA respectively, reflecting the attractiveness of the Group's centres.

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

	Occupancy rate		GLA Occupancy	
Country	2018	2017	2018	2017
Poland	96.2%	96.4%	95.7%	96.5%
Czech Republic	99.6%	97.6%	99.0%	94.8%
Slovakia	99.2%	95.4%	98.8%	90.1%
Russia	94.5%	97.1%	96.3%	97.2%
Hungary	-	97.6%	-	96.8%
Romania	-	99.2%	-	99.8%
Group	**96.6%**	**96.8%**	**96.3%**	**96.2%**

LEASING ACTIVITY

Atrium's focus on asset management and strengthening relationships with tenants saw it sign 746 leases (2017: 950 leases) during the year; 560 (2017: 699) of these leases were in previously occupied premises and 186 (2017: 251) leases in previously vacant/restructured units.

	Unit	2018
Previously occupied (comparable units)		
Number of leases	Number	560
GLA leased	Sqm	114,673
New contracted monthly rental income per sqm	€	21.6
Prior contracted monthly rental income per sqm	€	22.4
Previously vacant/restructured units		
Number of leases	Number	186
GLA leased	Sqm	70,089
New contracted monthly rental income per sqm	€	13.7
Total New Leases		
Number of leases	Number	746
GLA leased	Sqm	184,761
New contracted monthly rental income per sqm	€	18.6

The 746 leases signed represented approximately €41.2 million of annualised rental income at an average rent of €18.6 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 2018 was 5.3 years (2017: 4.8 years).

32.1% of lease agreements across the Group now have a remaining contract term of more than five years (2017: 29.8%). 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 2018. Additionally, the lease maturities between 2019 and 2023 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 2018s 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)
2019	18.8%	926	145
2020	12.0%	447	80
2021	10.4%	351	77
2022	7.9%	235	70
2023	16.5%	399	125
> 2023	32.1%	439	417
Indefinite	2.3%	124	29
Total	**100.0%**	**2,921**	**943**

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

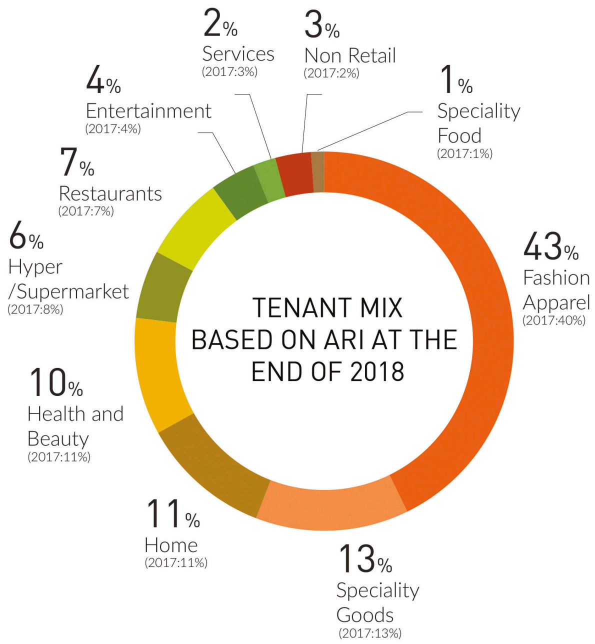
88.0% of the Group's lease agreements by GRI are denominated in Euros, limiting the exposure to local currency fluctuations. Of the remainder, 1.0% is denominated in Czech Korunas, 6.4% in Polish Zlotys, 4.1% in Rouble and 0.5% in other currencies.

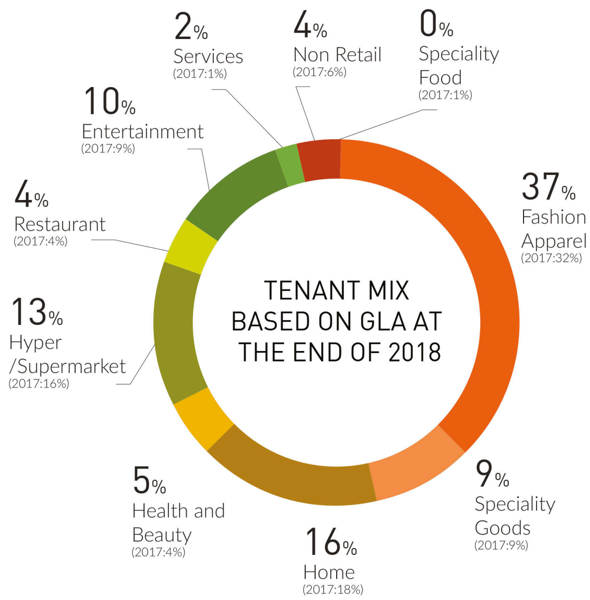
In currencies, such as the Rouble, where we have experienced exposure to fluctuations, Atrium has been proactive in reducing margin exposure for tenants through rental discounts. For information about currency risk, see note 2.37 to the financial statements.

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. 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 2018, fashion and apparel tenants represented the largest percentage of our tenants in terms of GLA, at 37%, and rental income, at 43%. As a result of the refocusing of our asset base towards larger scale and dominant shopping centres, we have successfully reduced the relative share of the lower margin hyper/supermarket anchors within the portfolio, with 2018 being the sixth consecutive year that we have seen this trend. Furthermore, our focus on these types of centres plays to the ongoing trend of rationalisation with retailers reducing the total number of stores they operate in favor of a smaller number of larger stores where they can show a much fuller range of merchandise and which align with their omni-channel approach to sales.





TOP TEN TENANTS

As at the end of 2018, the brands belonging to LPP, our largest tenant, represented 4.1% of total ARI. The top ten tenants represented 23.3% (2017: 20.7%) of the total by ARI and 30.9% (2017: 29.5%) of the total by GLA, highlighting the high degree of tenant diversification within the portfolio.

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

Top ten tenants	Main brands	Field of operations	As a % of 2018 total ARI	As a % of 2018 total GLA
LPP	Reserved, Cropp, House, Mohito, Sinsay, Re-Kids	Fashion	4.1%	4.4%
Hennes & Mauritz	H&M	Fashion	3.1%	4.0%
AFM	Auchan, Orsay, Decathlon, Leroy Merlin	International hypermarket and sport goods retailer	3.0%	7.0%
Inditex	Zara, Stradivarius, Pull & Bear, Bershka, Massimo Dutti, Zara Men, Oysho	Fashion	2.6%	2.8%
CCC	CCC, eobuwie.pl	Footwear	2.3%	2.0%
Metro Group	Media Markt, Saturn	International hypermarket and electronic retailer	2.2%	3.6%
Kingfisher	Castorama	Home improvement	1.7%	2.2%
Carrefour	Carrefour, Carrefour Express	International hyper / supermarket	1.5%	2.8%
EM&F Group	Empik	Culture goods retailer	1.5%	1.3%
A.S. Watson	Rossmann, Marionnaud	Health and Beauty	1.3%	0.8%
Total top ten tenants			**23.3%**	**30.9%**

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 2018. All are located in Poland, the Czech Republic and Slovakia, which are the region's strongest economies, and represent 68.4% (2017: 63.2%) of the total standing investments portfolio by value.

Property name	City	Country	Market value €'000[1]	GLA Sqm	Year of opening	Number of retail tenants	Food anchor tenants	Occupancy rate[2]
Wars Sawa Junior	Warsaw	Poland	311,174[3]	37,000	1970	18	Carrefour	95.8%
Atrium Promenada	Warsaw	Poland	302,682	63,300	1996	151	Carrefour	96.9%
Atrium Targowek	Warsaw	Poland	235,130	40,000	1998	144	Carrefour	95.8%
Atrium Flora	Prague	Czech Republic	233,492	40,000	2003	113	Albert	99.8%
Galeria Dominikańska	Wroclaw	Poland	185,390	32,600	2001	99	Carrefour	99.2%
Arkády Pankrác	Prague	Czech Republic	173,820[4]	30,000[4]	2008	91	Albert	99.9%
Atrium Felicity	Lublin	Poland	147,480	54,600	2014	108	Auchan	96.3%
Atrium Koszalin	Koszalin	Poland	139,438	56,500	2008	106	Tesco	94.5%
Atrium Copernicus	Torun	Poland	136,928	47,500	2005	131	Auchan	97.9%
Atrium Optima	Kosice	Slovakia	123,210	47,100	2002	156	BILLA	99.7%
Total top ten standing investments			**1,988,744**	**448,600**		**1,117**		

1 Includes land lease
2 The above Occupancy rate is defined as 100% less EPRA vacancy
3 € 301.5 million excluding land lease
4 Represents our 75% stake in the centre

RENTAL INCOME

The Group's standing investment properties produced €185.6 million of GRI during the period. This temporary 6.6% reduction was anticipated following the loss of income arising from the disposal of non-core assets in Hungary, the Czech Republic, Slovakia and Romania compared to last year. This decrease was partially offset by an increase in GRI in Poland, following the recent acquisition of Wars Sawa Junior shopping center in Warsaw, although with the transaction only completing during October it didn't fully offset the impact of the disposals which took place earlier in the year. We were encouraged that the GRI in Poland increased even though it was also adversely affected by the temporary disruption and vacancies arising from the upgrade and extension works at three key shopping centres in Warsaw as we seek to create long term value and income improvements through redevelopments. The Sunday trading ban implemented in March 2018 in Poland had for now no material impact on the overall sales of our Polish portfolio and a marginal impact on the footfall.

Similarly, Group NRI reflected a decrease of 5.8% to €178.9 million primarily due to the disposal phasing and redevelopment projects, offset by the acquisition of Wars Sawa Junior. The adverse effect in the Polish NRI is due to non-recoverable expenses related to redevelopment projects.

The average annual base rent including lease incentives per sqm increased from €159 as at 31 December 2017 to €178 as at 31 December 2018.

GROSS RENTAL INCOME

	Number of properties		2018		2017	Change	Change
	2018	2017	€'000	% of GRI	€'000	€'000	%
Poland	22	21	101,176	54.5%	100,345	831	0.8%
Czech Republic	2	4	19,323	10.4%	20,061	(738)	(3.7%)
Slovakia	2	3	10,692	5.8%	11,101	(409)	(3.7%)
Russia	7	7	38,506	20.7%	41,873	(3,367)	(8.0%)
Hungary	-	9	1,270	0.7%	7,871	(6,601)	(83.9%)
Romania	-	1	4,190	2.3%	7,368	(3,178)	(43.1%)
Total	**33**	**45**	**175,157**	**94.4%**	**188,619**	**(13,462)**	**(7.1%)**
Investment in Joint Ventures (75%)	1	1	10,411	5.6%	10,089	322	3.2%
Total gross rental income	**34**	**46**	**185,568**	**100.0%**	**198,708**	**(13,140)**	**(6.6%)**

NET RENTAL INCOME

	Number of properties		2018		2017	Change	Change
	2018	2017	€'000	% of NRI	€'000	€'000	%
Poland	22	21	96,004	53.6%	98,019	(2,015)	(2.1%)
Czech Republic	2	4	18,888	10.6%	19,513	(625)	(3.2%)
Slovakia	2	3	10,373	5.8%	10,586	(213)	(2.0%)
Russia	7	7	39,142	21.9%	38,656	486	1.3%
Hungary	-	9	929	0.5%	6,887	(5,958)	(86.5%)
Romania	-	1	3,961	2.2%	6,882	(2,921)	(42.4%)
Total	**33**	**45**	**169,297**	**94.6%**	**180,543**	**(11,246)**	**(6.2%)**
Investment in Joint Ventures (75%)	1	1	9,650	5.4%	9,367	283	3.0%
Total net rental income	**34**	**46**	**178,947**	**100.0%**	**189,910**	**(10,963)**	**(5.8%)**

OPERATING MARGIN

Country	2018 in %	2017 in %	Change in %
Poland	94.9%	97.7%	(2.8%)
Czech Republic[1]	96.0%	95.8%	0.2%
Slovakia	97.0%	95.4%	1.6%
Russia	101.7%	92.3%	9.4%
Hungary	73.1%	87.5%	(14.4%)
Romania	94.5%	93.4%	1.1%
Total operating margin	**96.4%**	**95.6%**	**0.8%**

1 Including Investment in Joint Ventures (75%)

The operating margin increased 0.8% to 96.4% (31 December 2017: 95.6%) mainly due to improvements in Russia and Slovakia.

Turnover rent was 4.4% of total GRI in 2018 (2017: 4.3%)

EPRA LIKE-FOR-LIKE GROSS RENTAL INCOME

Country	2018 €'000	2018 % Total	2017 €'000	Change €'000	Change %
Poland	51,808	27.9%	51,387	421	0.8%
Czech Republic	29,573	15.9%	28,838	735	2.5%
Subtotal	**81,381**	**43.9%**	**80,225**	**1,156**	**1.4%**
Russia	38,506	20.8%	41,141	(2,635)	(6.4%)
Like-for-like gross rental income	**119,887**	**64.6%**	**121,366**	**(1,479)**	**(1.2%)**
Remaining gross rental income	65,681	35.4%	76,662	(10,981)	(14.3%)
Exchange rate effect[1]	-	-	680	(680)	
Total gross rental income	**185,568**	**100.0%**	**198,708**	**(13,140)**	**(6.6%)**

1 To enhance comparability of GRI, prior period values for like-for-like properties have been recalculated using the 2018 exchange rates as per EPRA best practice recommendations

EPRA LIKE-FOR-LIKE NET RENTAL INCOME

Country	2018 €'000	2018 % Total	2017 €'000	Change €'000	Change %
Poland	50,605	28.3%	49,918	687	1.4%
Czech Republic	28,419	15.9%	27,678	741	2.7%
Subtotal	**79,024**	**44.2%**	**77,596**	**1,428**	**1.8%**
Russia	39,142	21.9%	39,197	(55)	(0.1%)
Like-for-like net rental income	**118,166**	**66.1%**	**116,793**	**1,373**	**1.2%**
Remaining net rental income	60,781	33.9%	73,766	(12,985)	(17.6%)
Exchange rate effect[1]	-	-	(649)	649	
Total net rental income	**178,947**	**100.0%**	**189,910**	**(10,963)**	**(5.8%)**

1 To enhance comparability of NRI, prior period values for like-for-like properties have been recalculated using the 2018 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 programmes of disposals, repositioning and redevelopments which the Group has undertaken to increase the quality of its portfolio and long term cash flow.

Across our main markets we achieved a 1.2% uplift in like-for-like NRI to €118.2 million. While the like-for-like NRI in Russia remained flat, the growth across the rest of the portfolio, excluding Russia, was healthy with a 1.4% increase in like-for-like GRI and 1.8% increase on a net basis. A point to note is that in Czech, where we have completed our portfolio repositioning, we achieved strong like-for-like NRI growth of 2.7%. In Poland, the process of rotating our portfolio from tier 2 cities will continue in line with our value growth strategy and we expect the rental income trend seen in the Czech Republic to follow once this process completes.

EBITDA excluding revaluation, disposals and impairments decreased by 6.5% to €149.5 million primarily due to the loss of income from the disposal of non-core assets. However, when excluding this non-comparable NRI related to redevelopments and disposals, and an one off-cost of the buyout of the Atrium Dominikanska management, the EBITDA reflects a 4.4% increase. As previously mentioned, Wars Sawa Junior only contributed from October onwards and therefore only partially offsetting the loss in rental income from the disposals made earlier in the year.

Profit after tax was €60.6 million compared to €89.1 million in 2017, as a result of a €17 million increase in finance expenses related to the debt refinancing of outstanding (2020 and 2022) notes and a €15.9 million increase in taxation (mainly due to a large deferred tax expense during the current year, compared to a deferred tax credit in the prior year).

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, decreased by 9.3% to €cents 29.3 compared to €cents 32.4 in 2017. However, when excluding the impact of non-comparable NRI related to redevelopments and disposals the earnings increased by 1.2%.

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

The balance sheet remains efficient with a gross and net LTV of 39.2% and 37.9% respectively and a cash and cash equivalent amount of €38.5 million as at 31 December 2018 compared to €71.9 million as at 31 December 2017.

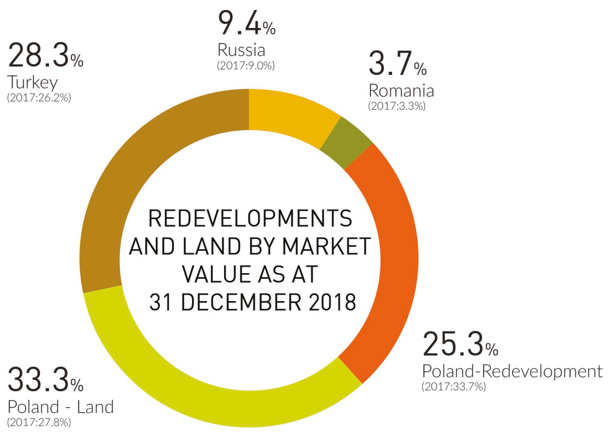
REDEVELOPMENTS AND LAND

As at 31 December 2018, Atrium's redevelopments and land portfolio was valued at €285 million compared to €345 million the previous year. It comprises €213 million land (2017: €229 million), which Atrium continues to seek to monetise, mainly through sales, and €72 million redevelopments (2017: €116 million).

Land values have been devalued by €19 million, largely due to weakening of local currency in Turkey and Russia. The reduction of the redevelopments followed the three openings in Warsaw during the fourth quarter of 2018 detailed below.

A key focus of the Group is to pursue our strategy of upgrading and extending proven assets which are already cash generating and where there is retailer and consumer demand and therefore a lower execution risk. 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 country diversification of the Group's redevelopment and land portfolio is presented below:



REDEVELOPMENT AND EXTENSION PROGRAMME IN WARSAW

The Company's redevelopment and extension pipeline (of which €145 million had been spent cumulatively by the end of December 2018) delivered 20,000 sqm of prime new GLA to our portfolio in Warsaw with the opening of the second stage of Promenada and the opening of Atrium Targowek and Atrium Reduta extensions during the fourth quarter of 2018.

Asset	GLA thousand sqm	Completed to date thousand sqm	Expected completion
Atrium Promenada	47.6	7.8	2022
Atrium Targowek	8.6	8.3	2019
Atrium Reduta	4.2	4.2	2020
Total	**60.4**	**20.3**	

3 OPENINGS IN 2018

ATRIUM PROMENADA

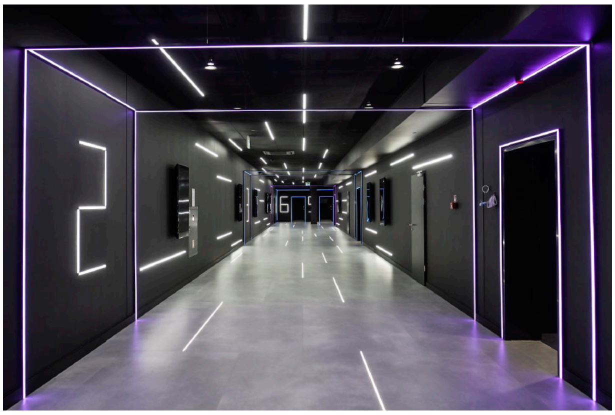
Stage 1 was completed in October 2016, adding a newly refurbished central corridor, with numerous new facilities, as well as unique golden facade. The new space accommodates one of the largest H&M stores in Poland as well as the latest retail design of GoSport, and others.

Stage 2 was opened in October 2018 and introduced a brand new food court area, double shop fronts and a refurbished fountain alley with flagship fashion stores for Zara and Massimo Dutti, together with new concept stores for Eobuwie, uniting the on line with in store experience. Following the upgrade, the total GLA of Atrium Promenada increased to 63,300 sqm and is expected to have over 100,000 sqm in total when the full project completes in 2022.

ATRIUM TARGOWEK

Also in October 2018, we opened the extension of Atrium Targowek, which at the same time allowed us to introduce 27 new retailers, a new food court and kids zone. The extension increased the number and size of anchor tenants and refurbished the mall area within the existing scheme. Although 90% of the mall refurbishment has completed, the remaining works around the central Rotunda entrance will continue until June. The enlargement of the food court seating area and the creation of additional units will be undertaken over the summer.

ATRIUM REDUTA



In November 2018, a new leisure facilities comprising a 2,700 sqm Cinema 3D and a modern 1,500 sqm fitness centre were introduced to customers. Overall centre refurbishment and new food court units will be completed in 2020.

AQUISITION OF WARS SAWA JUNIOR

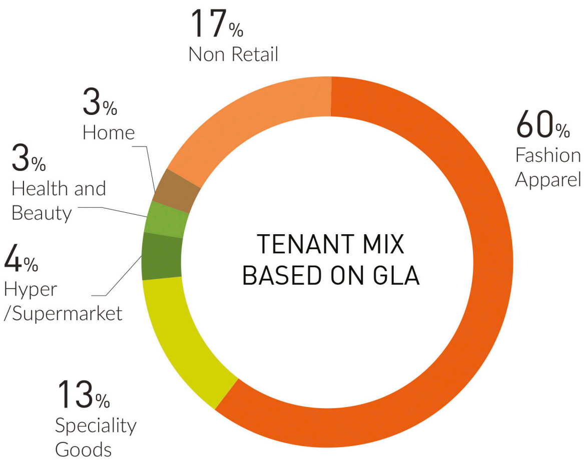
ANOTHER JEWEL IN THE WARSAW CROWN

Key Facts as at 31 December 2018
Year of opening: 1970
GLA: 37,000 sqm (Retail 26,000 sqm)
Market value: €301.5 million
GLA occupancy: 95.0%
Annual footfall: 60 million in and around the asset
Number of leases: 21 (Retail 18)
Website: www.warssawajunior.pl

HIGH QUALITY MODERN SHOPPING CENTRE

Atrium acquired Wars Sawa Junior in October 2018 for €301.5 million, further strengthening its position in the Warsaw retail market.

Built in the early 1970's, Wars Sawa Junior was originally Warsaw's first department store. Having been remodeled, extended and upgraded a number of times, today it is one of the most established and popular retail centres in the city. Accommodating 26,000 sqm of retail space, it contains flagship shops of major international fashion brands, such as H&M, C&A, CCC, TK Maxx, Zara, Mango and LPP Group brands. Moreover, its unparalleled visibility and connectivity to the busy streets of Warsaw means that it is able to attract a high caliber of tenants to fill its space, with strong tenant sentiment for the property that is based on high performance indicators. Additionally, the centre is set to benefit from several significant new local developments that are under construction nearby and are planned to open soon. Planned projects at the Museum of Modern Art and additional office buildings in the immediate area will further enhance the Centre's surroundings.



These local developments provide a captive audience for our centre and will help drive footfall levels which we will further leverage through asset management opportunities.

Atrium's strategy will concentrate on fully leveraging the asset's outstanding reputation as a prime Warsaw retail destination by increasing the offering of the property.

LOCATED IN THRIVING URBAN AREA

Wars Sawa Junior is located in the most prominent high street retail area of Warsaw, Poland's remarkable capital and bustling centre. As well as encompassing the country's main financial hub and business district, and the Polish headquarters of many major international blue-chip firms, Warsaw is also renowned as both a thriving centre for research and development and for technology and services outsourcing. Additionally, the city boasts a vibrant culture, and its picturesque old town, a designated UNESCO World Heritage Site, continues to act as a major attraction for international tourists.

With a 1.7 million population in central Warsaw and 3.1 million in the greater Warsaw area, the Polish capital is the ninth largest capital city in the European Union in terms of population size.

The capital has become the most affluent city of Poland, driven by higher salaries (30% higher) and lower rates of unemployment (2.0% vs. 5.7%) in comparison to national averages. In turn this prosperity is reflected in the consumer spending of its residents, who have the highest retail purchasing power per individual in the country.

If Warsaw is the centre of Poland, Wars Sawa Junior is the centre of Warsaw; located in the City Centre district, opposite the landmark Palace of Culture, over 60 million people pass by its doors every year. It also boasts convenience and connectivity, as the district is easily accessible via the metro, trams and buses, as well as containing a number of local car parking facilities.

Catchment area

10 Minutes drive-time zone
Number of inhabitants 213,074
Retail Related Purchasing power per inhabitant PLN 18.1k

30 minutes drive-time zone
Number of inhabitants 1,632,148
Retail Related Purchasing power per inhabitant PLN 16.2k

Public transport
24 bus lines; 6 tram lines, 2 metro lines

LIAD BARZILAI, CHIEF EXECUTIVE OFFICER OF ATRIUM GROUP

"Shopping centres play a fundamental part in contributing to the culture and vibrancy of city centres. In light of this, we are proud to add the Wars Sawa Junior centre to our portfolio, and know that its historic ties to the city, along with its prime location, make it uniquely positioned to continue to be both an iconic meeting and shopping destination for locals and tourists and, ultimately, a key asset to Warsaw as a whole. This acquisition also aligns fully with Atrium's strategy of focusing its portfolio towards prime shopping centres in Poland and the Czech Republic, in order to benefit from the higher quality cash flow growth that they provide."

OTHER MILESTONES AND EVENTS IN 2018

FINANCING TRANSACTIONS

In May 2018, the Group signed an increase of €75 million and extended its revolving credit facility by approximately three additional years. Following this transaction the total value of the credit facility is €300 million.

In September 2018, the group priced a €300 million unsecured 7 year Eurobond maturing in 2025, carrying a fixed 3.0% coupon and refinanced existing indebtedness by repurchasing €242 million of outstanding (2020 and 2022) notes.

In December 2018, Atrium completed the refinancing of a €170 million secured loan with a tenor of eight years to replace the existing bridge loan taken in October 2018 for the acquisition of Wars Sawa Junior.

AWARDS

Atrium remains committed to provide quality and a high standard of financial reporting and transparency, and, as a result, was once again granted industry acknowledgement in the form of a number of awards.

Atrium was given an EPRA Gold award for its financial reporting, in line with the EPRA Best Practices Recommendations that facilitate the comparability of listed property companies. The Group was also included in the EPRA sustainability survey for the first time in 2017 and received a silver medal. In 2018 Atrium maintained this EPRA silver medal for sustainability in recognition of all its efforts in this field.

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

Atrium received a marketing award granted by International Council of Shopping Centers (ICSC) during ICSC Solal Marketing Awards Gala in Amsterdam. Alley of Wonders in Atrium Promenada received the 1st prize (gold) in category customer service. The ICSC Solal Awards bring together the very best of retail marketing across Europe and South Africa to reward those with the most effective campaigns. Recognising best practice and outstanding marketing performance, the Solal Awards are seen as a benchmark of quality throughout the industry.

During October, Atrium received a special Merit award from the Polish Council of Shopping Centres for the an innovative approach to the center space during its redevelopment of the Alley of Wonder in Atrium Promenada.

During the same month, Europa Property had its 8th annual CEE Investment Awards at the Intercontinental Hotel in Warsaw, Poland. Atrium was recognised as Retail Investor of the Year for its renewed acquisition strategy throughout the region and its recent purchase of Wars Sawa Junior. Atrium also received an award in the category Core Investor of the Year for the acquisition of Wars Sawa Junior.

During January 2019, Atrium also received prestigious Europa Property CEE Retail Awards in three categories: Developer of the Year, Investor of the Year and the best Retail Extension/ Refurbishment Project of the Year for Atrium Promenada. The award ceremony took place during the 11th Europa Property CEE Retail Awards Gala in Warsaw. Again a huge recognition by our industry, demonstrating that with our excellent team work we are ‘Creating Great Places’.

PwC APPOINTMENT AS AUDITORS

At the Annual General Meeting on 2 May 2018, PricewaterhouseCoopers CI LLP ("PwC") were appointed as the auditors of Atrium for the year ending 31 December 2018, replacing KPMG Channel Islands Limited.

STRATEGIC AND OPERATIONAL RISK FACTORS

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, increase in cost due to rising construction costs or delays due to unforeseeable challenges such as obtaining environmental, operating, safety, fire or other building permits and risks connected with foreign exchange rate fluctuations. Technical risks include, for example, design risks, construction risks and environmental risks.

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. Procedural and technical risks are also mitigated by a primary detailed analysis. Furthermore, the Group uses external professionals to deal with procedural actions, project design, project management, construction and other associated matters.

E-COMMERCE

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

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

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. Our markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic and social status quo of the Group's markets. Changes in economic and political situations in one emerging or developing market country may have a negative related or unrelated consequential impact on the economic and political and situation in other emerging or developing market countries.

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

IT RISK

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

The risk is mitigated by the Group wide IT controls in which we place emphasis on access security, backup and recovery procedures. In addition, the Group proactively manages this risk by way of an active action plan, including keeping systems and IT knowledge up-to-date.

RETAIL/LETTING RISK

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

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

COMPETITORS

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

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

REGULATORY/COMPLIANCE RISK

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

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

FINANCIAL RISK FACTORS

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

GROUP EXECUTIVE TEAM

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

STOCK EXCHANGE AND SHARE PRICE INFORMATION

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

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

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

Total Return in 2018

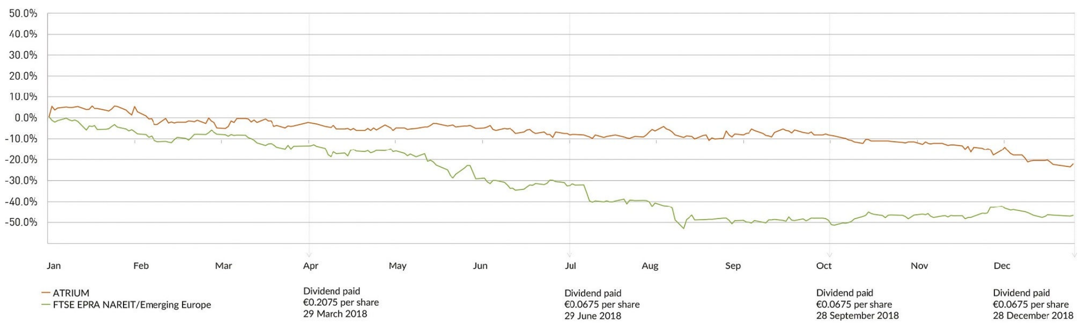
Over 2018, Atrium's shareholder return was as follows:

VIENNA STOCK EXCHANGE

Closing price 2017	€ 4.15
Closing price 2018	€ 3.23
Movement in the share price	€ (0.92)
Share return	(22.2%)
Dividend for year 2018	€ 0.41[1]
Dividend return	9.9%
Total return per share invested on 31 December 2017	(€0.51) or (12%)
FTSE EPRA/NAREIT Emerging Europe return	(46.9%)

1 Including a special dividend of € cents14 paid on 29 March 2018

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



1 Vienna Stock Exchange

Outstanding shares as at 31 December 2018	377,787,123
Market capitalisation as at 31 December 2018	€1,220 million
2018 lowest closing share price	€3.17 quoted on 27 December 2018
2018 highest closing share price	€4.40 quoted on 3 January 2018

DIVIDEND

Atrium paid a €cents 6.75 per share dividend as a capital repayment on each of 29 March 2018, 29 June 2018, 28 September 2018 and 28 December 2018. Total dividend payments for 2018 amounted to €102.0 million (2017: €101.7 million).

In March 2018, in addition to the aforementioned quarterly dividends, the Board of Directors also approved the payment of a special dividend (also paid as a capital repayment) of €cents 14 per share (paid in March 2018) which amounted to a total of €52.8 million.

At its meeting on 12 November 2018, the Board of Directors approved an annual dividend of €cents 27 per share for 2019, subject to a quarterly review (to be paid as a capital repayment) which likewise will be paid in equal quarterly instalments commencing at the end of March 2019 (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 2018, no single shareholder of Atrium held more than 5% of the Company's shares, except for Gazit-Globe which, as previously notified, held 60.1% (2017: 59.6%) of the shares, as at 31 December 2018.

EPRA PERFORMANCE MEASURES

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

A. EPRA EARNINGS

	31 December 2018 €'000	31 December 2017 €'000
Earnings attributed to equity holders of the parent company	**60,627**	**89,092**
Changes in value of investment properties	2,020	(221)
Net result on disposals of investment properties	3,082	10,240
Amortisation of intangible assets	1,334	1,915
Deferred tax in respect of EPRA adjustments	3,833	3,256
Changes in fair value of financial instruments, debt and associated close-out costs	17,225	3,376
Joint venture interest in respect of the above adjustments	(671)	568
EPRA Earnings	**87,450**	**108,226**
Weighted average number of shares	377,565,496	376,918,095
EPRA Earnings per share (in €cents)	**23.2**	**28.7**
Company adjustments[1]		
Legacy legal matters	-	5,074
Impairments	-	4,480
Foreign exchange differences	(323)	886
Deferred tax not related to revaluations	24,462	(6,774)
Changes in the fair value of financial instruments	-	(1,164)
Non recurring tax charges	(7,733)	10,078
Corporate fees and other costs	6,895	1,340
Company adjusted EPRA earnings	**110,751**	**122,146**
Company adjusted EPRA earnings per share (in €cents)	**29.3**	**32.4**

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 2018		31 December 2017	
	€'000	in € per ordinary share	€'000	in € per ordinary share
NAV per the financial statements	**1,793,049**	**4.75**	**1,893,660**	**5.02**
Effect of exercise of options	8,715		12,852	
Diluted NAV, after the exercise of options	**1,801,764**	**4.74**	**1,906,512**	**5.01**
Fair value of financial instruments	5,097		1,030	
Deferred tax	104,530		86,515	
EPRA NAV	**1,911,391**	**5.03**	**1,994,057**	**5.24**

C. EPRA TRIPLE NAV ("NNNAV")

	31 December 2018		31 December 2017	
	€'000	in € per ordinary share	€'000	in € per ordinary share
EPRA NAV	**1,911,391**		**1,994,057**	
Fair value of financial instruments	(5,097)		(1,030)	
Impact of debt fair value	(45,818)		(57,481)	
Deferred tax	(104,530)		(86,515)	
EPRA NNNAV	**1,755,946**	**4.62**	**1,849,031**	**4.86**
Number of outstanding shares	377,787,123		377,056,821	
Number of outstanding shares and options	380,005,341		380,468,461	

D. EPRA NIY AND "TOPPED UP" NIY

	31 December 2018 €'000	31 December 2017 €'000
Investment property – wholly owned	3,016,530	2,812,673
Investment in Joint Venture (75%)	173,820	172,125
Less redevelopments and land	(284,492)	(345,331)
Completed property portfolio	**2,905,858**	**2,639,467**
Allowance for estimated purchasers' costs	52,859	47,396
Gross up completed property portfolio valuation (B)	**2,958,717**	**2,686,863**
Annualised cash passing rental income	190,693	191,020
Property outgoings	(9,418)	(10,603)
Annualised net rents (A)	**181,275**	**180,417**
Add: notional rent expiration of rent free periods or other lease incentives	13,720	13,805
Topped-up net annualised rent (C)	**194,995**	**194,222**
EPRA NIY A/B	**6.1%**	**6.7%**
EPRA "topped up" NIY C/B	**6.6%**	**7.2%**

E. EPRA VACANCY RATE

	31 December 2018 €'000	31 December 2017 €'000
Estimated rental value of vacant space	6,446	5,633
Estimated rental value of the whole portfolio	187,233	177,087
EPRA vacancy rate	**3.4%**	**3.2%**

F. EPRA COST RATIO

	31 December 2018 €'000	31 December 2017 €'000
Administrative expenses	28,282	28,645
Exclude non-recurring legacy legal and corporate fees and other costs	(6,895)	(6,414)
Depreciation and amortisation	2,287	3,133
Costs connected with development	905	1,203
Net property expenses net of service charge income	5,859	8,076
Share of Joint Venture's expenses	762	722
EPRA Costs (including direct vacancy costs) (A)	**31,200**	**35,365**
Direct vacancy cost	(2,691)	(3,840)
EPRA Costs (excluding direct vacancy costs) (B)	**28,509**	**31,525**
Share of Joint Venture's income	10,411	10,089
Gross rental income	175,157	188,619
Total income (C)	**185,568**	**198,708**
EPRA Costs ratio (including direct vacancy costs) (A/C)	**16.8%**	**17.8%**
EPRA Costs ratio (excluding direct vacancy costs) (B/C)	**15.4%**	**15.9%**

SUSTAINABILITY

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

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

SUSTAINABILITY POLICY

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

OUR SUSTAINABILITY PROGRAM

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

ATRIUM'S SUSTAINABLITY COMMITMENTS

OUR CUSTOMERS	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	✓
OUR PLACES	Reduce environmental impact: Aim to optimise energy and carbon intensity by 10% between 2016 and 2020, on a like-for-like basis	✓
	Develop sustainable assets: Achieve BREEAM certification or local equivalent for all new large-scale developments and extensions	✓
	Find opportunities to minimise costs: Organise night walks within our assets accounting for at least 50% of our portfolio market value by 2019	✓
OUR PEOPLE	Sound governance: Ensure everyone receives training on the code of conduct by 2019	✓
	Strengthen core values: Organise a workshop on Atrium's core values for 100% of employees by 2019	→
	Create an inspiring place to work: Organise an employee engagement survey by 2019	→

✓ achieved / ongoing target → in progress

SUSTAINABILITY PERFORMANCE RECOGNIZED

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

SUSTAINABILITY GOVERNANCE

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

OUR CUSTOMERS

Understanding our customers’ needs

Understanding and engaging with our shopping centre customers is crucial to our business. Through tailored surveys we are able to measure the quality of our properties and the services we provide. Also in 2018, Atrium used the outcomes of these surveys to implement improvement plans for the majority of assets to further improve the customer journey. In 2018, our marketing teams have been very active in organising events to get closer to the communities surrounding our centres. Over 750 events were organised with a strong focus on events for children and families. These events help to attract more customers by providing free entertainment and opportunities for our communities to come together.

Engagement with retailers

Atrium aims to create partnerships with retailers to better understand their strategies and give their stores within our centres sufficient coverage and exposure to grow. To further strengthen our engagement we aim to introduce an online tool in at least two of our centres to enable continuous feedback with retailers in 2019 and to communicate outcomes to retailers. Furthermore, in every shopping centre, we plan to organise “town hall” meetings with our retailers to provide further transparency on the activities within the centre and discuss any concerns.

In 2018, we introduced a program for 11 centres, called “Atrium Friends”. Atrium Friends is a program where employees working for our retailers can participate in special discounts when shopping in our centres for products, services or food from other retailers. This promotes employees to shop within the centre and creates a bond between the different retailers, promoting a closer community.

Be part of the community

We care about local issues and contribute positively to society by positioning Atrium shopping centres at the heart of the community. In 2018, we organised or hosted over 750 events or activities in our centres. Because almost all our shopping centres hosted a community event in 2018, the 80% sustainability commitment was met. Atrium performed over 500 community engagement activities in 2018, including 93 local fairs where local suppliers could sell products. We are also exploring ways to introduce community spaces in a couple of our shopping centres in the coming years. These community spaces will be available for different community initiatives and demonstrates that Atrium truly wants to create places where the community can come together.

OUR PLACES

Environmental management

The head of technical management, our technical managers and third party providers collaborate actively together to both reduce the impact on the environment and lower operational costs for our tenants.

We closely monitor energy, water and waste figures and we have set ambitious long-term targets to minimise our environmental footprint. We aim to reduce energy and carbon emissions by 10% (between 2016-2020); optimise water efficiency by 10% (between 2015-2020); and promote on-site recycling.

One of our activities to identify opportunities to reduce our environmental impact are the night walks which were rolled out in 2018. Local teams actively searched for technical installations that operate outside opening hours and could potentially improve or achieve energy saving. Night walks were organised last year in a number of assets in Poland and we will continue to do so with our other assets as well. After implementing improvements such as installing timers, dimmers and disconnecting certain devices, these properties were able to achieve a 5% reduction in energy consumption in one year.

Building certifications

In the coming years, we expect all our centres currently under development or refurbishment to receive BREEAM certifications. It is this commitment that will further enable Atrium to develop innovative and sustainable properties that are resilient and efficient that will meet the requirements of retailers and customers in the future. Atrium Flora and Atrium Felicity have already received BREEAM Excellent certification, while Atrium Copernicus and Atrium Promenada have received BREEAM Very Good certification. For Atrium Targowek new sustainable building technologies were introduced during the extension and refurbishment of the centre which resulted in a 10% reduction of electricity consumption, even though the size of the common area increased by 20%. The extension of Atrium Targowek will also receive BREEAM (Very Good) certification.

Issues that are addressed during the BREEAM building certification process include, biodiversity at and around the property, the use of sustainable building materials, eco-efficient retro-fits, pollution prevention and transportation. We integrate sustainability into every aspect of our building designs; for example creating more attractive spaces that show our attention to detail and dedication to a healthy environment.

Opening Atrium Promenada

The extension of the shopping centre Atrium Promenada can really be seen as an example how we upgrade and modernize our retail portfolio in a sustainable way. The upgraded centre is expected to significantly reduce its energy and water consumption. Many new technologies have been introduced in Atrium Promenada, like LED lights, water-efficient irrigation systems, new revolving doors to reduce internal heat loss during the winter and avoid external light pollution by using a Building Management System that controls external lighting. The redevelopment has been certified with BREEAM (Very Good) demonstrating the many environmental initiatives taken during the upgrade.

Naturally, we have taken a closer look how we can support our customers to reduce their environmental impact also. By providing fresh drinking water, customers can reduce the use of plastic bottles and the new bicycle racks stimulate customers to take their journey to the centre in a more sustainable way.

Atrium received Europa Property CEE Retail Awards in three categories: Developer of the Year, Investor of the Year and the best Retail Extension/Refurbishment Project of the Year for Atrium Promenada.

OUR PEOPLE

HR Developments

Following the transformation of our portfolio in recent years with a stronger focus on our Polish and Czech properties, the organization has further adapted itself to the focused portfolio. In December 2018 we had 368 employees working at Atrium, of which 65% were female workers. Atrium will undertake an employee survey in 2019 to measure the team effectiveness and identify improvements for management. We can use adequate data to further engage/manage one of our most important assets: our employees.

Performance and talent development

Performance Management at Atrium consists of an annual performance evaluation between manager and employee. Together they look at and discuss past results, personal performance and future targets, along with what might be needed to achieve future targets. In 2018 over 90% of our employees participated in a performance review.

Investing in training and development of our employees is essential. In 2018, over 4,500 training hours were provided to our employees. Through online training modules and on-the- job training experience we are able to keep our employees motivated, engaged and future-ready. In 2018, we again organised a shopping centre meeting with centre management employees from all countries to share best practices between different teams.

Employee volunteering

One of the core values of Atrium is Team Work. Working together as a team requires relationship building and engaging with each other. In 2018 a volunteering day was introduced to the Group. The Amsterdam team participated in a beach clean-up in the Netherlands, in which, over a period of two weeks, the whole North Sea beach is being cleaned by thousands of volunteers. Our colleagues worked together to remove waste from the beach, showing that an employee event can be fun and provide a positive impact on the environment.

Atrium Poland initiated in 2018 a program called "Devote your time". All employees were invited to join either a group activity or volunteer on an individual basis: 97 employees volunteered in 15 activities in 9 different locations, spending over 800 volunteering hours.

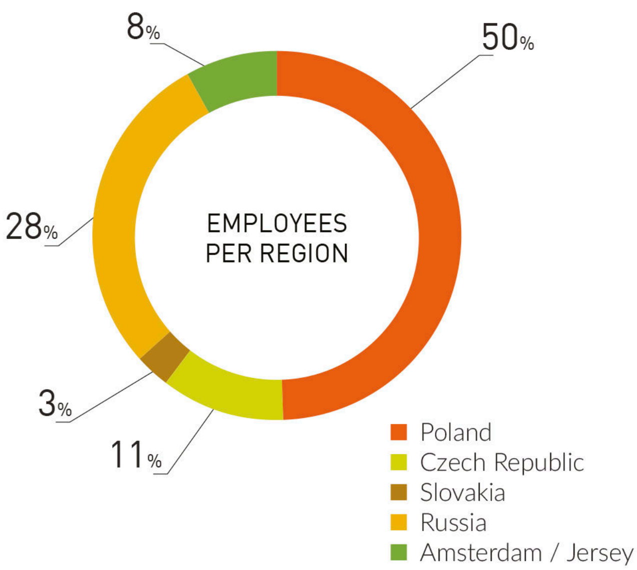
Our Polish team participated in workshops for disabled people and cleaned animal shelter and also upgraded homes for single mothers. We are proud our employees have actively participated towards creating better communities near or around our centres.

SOUND GOVERNANCE

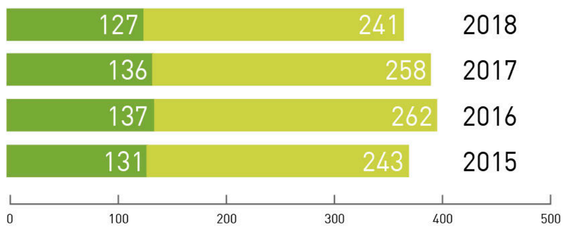
Our business is built on trust and transparency. Atrium's governance policies and procedures contain essential guidelines and rules on how Atrium wants to do business and how all employees should act with each other and with all our stakeholders. In 2018 all employees have received governance training through a new online web portal.

Each employee and executive is encouraged to report any (suspected) breaches or violations against the Code of Ethics or other governance policies. A secure external email address is available for these reporting purposes. Any events were handled in accordance with the applicable data protection and other regulations.

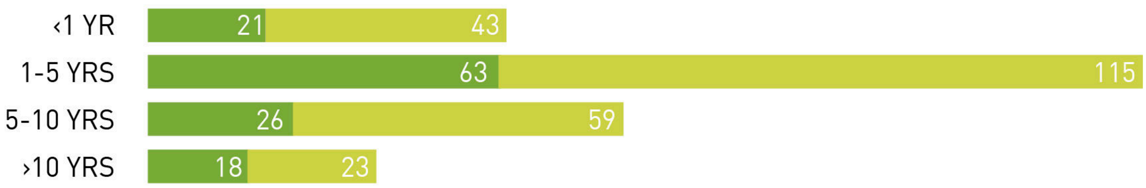
SOCIAL AND GOVERNANCE PERFORMANCE MEASURES



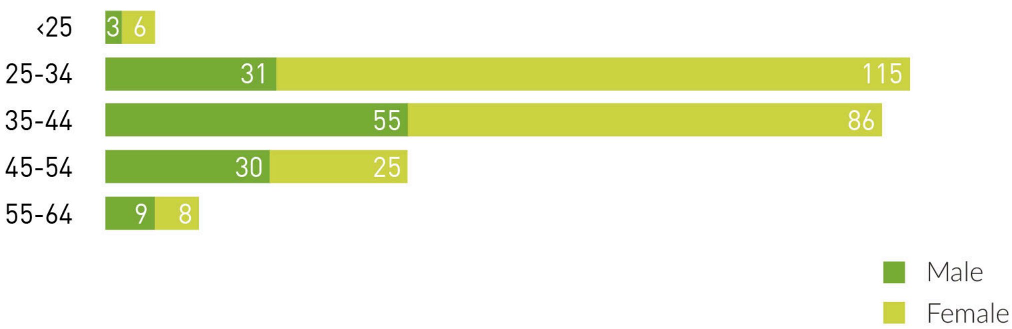
NUMBER OF EMPLOYEES BY GENDER



NUMBER OF EMPLOYEES YEARS IN COMPANY



NUMBER OF EMPLOYEES BY AGE



Employee gender diversity (DIVERSITY-EMP)	2018	2017
Headcount	368	394
FTE's (full time equivalent)	367	391
Male employees	127	136
Female employees	241	258
Indefinite contract	316	344
Definite contract	52	51
Percentage of female managers	47%	49%

Gender pay ratio (DIVERSITY-PAY) Ratio of average base salary (female to male) by department	
Administrative and support staff	1.32
Development team	1.06
Finance team (controlling and accounting)	0.83
Operations	0.91
Senior management	0.96

Employee training and development (EMP-TRAINING)	2018	2017
Total number of training hours	4517	1764
Average training hours per employee	12.3	4.5
Total amount (in EUR) spent on training	156,363	81,000

Employee Performance appraisals (EMP-DEV)	2018	2017
% of employees that have received a performance evaluation	91.0%	87.0%

New hires and turnover in 2018 (EMP-TURNOVER)	Male	Female	Total
Total number of employees that left the company	16	49	65
Total number of employees that joined the company	21	46	67
Turnover percentage	4.0%	13.0%	18.0%

Employee health and safety in 2018 (H&S-EMP)	Male	Female	Total
Total number of illness/absence days (working days)	569	1010	1579
Illness percentage (absentee rate)	1.9%	1.9%	1.9%
Number of work related injuries (injury rate)	-	1	1
Number of fatalities	-	-	-

Governance performance measures	
Composition of the highest governance body (Gov-Board)	View the 2018 corporate governance report (page 43-45)
Process for nominating and selecting the highest governance body (Gov-Selec)	View the 2018 corporate governance report (page 43-45)
Process for managing conflicts of interest (Gov-Col)	View the memorandum (page 25) available on our corporate website

Environmental performance indicators EPRA Sustainability performance measures			Absolute consumptions	
	EPRA indicator	Units	2018	2017
Electricity consumption for common areas	Elec-Abs / Elec-LfL	MWh	100,404	99,803
Electricity exclusively sub-metered to tenants	Elec-Abs / Elec-LfL		106,641	116,693
Total electricity consumption	Elec-Abs / Elec-LfL		207,045	216,495
District heating and cooling for common areas	DH&C-Abs / DH&C-LfL		30,056	26,706
District heating and cooling sub-metered to tenants	DH&C-Abs / DH&C-LfL		44,877	45,101
Total district heating and cooling			74,933	71,807
Fuels consumed in common areas	Fuels-Abs /Fuels-LfL		11,650	12,196
Fuels exclusively sub-metered to tenants	Fuels-Abs /Fuels-LfL		18,115	16,672
Total fuel consumption			29,765	28,868
Total energy consumption from all sources			**311,743**	**317,170**
Total direct GHG emissions GHG Protocol Scope 1	GHG-Dir-Abs	tonnes CO_2e	2,387	2,499
Total indirect GHG emissions GHG Protocol Scope 2	GHG-Indir-Abs		75,337	74,234
Total indirect GHG emissions GHG Protocol Scope 3	GHG-Indir-Abs		82,102	88,464
Total direct and indirect GHG emissions			**159,827**	**165,198**
Water consumption for common areas	Water-Abs / Water-LfL	m^3	370,569	441,959
Water consumption exclusively sub-metered to tenants	Water-Abs / Water-LfL		406,538	426,393
Total water consumption	**Water-Abs / Water-LfL**		**777,107**	**868,352**
Total weight of waste	**Waste-Abs /Waste-LfL**	**Metric tonnes**	**9,885**	**11,168**
Hazardous waste			n/a	n/a
Disposal route	Waste-Abs /Waste-LfL	Proportion by weight (%)		
Recycled			18.8%	17.4%
Landfill facility			69.2%	62.4%
Incineration			4.1%	11.5%
Composting/ anaerobic digestion facility			2.7%	3.2%
Other disposal route			5.2%	5.7%

Environmental intensity indicators EPRA Sustainability intensity measures			Absolute consumptions	
	EPRA indicator	Units	2018	2017
Building energy intensity	Energy-Int	kWh/m^2/year	398.1	405.0
	Energy-Int	kWh/visitor/year	2.8	2.8
Greenhouse gas intensity from building energy	GHG-Int	kgCO_2e/m/year	204.1	210.9
	GHG-Int	kgCO_2e/visitor/year	1.5	1.5
Building water intensity	Water-Int	m^3/m^2/year	1.0	1.1
	Water-Int	liter/visitor/year	7.1	7.8

QUALIFYING NOTES

The information in the environmental performance tables points to the fiscal year 2017 and the broken fiscal year 2018 for those properties where Atrium has organizational control. Due to the integration of the sustainability data into the annual report, Atrium has chosen to report a broken fiscal year for 2018 figures to enable the data to be published in a timely manner. 2018 data represents a similar 12 month period but includes Q4 2017 and the first three quarters of 2018. This means there is an overlap of one quarter between the reporting periods. This double reporting of one single quarter is the most significant change to the previous reporting periods. In coming years, Atrium will continue to report on broken fiscal years since this is in line with best practices in the industry. Both reporting periods above include 12 months so data is comparable between 2017 and 2018.

Following divestments in 2018, we have not included properties that have not been under management and ownership for both reporting periods. Data is reported using the EPRA Sustainability Best Practices guidelines. The absolute data coverage disclosed for energy, carbon emissions, water and waste for 2017 through 2018 represents 85% of the Gross Lettable Area (GLA) or 91% of the Gross Asset Value (GAV). The absolute data for energy, GHG emissions, water and waste, represents 20 out of 34 shopping centres: nine in Poland, seven in Russia and three in the Czech Republic and one in Slovakia. Data is measured via smart meters and manual readings. Estimations are made for tracking the waste in tonnes (weight) since actual data is not available for the majority of properties.

Seven assets are excluded from the like-for-like figures due to significant (re)developments that took place and influenced the performance of the property. Like-for-like figures include 13 out of 13 properties that were in full operation and ownership by Atrium in 2017-2018.

Like for Like								
Poland		Czech Republic and Slovakia		Russia		Total		
2018	2017	2018	2017	2018	2017	2018	2017	Change %
16,701	16,639	13,199	12,076	32,122	31,311	62,022	60,026	3.3%
22,127	22,220	11,929	9,336	53,096	53,895	87,152	85,450	2.0%
38,828	38,859	25,128	21,412	85,217	85,206	149,173	145,476	2.5%
6,783	6,531	5,165	4,688	5,398	4,608	17,346	15,828	9.6%
2,597	2,446	3,194	3,238	30,235	29,358	36,026	35,043	2.8%
9,380	8,977	8,359	7,927	35,633	33,966	53,372	50,870	4.9%
-	-	5,942	5,971	2,934	2,908	8,876	8,880	0.0%
-	-	1,937	2,050	15,617	13,054	17,554	15,104	16.2%
-	-	7,879	8,021	18,551	15,962	26,430	23,983	10.2%
48,207	**47,836**	**41,366**	**37,359**	**139,402**	**135,135**	**228,976**	**220,330**	**3.9%**
-	-	1,218	1,224	601	596	1,819	1,820	0.0%
14,507	14,405	8,301	7,606	21,691	21,003	44,499	43,014	3.5%
17,842	17,881	7,631	6,129	43,654	43,450	69,127	67,461	2.5%
32,349	**32,286**	**17,150**	**14,959**	**65,946**	**65,049**	**115,445**	**112,295**	**2.8%**
77,519	88,116	69,451	68,174	41,854	61,663	188,824	217,953	(13.4%)
67,557	81,566	35,379	33,777	204,440	176,383	307,375	291,727	5.4%
145,076	**169,682**	**104,830**	**101,952**	**246,293**	**238,046**	**496,199**	**509,680**	**(2.6%)**
2,128	**2,035**	**1,712**	**1,752**	**3,116**	**3,242**	**6,955**	**7,029**	**(1.0%)**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
24.6%	25.7%	19.9%	19.7%	8.4%	2.0%	16.2%	13.3%	
68.8%	68.6%	58.4%	57.5%	90.8%	97.0%	76.1%	78.9%	
0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	
2.3%	2.9%	11.2%	12.6%	0.7%	1.0%	3.8%	4.4%	
4.1%	2.8%	10.3%	10.1%	0.0%	0.0%	3.8%	3.3%	

Like for Like								
Poland		Czech Republic and Slovakia		Russia		Total		
2018	2017	2018	2017	2018	2017	2018	2017	Change %
244.3	242.4	680.8	614.8	579.8	562.1	459.3	442.0	1.2%
2.1	2.1	2.3	2.0	3.7	3.5	2.9	2.8	3.5%
163.9	163.6	282.2	246.2	274.3	270.6	231.6	225.3	(2.2%)
1.4	1.4	0.9	0.8	1.7	1.7	1.5	1.4	0.0%
0.7	0.9	1.7	1.7	1.0	1.0	1.0	1.0	2.0%
6.4	7.3	5.7	5.6	6.5	6.2	6.3	6.4	4.3%

Atrium reports data which has been purchased and used onsite for common areas or for tenant areas where sub meters are available. When separate meters are in place for tenants, consumption is provided separately in the tables above. Consumption of gas, district heating and cooling can be used for larger sections of the shopping centre. Energy consumption of local offices are included in the data and mentioned in the tables above under common areas. Atrium keeps track of the energy consumption in the local offices in 2018: In Amsterdam we consumed 23.1 MWh and in Poland 239.6 MWh (includes only 10 months of 2018).

On a like-for-like basis, Atrium has increased its energy consumption with 3.9% in 2017-2018. Water consumption increased with 2.6% on a like-for-like basis and the total amount of waste collected, decreased with 1.0% in the same reporting period. The numerator of intensity figures is the total landlord-obtained consumption for common areas and sub metered tenant consumption. The total GLA of the centres and the total number of visitors are used as denominators. As proposed by the EPRA Sustainability Best Practices guidelines, Atrium acknowledges that the intensity figures may be affected due to a mismatch between numerator and denominator. Going forward, Atrium will fine-tune intensity figures by measuring more accurately the surface area for which resources are consumed within the shopping centre.

Emissions factors are based on International Energy Agency data and by local energy suppliers. Different emissions apply, depending on the shopping centre's location. Scope one emissions refer to onsite natural gas consumption used for common areas; scope two emissions, to landlord purchased and consumed energy, heating and cooling for common areas; and scope three emissions, to consumption that is purchased by Atrium and sub metered to tenants.

Green building certifications in place or buildings undergoing certification process	Name asset	Country	Certificate description
EPRA CERT-Tot: Type and number of sustainably certified assets in 2018	Atrium Flora	Czech Republic	BREEAM in Use - Excellent
	Felicity	Poland	BREEAM in Use - Excellent
	Copernicus	Poland	BREEAM - Very Good
	Promenada	Poland	BREEAM - Very Good (ongoing)
	Targowek	Poland	BREEAM - Very Good (ongoing)
	Biala	Poland	BREEAM Expected Very Good

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

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

Performance indicators on health & safety represents 91% of managed shopping centres under management (GAV) equivalent to 83% of total GLA. Health and safety assessments are taken place through internal reporting. The assessment includes questions like whether emergency/evacuation plans are in place, if fire safety checks performed in the reporting period and the number of incidents occured regarding health and safety. Community engagement programmes refer to local stakeholder engagement activities that have been rolled out in 2018 for all main shopping centers.

STATEMENT BY THE BOARD OF DIRECTORS OF ATRIUM EUROPEAN REAL ESTATE LIMITED PURSUANT TO § 124 OF THE AUSTRIAN STOCK EXCHANGE ACT

The members of the Board of Directors of Atrium European Real Estate Limited ("Atrium"; Atrium together with its subsidiaries, the "Group") pursuant to Section 124 of the Austrian Stock Exchange Act (§ 124 BoerseG) hereby confirm:

- that to the best of their knowledge the consolidated annual financial statements and Atrium's standalone financial statements prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Atrium, and
- that the Group management report presents the development and performance of the business and the position of the Group and Atrium in such a manner so as to give a true and fair view of the assets, liabilities, financial position and profit or loss, together with a description of the major risks and uncertainties to which the Group and Atrium are exposed.

THE BOARD OF DIRECTORS

CHAIM KATZMAN
Chairman of the Board and Director

RACHEL LAVINE
Vice-Chairman and Director

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Chairman of the Audit Committee and Director

SIMON RADFORD
Director

ANDREW WIGNALL
Director

LUCY LILLEY
Director

STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

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

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

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

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

As a certified Jersey Listed Fund, Atrium should comply at all times, and operate in accordance with, the Jersey Listed Fund Guide and the detailed provisions of the Jersey Codes of Practice for Certified Funds (the "Codes"). The Codes are arranged under a number of fundamental principles which include corporate governance, internal systems and controls, AML Procedures and financial reporting. Jersey law also imposes general fiduciary duties and duties of care, diligence and skill on directors, who are also under a statutory obligation to act in good faith and in the best interest of Atrium. In addition and as agreed with the Jersey Financial Services Commission ("JFSC"), Atrium must remain materially compliant with the Association of Investment Companies Code of Corporate Governance 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 2018) (the "Austrian Code") sets out rules and regulations for responsible management and guidance of companies listed in Austria. The Austrian Code applies primarily to Austrian stock market-listed joint stock corporations that undertake to adhere to its principles and obliges those companies that have committed to adhere to it to either comply or explain any deviations from its applicable rules. Atrium currently submits voluntarily to the Austrian Code, which is available on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at). Explanations for deviations from the applicable rules are provided on page 49.

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 2018, five of the seven Directors were independent in accordance with those rules, namely Mr. Radford, Mr. Wignall, Mr. Errichetti, Mr. Flanzraich and Mrs. Lilley. The independent Directors do not have shareholdings of more than 10% in Atrium, nor do they represent the interests of a shareholder with an investment of more than 10% in Atrium.

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

As at 31 December 2018, the Board consisted of seven Directors, as set out below. Previously, at the start of January 2018, the Board consisted of six directors. In April 2018 Lucy Lilley was appointed to the Board of Directors as an independent director.

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

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

CHAIM KATZMAN

Non-executive director and Chairman

Chairman, Executive Committee

Chairman, Compensation and Nominating Committee

Chaim Katzman is the founder, controlling shareholder and CEO of Gazit-Globe Ltd (TASE/ NYSE: GZT), a leading international real estate company listed on the Tel Aviv and New York Stock Exchanges. As the CEO Mr. Katzman leads global operations, manages affiliate and subsidiary activities and oversees approximately $11 billion in assets in over 15 countries, in addition to being the largest shareholder in First Capital Realty, Inc., which has over $17 billion of combined real estate assets.

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

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

A pioneer of the 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 is also the honorary President of the Larger Than Life Foundation.

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

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 a director in several public and private companies. 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. Mr. Radford was the Chief Financial Officer of an alternative investment fund administration business for 11 years until March 2016 and prior to that was senior partner of Deloitte & Touche in Jersey where he was in charge of the assurance and advisory business. Mr. Radford is a Fellow of the Institute of Chartered Accountants in England and Wales. In the years 2006 to 2008, he also served as Chairman of the Institute of Directors in Jersey.

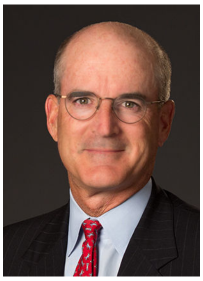
ANDREW WIGNALL

Non-executive director

Chairman, Operations Committee

Member, Audit Committee

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



MICHAEL ERRICHETTI

Non-executive director

Member, Compensation and Nominating Committee and Executive Committee

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

NEIL FLANZRAICH

Non-executive director

Chairman, Audit Committee

Member, Compensation and Nominating Committee

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

Lucy Lilley

Non-executive director

Member, Audit Committee and Operations Committee

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

As at 31 December 2018, four permanent committees had been established: (i) the Audit Committee; (ii) the Compensation and Nominating Committee; (iii) the Executive Committee; and (iv) the Operations Committee. Additionally in 2018, there was also a temporary committee established to address a specific project. The Board of Directors and committees hold meetings and can also pass written resolutions.

In the year ended 31 December 2018, the Board of Directors held eight meetings.

AUDIT COMMITTEE

During 2018 the Chairman of the Audit Committee was Neil Flanzraich and the members of the Audit Committee were Rachel Lavine, Simon Radford, Andrew Wignall and Lucy Lilley (appointed as an additional Audit Committee member as of 7 August 2018).

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

The Audit Committee is required to meet at least twice annually before publication of Atrium's annual financial statements and the half year report. In the year ended 31 December 2018, the Audit Committee held two meetings.

COMPENSATION AND NOMINATING COMMITTEE

During 2018 the Chairman of the Compensation and Nominating Committee was Chaim Katzman and the members of the Compensation and Nominating Committee were Michael Errichetti and Neil Flanzraich.

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

In the year ended 31 December 2018, the Compensation and Nominating Committee held five meetings.

EXECUTIVE COMMITTEE

During 2018 the Chairman of the Executive Committee was Chaim Katzman and the members of the Executive Committee were Rachel Lavine and Michael Errichetti.

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

In the year ended 31 December 2018, the Executive Committee held one meeting and passed two written resolutions.

OPERATIONS COMMITTEE

During 2018 the Chairman of the Operations Committee was Andrew Wignall and the members of the Operations Committee were Simon Radford and Lucy Lilley (appointed as an additional Operations Committee member as of 7 August 2018).

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 2018, the Operations Committee held seven meetings.

DIVERSITY CONCEPT AND MEASURES FOR THE ADVANCE OF WOMEN

All members of the Board of Directors, and all persons in Group executive positions, have been appointed on the basis of their professional and personal qualifications. The Atrium Group maintains an equal opportunities policy for the purposes of recruitment at all levels. As at 31 December 2018, the ages of the members of the Board of Directors ranged from 46 to 75 and the Directors represented three different national backgrounds. Of the seven Directors, two are women. 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 2018, the Group Executive Team, which has day to day responsibility for Atrium Group operations, was as set out below. Each member of the Group Executive Team is appointed for, and has a mandate throughout, the duration of his employment agreement.

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

LIAD BARZILAI

Group Chief Executive Officer

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

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

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

Ryan is a chartered accountant with almost 30 years of international financial experience, and prior to joining Atrium Group Ryan spent 6 years in senior roles in CEE based private companies. In addition, he previously held various senior and board level financial roles over a nine year period with Japan Tobacco International and was employed for ten years at Unilever plc and its group subsidiaries.

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

SCOTT JONATHAN DWYER

Group Chief Operating Officer

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

GRAHAM KILBANE

Group Chief Development Officer

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

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

COMPENSATION REPORT

DIRECTORS' COMPENSATION

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

In 2018, non-executive Directors, other than those Directors nominated by Gazit-Globe, were entitled to receive remuneration in two components: a fixed cash remuneration of €50,000 per annum together with meeting attendance fees of €1,000 per meeting and telephonic meeting attendance fees of €750 per meeting; and ordinary shares in the Company in the value of €50,000 per annum, which shares are allocated semi-annually and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €100,000. Any Director, other than those Directors nominated by Gazit-Globe, who acts as Chairman of the Audit Committee, the Compensation and Nominating Committee or the Operations Committee were also entitled to receive additional remuneration of €10,000 per annum.

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

In addition, the Board of Directors may award special pay to any Director who holds any executive post or performs any other services which the Directors consider to extend beyond the ordinary duties of a Director, such as participation in committees. Special pay can take the form of fees, commission or other benefits or can be paid in some other way decided by the Board of Directors. There are no specific performance criteria in place for the award of such special pay. Such special pay may either be in addition to or instead of other fees, expenses or other benefits that the Director is entitled to receive. For services rendered beyond the ordinary duties of a Director, the Company's independent Directors were entitled to a special pay of €100,000 each during the period.

Under his consultancy agreement, Mr. Katzman provides certain consultancy services, including (inter alia) advice on and review of proposed acquisitions and disposals, advice on capital markets strategy, advice on the level and content of development activities of the Group and strategic advice on the future direction of the Group. The consultancy agreement had an initial term of one year commencing on 1 August 2008 and continues on a rolling basis, with further extensions of one year unless terminated by either party. The annual consultancy fee is €700,000.

Mrs. Lavine provided 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. Effective from 1 September 2018, Mrs. Lavine's consultancy agreement was replaced with terms similar to the Directors' remuneration entitlement. Mrs. Lavine was entitled to €316,667 consultancy fees in 2018 (€475,000 in 2017) and €34,084 directors fees and others.

The other Directors (in their capacity as Directors) were entitled to an aggregate remuneration in 2018 of €1,123,000 (2017: €673,000).

OVERVIEW OF REMUNERATION OF THE DIRECTORS IN 2018

Name	Directors fixed fees € '000	Directors other fees (and special pay) € '000	Consultancy fees € '000	2018 total € '000	2017 total € '000
Chaim Katzman[1]	-	-	700	700	713
Rachel Lavine[1]	17	18	317	352	475
Simon Radford	50	177	-	227	134
Andrew Wignall	50	188	-	238	145
Michael Errichetti	50	176	-	226	87
Neil Flanzraich	50	186	-	236	93
Lucy Lilley	38	158		196	-
Directors left in 2017	-	-		-	214
Total	**255**	**903**	**1,017**	**2,175**	**1,861**

1 Gazit-Globe nominated Directors

GROUP EXECUTIVE TEAM COMPENSATION

Under the general compensation policy of Atrium, each member of the Group Executive Team is entitled to a base salary, a performance based annual cash bonus and participation in Atrium's Employee Share Participation Plan ("ESPP").

The annual remuneration paid or payable to each member of the Group Executive Team for the year ended 31 December 2018, including base salary, annual target bonus, allowances and benefits is set out below:

Name	Fixed remuneration for 2018 €'000	Variable remuneration for 2018 €'000	Annual remuneration for 2018 €'000	Annual remuneration for 2017 €'000
Liad Barzilai	634	452	1,086	1,011
Ryan Lee	497	264	761	738
Scott Jonathan Dwyer	331	214	545	128[1]
Graham Kilbane	244	94	338	92
Sub total	**1,706**	**1,024**	**2,730**	**1,969**
Executives left in 2017				1,432
Total	**1,706**	**1,024**	**2,730**	**3,401**

1 Represents his remuneration as from his appointment as the Group COO

As part of his remuneration, Liad Barzilai was entitled to an award of shares equal to €240,000 which are issued, free of any lock-up period, in four equal tranches on each of the first, second, third and fourth anniversaries of his appointment. The second issue of 17,256 ordinary shares was made in December 2018. In addition, some of the members of the Group Executive Team received part of their fixed and variable remuneration as ordinary shares.

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

The corporate KPI's consist of a number of operational and strategic targets. In 2018 the operational targets consisted of NRI, Adjusted EPRA earnings and progress on re-development projects. The strategic targets consisted of the disposal and acquisition program and corporate financing.

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. During 2018 there were two option 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"). As of 31 December 2018, both plans are closed. There are no remaining participants in the ESOP 2009.

During 2018, 2 issuances were made of shares following completion of a 3 year vesting period under the Long Term Incentive Plan, which was 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. Following such grants, the plan has been closed.

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

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

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

DEVIATIONS FROM THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

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

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

L-rule 1: Atrium is party to a relationship agreement which grants certain rights (including rights to appoint Directors) to its substantial shareholders. During 2018 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-Midas (or any person acting in concert) acquires 30% or more of the voting rights or, if already holding between 30% and 50% of the voting rights, acquires additional voting rights. Any such offer must be conditional only upon the offeror having received such acceptances as will give him 50% of the voting rights. The offer must be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the offeror during the offer period and within 12 months prior to its commencement. See Article 42 of the Articles, which are published on Atrium's website www.aere.com.

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

L-rule 8: Atrium is required to comply with Jersey law. Under Jersey law there is no limit on the number of shares that can be repurchased so long as at least one share that is not redeemable or a treasury share remains in issue. Shareholders' approval is required by way of special resolution (66% majority of those voting) to sanction such repurchases. Where shares are purchased off market, they must be purchased pursuant to a contract approved in advance by an ordinary resolution of shareholders (in relation to which the holders of the shares to be purchased do not have the right to vote those shares). Where shares are bought on market, authority can be granted by the shareholders to Atrium to permit it to purchase shares for a period of up to 5 years from the giving of the authority. The Company currently has authority to make market purchases of up to 50 million shares within the limitations imposed by shareholders in the relevant special resolution, which authority is renewed annually at the AGM.

C-rule 12: In 2018, the materials and documents required for the Board of Directors' quarterly meetings were distributed at least 4 days before the respective meeting, which is in compliance with Jersey law and Atrium's internal regulations.

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

C-rule 16: Atrium's management structure is a one-tier Board of Directors. The business of Atrium is managed by the members of the Board of Directors. Other than as disclosed in this Corporate Governance Report and save for the participation in the various committees, there is no specific division of responsibilities among the members of the Board of Directors. The directors biographies above include the main positions of each member of the Board of Directors as disclosed by each Director, however is not comprehensive. The Company holds a register of interest for each Director, which includes their directorships in other companies, in accordance with Jersey law.

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

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

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

C-rule 27: With the exception of Mr. Katzman 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 the variable remuneration (special pay).

C-rule 28: Atrium has currently one share option plan in operation, ESOP 2013, although no further grants may be made under this plan. Options under the plan were granted unconditionally and there were no specific performance criteria in place for the award of the options; they 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 plan, 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. These shares are allocated semi-annually, in arrears, and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €100,000.

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

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

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

C-rule 39: As set out in the Articles, Atrium has adopted the test of independence set out in the rules of the New York Stock Exchange for the purposes of assessing the independence of its Directors. As at 31 December 2018, four of the five 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. With the appointment of Lucy Lilley in April 2018, of the seven Directors: two were women (including the Vice Chairman); the ages of the Directors ranged from 46 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 2018, five of Atrium's seven Directors were independent, in accordance with said rules.

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

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

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

THE BOARD OF DIRECTORS

CHAIM KATZMAN
Chairman of the Board and Director

RACHEL LAVINE
Vice-Chairman and Director

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Chairman of the Audit Committee and Director

SIMON RADFORD
Director

ANDREW WIGNALL
Director

LUCY LILLEY

Director

02

ANNUAL
FINANCIAL
STATEMENTS


REPUBLIKA
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DIRECTORS' REPORT

The Directors submit their report and the audited consolidated financial statements of Atrium European Real Estate Limited ("Atrium" or "the Company") and its subsidiaries (together with Atrium, the "Group") for the year ended 31 December 2018.

INCORPORATION

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year ended 31 December 2018 are shown in the consolidated statement of profit or loss on page 56.

DIVIDEND

For the year ended 31 December 2018, 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 2018 amounted to €102.0 million (2017: €101.7 million).

In March 2018, 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 29 March 2018.

At its meeting on 12 November 2018, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2019 (to be paid as a capital repayment) which will likewise be paid in equal quarterly instalments commencing at the end of March 2019 (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 43 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 2018, Aztec held one registered share in Atrium, see note 2.14 of the financial statements.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards. The Directors have decided to use International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). "The Companies (Jersey) Law 1991" requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Atrium and of the profit or loss of Atrium for that year. During the preparation of these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that Atrium will continue as a going concern.
- The directors confirm, that to the best of their knowledge, they have complied with all the above requirements in preparing the financial statements.

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

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

By order of the Board

27 February 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2018		31 December 2017	
	Note	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Standing investments	2.4	2,732,038		2,408,992	
Redevelopments and land	2.5	255,429		345,331	
Property and equipment	2.6	2,187		1,566	
			2,989,654		**2,755,889**
Intangible assets		9,504		4,359	
Equity-accounted investment in joint ventures	2.7	177,909		173,106	
Deferred tax assets	2.8	686		521	
Long term loans	2.9	-		3,128	
Other assets		1,298		671	
			189,397		**181,785**
Current assets					
Receivables from tenants	2.10	13,545		10,646	
Prepayments		2,653		3,817	
Other receivables	2.11	15,717		16,158	
Income tax receivable		1,389		1,509	
Financial assets at FVOCI	2.12	13,425		19,961	
Assets held for sale	2.13	29,063		60,354	
Cash and cash equivalents		38,493		71,920	
			114,285		**184,365**
TOTAL ASSETS			**3,293,336**		**3,122,039**
EQUITY AND LIABILITIES					
Equity					
Stated capital	2.14	2,117,380		2,269,199	
Capital reserves	2.14	(11,746)		270	
Retained deficit		(236,370)		(296,997)	
Currency translation reserve		(76,215)		(81,588)	
Currency translation reserve for disposal group held for sale	2.14	-		2,776	
			1,793,049		**1,893,660**
Non-current liabilities					
Long term borrowings	2.15	1,186,060		968,011	
Derivatives	2.16	5,097		1,030	
Deferred tax liabilities	2.17	93,679		70,825	
Long term liabilities from finance leases	2.18	44,569		36,627	
Other long term liabilities	2.19	14,178		14,699	
			1,343,583		**1,091,192**
Current liabilities					
Trade and other payables	2.20	32,208		36,569	
Accrued expenditure	2.21	48,284		47,827	
Short term borrowings	2.15	62,978		1,278	
Income tax payable		5,317		12,251	
Liabilities held for sale	2.13	1,165		3,520	
Provisions	2.22	6,752		35,742	
			156,704		**137,187**
TOTAL EQUITY AND LIABILITIES			**3,293,336**		**3,122,039**

The financial statements were approved and authorised for issue by the Board of Directors on 27 February 2019 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)

		2018		2017	
	Note	€'000	€'000	€'000	€'000
Gross rental income	2.23	175,157		188,619	
Service charge income	2.24	67,198		72,257	
Property expenses	2.25	(73,058)		(80,333)	
Net rental income			**169,297**		**180,543**
Net result on disposals	2.26	(3,082)		(10,240)	
Costs connected with developments		(905)		(1,203)	
Revaluation of standing investments, net	2.4	17,224		14,319	
Revaluation of redevelopments and land, net	2.5	(19,244)		(14,098)	
Depreciation, amortisation and impairments	2.27	(2,287)		(7,613)	
Administrative expenses	2.28	(28,282)		(28,645)	
Share of profit of equity-accounted investment in joint ventures	2.7	10,071		8,616	
Net operating profit			**142,792**		**141,679**
Interest expenses, net	2.29	(34,163)		(35,441)	
Foreign currency differences		323		(886)	
Other financial expenses, net	2.30	(21,300)		(5,159)	
Profit before taxation			**87,652**		**100,193**
Taxation charge for the year	2.31	(27,025)		(11,101)	
Profit after taxation for the year			**60,627**		**89,092**
Basic and diluted earnings per share in €cents attributable to shareholders	2.32		16.1		23.6

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

	2018		2017	
	€'000	€'000	€'000	€'000
Profit for the year	**60,627**		**89,092**	
Items that will not be reclassified to the statement of profit or loss:				
Movement in financial assets at FVOCI reserve	(6,536)		(1,612)	
Items that are or may be reclassified to the statement of profit or loss:				
Exchange differences arising on translation of foreign operations	(27)		140	
Movements in hedging reserves (net of deferred tax)	(3,424)		844	
Amounts reclassified to profit or loss in respect of cash flow hedges	-		1,935	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the year	2,624		15,135	
Total comprehensive income for the year		**53,264**		**105,534**

CONSOLIDATED CASH FLOW STATEMENT

	2018 €'000	2017 €'000
Cash flows from operating activities		
Profit before taxation	87,652	100,193
Adjustments for:		
Revaluation of standing investments, net	(17,224)	(14,319)
Revaluation of redevelopments and land, net	19,244	14,098
Depreciation, amortisation and impairments	2,287	7,613
Dividend from listed equity securities, net	(864)	(1,451)
Foreign exchange (profit)/ loss, net	(323)	886
Change in legal provisions, net of amounts paid	(29,002)	(19,022)
Share based payment expenses	418	241
Share of profit of equity-accounted investments in joint ventures	(10,071)	(8,616)
Net result on disposals	3,082	10,240
Finance lease interest expense	2,912	2,863
Net loss from bonds buy back and early repayments of loans	17,223	3,377
Interest expense	34,456	35,853
Interest income	(293)	(412)
Operating cash flows before working capital changes	**109,497**	**131,544**
Increase in trade, other receivables and prepayments, net	(7,343)	(3,592)
(Decrease)/ Increase in trade, other payables and accrued expenditure, net	(4,049)	5,983
Cash generated from operations	**98,105**	**133,935**
Decrease in restricted cash related to legacy legal claims arrangement	118	4,587
Interest paid	(40,578)	(38,711)
Interest received	328	455
Dividend received (mainly dividend from Joint Ventures)	6,132	10,130
Corporate taxes paid, net	(6,332)	(8,642)
Net cash generated from operating activities	**57,773**	**101,754**
Cash flows from investing activities		
Payments related to investment properties and other assets	(372,979)	(62,649)
Proceeds from the disposal of investment properties	173,252	24,085
Proceeds from sale of financial assets at FVOCI	-	20,460
Decrease in restricted cash related to investing activity	-	14,029
Increase in restricted cash related to investing activity	(650)	-
Proceeds from loans granted	3,220	2,740
Net cash used in investing activities	**(197,157)**	**(1,335)**
Net cash flow before financing activities	**(139,384)**	**100,419**
Cash flows from financing activities		
Proceeds from issuance of share capital	174	378
Repayment of long term borrowings	(259,387)	(117,046)
Receipt of long term borrowings	462,263	135,224
Utilisation of a revolving credit facility	60,000	-
Arrangement fees of revolving credit facility	(1,155)	-
Decrease in restricted cash related to financing activity	-	4,004
Repayments of finance leases	(104)	(408)
Dividends paid	(154,800)	(154,543)
Net cash generated from (used in) financing activities	**106,991**	**(132,391)**
Net decrease in cash and cash equivalents	**(32,393)**	**(31,972)**
Cash and cash equivalents at the beginning of year	**71,920**	**103,671**
Cash and cash equivalents classified as held for sale	-	(546)
Effect of exchange rate fluctuations on cash held	(1,034)	767
Cash and cash equivalents at the end of year	**38,493**	**71,920**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained 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 2018,		**2,269,199**	**3,267**	**(1,030)**	**(1,967)**	**(296,997)**	**(81,588)**	**2,776**	**1,893,660**
Profit for the year		-	-	-	-	60,627	-	-	60,627
Other comprehensive income (expense)		-	-	(3,424)	(6,536)	-	5,373	(2,776)	(7,363)
Total comprehensive income (expense)		**-**	**-**	**(3,424)**	**(6,536)**	**60,627**	**5,373**	**(2,776)**	**53,264**
Transaction with owners of the Company									
Share based payment	2.14	-	418	-	-	-	-	-	418
Issue of no par value shares	2.14	2,981	(2,474)	-	-	-	-	-	507
Dividends	2.14	(154,800)	-	-	-	-	-	-	(154,800)
Balance as at 31 December 2018		**2,117,380**	**1,211**	**(4,454)**	**(8,503)**	**(236,370)**	**(76,215)**	**-**	**1,793,049**

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI 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		**2,422,587**	**3,803**	**(3,809)**	**(1,419)**	**(385,025)**	**(77,691)**	**(16,396)**	**1,942,050**
Profit for the year		-	-	-	-	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 deficit (due to sold shares)		-	-	-	1,064	(1,064)	-	-	-
Transaction with owners of the Company									
Share based payment	2.14	-	241	-	-	-	-	-	241
Issue of no par value shares	2.14	1,155	(777)	-	-	-	-	-	378
Dividends	2.14	(154,543)		-	-	-	-	-	(154,543)
Disposal group held for sale	2.13	-	-	-	-	-	(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**

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 2018 comprise Atrium and its subsidiaries, collectively the "Group".

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

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

2.2 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for standing investments and redevelopments and land ("investment property"), derivative financial instruments, contingent considerations, and financial assets at fair value through Other Comprehensive Income ("OCI") that have been measured at fair value. The consolidated financial statements are prepared on a going concern basis .

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2018

The following new standards and amendments became effective as of 1 January 2018:

- IFRS 15 ***Revenue from Contracts with Customers*** (issued in May 2014) and amendments to IFRS 15 (issued in April 2016). 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. Note that IFRS 15 does not affect the recognition of lease income as this is still dealt with under IAS 17 Leases.
- Amendments to IFRS 2 ***Classification and Measurement of Share-based Payment Transactions*** (issued in June 2016). The amendments clarify 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.
- IFRIC 22 ***Foreign Currency Transactions and Advance Consideration*** (issued on 8 December 2016). The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.
- Amendments to IAS 40 ***Transfers of Investment Property*** (issued on 8 December 2016). The amendments clarify the requirements on transfers to, or from, investment property.

The above-mentioned standards or amendments apply for the first time in 2018, and they do not have a material impact on the annual consolidated financial statements of the Group.

- 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. The Group 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 16 ***Leases*** (issued in January 2016, 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, subject to EU endorsement, if IFRS 15 ***'Revenue from Contracts with Customers'*** has also been applied. The application of the standard will result the changes to the accounting treatment of the operating leases where the Group acts as the lessee such as office rentals, car leases and office equipment. As permitted by the transitional provisions of IFRS 16, the Group will elect not to restate comparative figures. Consequently, any adjustments to the carrying amounts of lease assets will be recognized against the carrying amounts of lease liabilities as at 1 January 2019. Based on the outcome of the impact assessment, the Group estimates that the IFRS 16 transition will have an immaterial impact of €2-€4 million on the consolidated balance sheet at 1 January 2019 and no material impact on the consolidated statement of comprehensive income for the year ended 2019.

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

- IFRIC 23 ***Uncertainty over Income Tax Treatments*** (issued in June 2017, 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.

- Amendments to IAS 1 and IAS 8 of: Definition of Material (issued on 31 October 2018, not yet endorsed by the EU). On 31 October 2018, the IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amendments to IAS 1 ***Presentation of financial statements*** and IAS 8 ***Accounting policies, changes in accounting estimates and errors***, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The amendments clarify the definition of material and make IFRSs more consistent, but are not expected to have a significant impact on the preparation of financial statements. These amendments should be applied for annual periods beginning on or after 1 January 2020. Earlier application is permitted

- Amendment to IFRS 3 ***Business Combinations*** (issued on 22 October 2018, not yet endorsed by the EU). In October 2018 the IASB issued narrow-scope amendments to IFRS 3 ***Business Combinations*** to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business. Companies are required to apply the amended definition of a business to acquisitions that occur on or after 1 January 2020. Earlier application is permitted

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018, not yet endorsed by the EU). In March 2018, The IASB revised its Conceptual Framework. The primary purpose of the Framework is to assist the IASB (and the Interpretations council) by identifying concepts that it will use when setting standards.

- Amendments to IAS 19: ***Plan Amendment, Curtailment or Settlement*** (issued on 7 February 2018, not yet endorsed by the EU). In February 2018, the IASB issued amendments to the guidance in IAS 19 ***Employee Benefits***, in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity: to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- 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, endorsed by the EU).
- Amendments to IAS 28: ***Long-term Interests in Associates and Joint Ventures*** (issued on 12 October 2017, endorsed by the EU)
- 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.

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 based upon their relative fair values, and no goodwill or deferred tax is recognised.
- **Joint arrangements** - The Group is part owner of an investment in which it has a 75% ownership interest. The Group has determined that it does not control the investee and the ownership is shared with the other 25% owner. The investment is a joint arrangement. The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement) classified its interest as a joint venture. Consequently, it accounts for this investment using the equity method.
- **Determination of functional currency** - The Group determines the Euro as functional currency of the entities that form the Group after considering all primary and secondary indicators that most faithfully represents the economic effects of the underlying transactions, events, and conditions.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- **Fair value measurements and valuation processes - standing investments and developments and land** are presented at fair value in the statement of financial position. The fair values are determined by independent real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 ***Fair Value Measurement***. The Group categorises the standing investments and developments and land fair value as Level 3 within the fair value hierarchy. The significant methods and assumptions used by valuers in estimating the fair values are set out in Note 2.34.
- **Deferred tax assets** - Deferred tax assets are recognised for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against losses which can be utilised. Significant estimates are required to determine the amount of deferred tax assets that can be recognised on the basis of the likely timing and level of future taxable profits together with future tax planning strategies. Further information is provided in Note 2.8.
- **Legal proceedings** - The Group regularly monitors developments in on-going legal proceedings to which it is a party. When developments in legal proceedings are noted and at each reporting date, it assesses and determines the need for possible provisions and disclosures in its financial statements. When assessing whether a specific case requires a provision (including the amount), the main factors considered by the Group are: the Group's potential financial exposure, the assessments and recommendations of the Group's external legal advisers regarding the Group's position, the stage of the proceedings and the anticipated amount of time it will take before a final and binding decision is delivered, as well as the Group's past experience of similar cases. For further information, see also Note 2.39.
- **Taxes** - Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to current tax and/or deferred tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the results of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. The Group does not consider the potential for tax authorities to "detect" such potential tax issues, instead the Group assumes the relevant tax authorities will be fully knowledgeable of all relevant facts. For further information, see also Note 2.39.

2.3 SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF CONSOLIDATION

SUBSIDIARIES

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

For the purposes of the consolidation, all inter-company transactions, balances, income and expenses are eliminated. The subsidiaries comprising the Group have the same financial reporting period as the parent company.

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

LOSS OF CONTROL

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

INVESTMENT PROPERTY ACQUISITIONS AND BUSINESS COMBINATIONS

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

BUSINESS COMBINATIONS

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

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

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

EQUITY ACCOUNTED INVESTMENT 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 2018:

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%
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%
MANHATTAN DEVELOPMENT ALFA KFT.	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 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%
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.	Netherlands	100%

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

1 Company newly incorporated

2 Company aquired in 2018

Company name	Country	Ownership
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 NAUTILUS	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%
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%

FUNCTIONAL AND PRESENTATION CURRENCY

FOREIGN CURRENCY TRANSACTIONS

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

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

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

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

FOREIGN OPERATIONS

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

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

INVESTMENT PROPERTIES

The Group investment properties comprise completed properties ("standing investments") and properties under construction or re-development and land ("developments and land") that are held, or being constructed, to earn rental income or for capital appreciation or both. Property held under a lease is classified as investment property when it is held, or being constructed, to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

All costs directly associated with the development of a property and all subsequent capital expenditure that adds to or replaces part of the property are capitalised. Subsequent capital expenditures are capitalised to the property only if it is probable that the cash outflow will produce future economic benefits and the cost can be measured reliably. The standing investments day-to-day maintenance costs are expensed to the consolidated statement of profit or loss.

The Group capitalises borrowing costs if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use have started and expenditure and borrowing costs are incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. Capitalisation ceases when the project has been completed or abandoned. The capitalisation rate is determined by reference to the actual rate payable on borrowings for the respective development or by the Group's average rate.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss arising from a change in the fair value of investment properties is recognised in the Group's consolidated profit or loss under the caption "Revaluation of standing investment, net" or "Revaluation of developments and land, net".

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

CBRE and C&W are both external, independent, international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation - Global Standards which incorporate the International Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details about the investment properties valuation process, see note 2.34.

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

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

PROPERTY AND EQUIPMENT

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

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

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

INTANGIBLE ASSETS

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

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

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

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

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

FINANCIAL INSTRUMENTS

RECOGNITION AND INITIAL MEASUREMENT

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at 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

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

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

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

DERECOGNITION

Financial assets

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

Financial liabilities

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

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

OFFSETTING

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

Cash flow hedges

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

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

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

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

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

EXPECTED CREDIT LOSSES ("ECL")

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

CASH AND CASH EQUIVALENTS

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

STATED CAPITAL

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

DIVIDENDS

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

SHARE BASED PAYMENT ARRANGEMENTS

The grant date fair value of equity-settled share based payment arrangements granted to employees, executives and Directors is generally recognised as an expense, with a corresponding increase in equity, over the period in which the service conditions are satisfied, ending on the date on which the relevant employees, executives and Directors become fully entitled to the award (the "vesting period"). The cumulative expense, recognised for share based payment arrangements at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately be vested.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

LIABILITIES FROM LEASES

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 and it has pricing latitude.

RENTAL INCOME

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

SERVICE CHARGES AND EXPENSES RECOVERABLE FROM TENANTS

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

Service charges and other such receipts are included gross of the related costs in revenue, as the Group acts as principal in this respect.

NET RESULT ON DISPOSAL OF PROPERTIES

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

INTEREST INCOME, INTEREST 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 liabilities in the period in which the determination is made.

CURRENT INCOME TAX

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

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

DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

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

EARNINGS PER SHARE

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

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

SEGMENT REPORTING

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

The Group has two reportable segments:

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

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

The Group's reportable segments are strategic business sectors which carry out different business activities and are managed separately. These reportable segments have different risk profiles and generate revenue/income from different sources.

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

Geographical information is based on the geographical locations of the investment properties. The Group operates in the following countries: Poland, the Czech Republic, Slovakia, Russia, Hungary, Romania and Turkey. In addition, the Group has its holding, management or other companies in Cyprus, Denmark, the Netherlands, Spain, Ukraine, Jersey and during 2017 also in Luxembourg.

2.4 STANDING INVESTMENTS

The current portfolio of standing investments consists of 33 properties (2017: 39) which comprise 22 properties in Poland (2017: 21), 2 properties in the Czech Republic (2017: 3), 2 properties in Slovakia (2017: 3), 7 properties in Russia (2017: 7). During 2018, the properties in Hungary (2017: 4) and Romania (2017: 1) were disposed of.

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

Standing investments	31 December 2018 €'000	31 December 2017 €'000
Balance as at 1 January	2,408,992	2,458,760
Additions - new properties	283,324	-
Additions - technical improvements, extensions	29,808	23,528
Movements - financial leases	9,214	1,505
Transfers from redevelopments and land	129,035	3,836
Transfer to redevelopments and land	(27,672)	(24,050)
Transfer to assets held for sale	-	(58,350)
Revaluation of standing investments	17,224	14,319
Disposals	(117,887)	(10,556)
Balance as at 31 December	**2,732,038**	**2,408,992**

The primary driver behind the €17.2 million revaluation as at 31 December 2018 derived mostly from Poland with the completion of our redevelopment assets and an increase in our income. Positive revaluation was in part offset by devaluation in Russia, predominantly as a result of the fluctuation of Rouble in 2018.

SIGNIFICANT EVENTS AND TRANSACTIONS

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

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, were 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.

In May 2018, the disposal of Atrium Saratov in Slovakia for €10.3 million was completed.

In July 2018, the 56,400 sqm Atrium Militari shopping centre in Bucharest, Atrium's only asset in Romania, was sold for €95 million.

During August and September 2018, the Company completed the disposal of the four residual assets in Hungary for €11.6 million.

In October 2018, the Group completed the acquisition transaction of Wars Sawa Junior, a prime retail asset located in the heart of Warsaw and in its most prominent high street retail area, for €301.5 million. This transaction has been accounted for as an asset acquisition. The acquisition of Wars Sawa Junior was funded using a mixture of a bridge loan facility, a drawdown from our revolving loan facility and existing cash resources. In December 2018, the bridge loan was refinanced by a €170.0 million secured bank loan with a tenor of eight years and a fixed interest of 2.3%.

In October and November 2018, the second stage of Atrium Promenada and the extensions of Atrium Targowek and Atrium Reduta were completed and transferred from redevelopments and land to the standing investments portfolio.

The total value of land leases was €41.1 million as at 31 December 2018 (31 December 2017: €31.9 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]	2018	2017
Poland	5.8%	6.2%
Czech Republic	5.3%	5.6%
Slovakia	6.8%	7.0%
Russia	12.7%	12.5%
Hungary	-	8.3%
Romania	-	8.1%
Weighted average	**6.5%**	**7.1%**

1 Excluding a 75% stake in assets held in Joint ventures

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

FAIR VALUE OF COLLATERAL

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

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

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**

2.5 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group comprises €71.9 million (2017: €116.4 million) redevelopments and €183.5 million (2017: €228.9 million) land.

Redevelopments and land	31 December 2018 €'000	31 December 2017 €'000
Balance as at 1 January	345,331	292,617
Additions - cost of land and construction	58,018	44,650
Movements - financial leases	1,280	2,862
Transfer from standing investments	27,672	24,050
Transfer to standing investments	(129,035)	(3,836)
Transfer (to)/from assets held for sale	(29,063)	10,796
Disposals	-	(9,445)
Interest capitalised	470	468
Devaluation of redevelopments and land	(19,244)	(16,831)
Balance as at 31 December	**255,429**	**345,331**

The devaluation of €19.2 million in 2018 is largely due to weakening of local currencies in Turkey and Russia. For information about the fair value of redevelopments and land, see note 2.34.

SIGNIFICANT EVENTS AND TRANSACTIONS:

In October 2018, the Group completed the second stage of the redevelopment project of Atrium Promenada and transferred the value of that extension from redevelopments and land to the standing investments portfolio. Conversely, areas where redevelopment works commenced in Promenada were transferred from standing investments to developments and land.

In April 2016, works commenced on the extension to our Atrium Targowek centre, which included the construction of an 8,600 sqm GLA extension and the construction of additional parking spaces. The extension was completed in October 2018 and transferred from developments and land to the standing investments portfolio.

In September 2017, redevelopment works started in Atrium Reduta. In November 2018, a 2,700 sqm cinema and a 1,500 sqm fitness area were opened to the visitors.

In October 2018, the Company signed a preliminary agreement for the disposal of the land in Gdansk Young City for €29.1 million.

The total value of land leases was €6.7 million as at 31 December 2018 (31 December 2017: €6.6 million).

2.6 PROPERTY AND EQUIPMENT

Property and equipment	31 December 2018 €'000	31 December 2017 €'000
Office equipment	656	686
Other property and equipment	1,531	880
Total	**2,187**	**1,566**

2.7 EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

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

Name of the joint venture	Country of incorporation	Stake in equity of joint venture 31 December 2018 and 2017	Investment in joint venture 31 December 2018 €'000	Investment in joint venture 31 December 2017 €'000
Pankrac Shopping Centre k.s	Czech Republic	75%	176,206	172,017
EKZ 11 k.s.	Czech Republic	75%	1,703	1,089
Total			**177,909**	**173,106**

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 2018 €'000	31 December 2017 €'000
Standing investment	231,760	229,500
Cash and cash equivalents	8,792	2,921
Other current assets	469	360
Non-current liabilities	(678)	(345)
Current liabilities	(3,131)	(1,628)
Net assets (100%)	**237,212**	**230,808**
Group share of net assets (75%)	**177,909**	**173,106**
Carrying amount of interest in joint ventures	**177,909**	**173,106**

	31 December 2018 €'000	31 December 2017 €'000
Net rental income	12,848	12,490
Other items including revaluation	581	(1,001)
Profit of the Joint Ventures (100%)	**13,429**	**11,489**
Share of profit of equity-accounted investment in joint ventures (75%)	**10,071**	**8,616**
Dividends received by the Group	**5,268**	**8,679**

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.

2.8 DEFERRED TAX ASSETS

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

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

Deferred tax assets 2017	Balance as at 1 January 2017 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income €'000	Balance as at 31 December 2017 €'000
Deferred tax assets arise from the following temporary differences:				
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**

2.9 LOANS

Loans	31 December 2018 €'000	31 December 2017 €'000
Loans to third parties	-	3,283
Total	**-**	**3,283**
Amount due within 12 months (included under current assets)	-	155
Amount due after more than 12 months	-	3,128

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 was in Czech Koruna and bore 6% interest. The loan was fully repaid in 2018.

The loan was stated at its estimated recoverable amount, which is not significantly different from its fair value.

2.10 RECEIVABLES FROM TENANTS

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

Receivables from tenants 2017	Gross	Allowances for impaired balances	Net	
Receivables aging:	€'000	€'000	€'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)	646	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	10,204	(10,153)	51	0.5%
Total	**21,924**	**(11,279)**	**10,646**	**100.0%**

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

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

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

Allowances for bad debts	31 December 2018 €'000	31 December 2017 €'000
At 1 January	**(11,279)**	**(14,313)**
Release[1]	3,766	3,439
Addition, net	(243)	(405)
At 31 December	**(7,756)**	**(11,279)**

1 Including €2.8 million write offs (2017: €2.2 million) and €0.8 million due to assets disposed of (2017: €1.2 million)

2.11 OTHER RECEIVABLES

Other receivables	31 December 2018 €'000	31 December 2017 €'000
VAT receivables	4,473	2,708
Restricted cash in banks	4,620	11,080
Alternative minimum tax	3,674	-
Others	2,950	2,370
Total	**15,717**	**16,158**

The Group held cash of €4.6 million (31 December 2017: €11.1 million) restricted as security for the compensation arrangement (see note 2.39), tenants' deposits and a deposit held in respect of an acquisition of a retail unit in the Czech Republic.

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

2.12 FINANCIAL ASSETS AT FVOCI

The Group's financial assets at FVOCI as at 31 December 2018 and 31 December 2017, include an investment in two listed equity securities with less than 1% total holding in each individual investment. The financial assets at FVOCI are carried at fair value. The fair value is based on quoted prices (unadjusted) in active markets (Level 1 within the fair value hierarchy). As of 31 December 2018, financial assets at FVOCI amounted to €13.4 million.

2.13 ASSETS AND LIABLITIES HELD FOR SALE

As at 31 December 2018, the assets and liabilities held for sale included one land plot in Poland with a total value of €29.1 million.

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.

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 2018 €'000	31 December 2017 €'000
Non-current assets		
Standing investments	-	58,350
Redevelopments and land	29,063	-
Other assets	-	495
Current assets	**-**	**1,509**
Assets held for sale	**29,063**	**60,354**
Non-current liabilities		
Other non-current liabilities	1,083	2,864
Current liabilities	**82**	**656**
Liabilities held for sale	**1,165**	**3,520**
Net assets directly associated with disposal groups	**27,898**	**56,834**
Amounts included in accumulated other comprehensive income:		
Foreign currency translation reserve	-	2,776
Reserve of disposal groups classified as held for sale	**-**	**2,776**

2.14 STATED CAPITAL AND RESERVES

STATED CAPITAL

As at 31 December 2018, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2018, the total number of ordinary shares issued was 377,787,123 (2017: 377,056,821 shares), of which 377,748,825 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 38,298 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 2018 were as follows:

- Issue of shares to satisfy the exercise of options and shares issued as part of the share participation plan of €2.7 million (2017: €0.6 million)
- Issue of shares as part of the Group Executive Management's and directors' remuneration €0.3 million (2017: €0.6 million)
- Dividend payments of €154.8 million (2017: €154.5 million).

For the year 2018, the Company's Board of Directors approved an annual dividend of €cents 27 per share which was paid as a capital repayment, in equal quarterly instalments of €cents 6.75 per share at the end of each calendar quarter.

In March 2018, 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 29 March 2018.

In November 2018, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2019, which is consistent with the 2018 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 2018 and 2017.

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 was 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 were 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 carried no voting rights. As from 23 May 2013, no further grants may be made under ESOP 2009. As of 31 December 2018 all options under ESOP 2009 were exercised.
- 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 rights for special dividend only and do not carry voting rights. As from 14 November 2016, no further grants may be made under ESOP 2013.

- In accordance with his employment contract, Liad Barzilai, Group CEO, was entitled to an award of shares equal to €240,000. The share price at grant was €3.81. Those shares were to be issued without restrictions on the first, second, third and forth anniversary of the commencement of his employment. In December 2018 and 2017, the second and the first issues of 17,256 and 14,702 ordinary shares, respectively, were made.
- In August 2015, the Compensation and Nominating Committee designed a framework within which members of the Group Executive Team, and other key senior executives, could be rewarded with shares dependent on the long term performance of the Company ("LTI"). The participants were granted a right to the allotment of ordinary shares in the Company which vest after a three year period in one instalment and were subject to certain conditions. In July 2018, 62,071 ordinary shares were issued to the Group CFO and Group COO as part of the plan. The plan is currently closed.
- The Compensation and Nominating Committee approved an annual remuneration plan to the Group CEO and Group CFO in March 2018 and to the Group COO in August 2018. The plan entitles the participants to receive ordinary shares of the Company to the value of €60,000, €30,000 and €25,000 per annum, respectively. In 2018, an amount of total 28,679 ordinary shares were issued.
- In March 2018, the Compensation and Nominating Committee designed an annual Employee Share Plan within which members of the Group Executive Team and key employees may elect to receive part of their annual bonus as shares as an alternative to cash, with the Company issuing matching shares after three years. The participants are also entitled for a cash payment equal in value to the amount of dividends that would have been paid in respect to the issued matching shares. The Group bears the liability for any wage tax, participant's social security contributions or similar liabilities arising at the time of vesting of restricted shares. In March 2018, 88,225 restricted shares were issued to the participants, in respect of 2018 annual bonus.

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

	2018		2017	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	1,080,000	2.59	1,237,125	2.98
Exercised[1]	(1,080,000)	2.49	(157,125)	2.41
As at 31 December	**-**	**-**	**1,080,000**	**2.59**

1 The weighted average share price of options exercised in 2018 was €4.05 as at the date of exercising the options (2017: €4.02)

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

	2018		2017	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
As at 1 January	1,963,825	4.37	2,116,831	4.36
Exercised	(10,000)	4.38	-	-
Forfeited	(93,333)	4.38	(153,006)	4.23
As at 31 December	**1,860,492**	**4.37**	**1,963,825**	**4.37**

As of 31 December 2018 and 31 December 2017 all outstanding options under ESOP 2013 were vested and exercisable.

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

	2018	2017
	Number of allotted shares	Number of allotted shares
As at 1 January	47,244	62,992
Issued	(15,748)	(15,748)
As at 31 December	**31,496**	**47,244**

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

	2018	2017
	Number of allotted shares	Number of allotted shares
As at 1 January	-	48,840
Issued	-	(24,420)
Forfeited	-	(24,420)
As at 31 December	**-**	**-**

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

	2018 Number of rights	2017 Number of rights
As at 1 January	150,000	400,000
Issued	(62,071)	-
Forfeited	(87,929)	(250,000)
As at 31 December	**-**	**150,000**

The following table shows the movement in rights for the allotment of shares granted under the Employee Share Plan:

	2018 Number of rights	2017 Number of rights
As at 1 January	-	-
Granted	88,225	-
Forfeited	-	-
Exercised	-	-
As at 31 December	**88,225**	**-**

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:

	2018 Number of rights	2017 Number of rights
As at 1 January	97,266	103,392
Granted	28,462	117,218
Issued	(34,464)	(123,344)
As at 31 December	**91,264**	**97,266**

C. The expenses recognised in the consolidated statement of profit or loss in 2018 and 2017 amounted to €0.4 million and €0.2 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 2.16.

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 2.12.

CURRENCY TRANSLATION RESERVE

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

Currency translation reserve	2018 €'000	2017 €'000
Poland	(6,670)	(6,670)
Czech Republic	2,929	2,675
Slovakia	(10,346)	(10,352)
Russia	(57,331)	(57,162)
Hungary	-	1,018
Romania	(1,311)	(4,836)
Turkey	(3,486)	(3,485)
Total[1]	**(76,215)**	**(78,812)**

[1] 31 December 2017 figures include €2.8 million classified as held for sale

€2.6 million exchange differences on translation of foreign operations disposed of during the period were reclassified in 2018 (€15.1 million in 2017) from the currency translation reserve to net results on disposals in the profit or loss statement.

2.15 BORROWINGS

Borrowings	31 December 2018 €'000	31 December 2017 €'000
Bonds	886,246	834,392
Bank loans	299,814	133,619
Long-term liabilities	**1,186,060**	**968,011**
Bank loans	2,978	1,278
Utilised revolving credit facility	60,000	-
Short term liabilities	**62,978**	**1,278**
Total	**1,249,038**	**969,289**

The borrowings are repayable as follows:

Borrowings total	31 December 2018 €'000	31 December 2017 €'000
Due within one year	62,978	1,278
Due in second year	134,023	1,278
Due within third to fifth year inclusive	466,235	839,763
Due after five years	585,802	126,970
Total	**1,249,038**	**969,289**

BONDS

In September 2018, Atrium priced a €300 million unsecured 7 year Eurobond carrying a fixed 3.0% coupon which will mature in September 2025 at an issue price of 98.457%.

Also in September 2018, Atrium repurchased €201.9 million of the 2020 notes and €40.0 million of the 2022 notes. Following the refinancing and tender, the Group recorded €17.2 million tender premium loss.

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

BONDS 2018

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

BONDS 2017

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2020	EUR	4.0%	2.4	2020	333,517	355,535	4.2%
Atrium European Real Estate Limited 2022	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%**

BANK LOANS

In November 2018, Atrium took a 8 year €170.0 million secured corporate loan at 2.3% interest to replace a bridge loan taken in October 2018 to finance the acquisition of Wars Sawa Junior. The loan is subject to the following financial covenants: Loan to Value and Interest Service Cover Ratio, both of which were met throughout the year.

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. The loan is subject to the following financial covenants: Loan to Value and Minimum Equity, both of which were met throughout the year.

BANK LOANS 2018

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

1 Hedged interest rate

BANK LOANS 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

Collateral	Fair value of pledged investment properties 31 December 2018 €'000	Fair value of pledged investment properties 31 December 2017 €'000
Landesbank Hessen-Thüringen Girozentrale	311,174	-
Berlin-Hannoversche Hypothekenbank AG	233,492	231,282
Ceska sporitelna a.s. (mortgaged under finance lease)	-	472
Total	**544,666**	**231,754**

REVOLVING CREDIT FACILITY

In May 2018, the Group signed a net increase of €75 million and extended its revolving credit facility to 2023. The total value of the revolving credit facilities is €300 million with an expiry date in 2023. As at 31 December 2018, the Group has utilised €60 million of this facility.

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

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

Accrued interest is not included in the borrowings balance and presented separately in Accrued expenditure. See note 2.21.

2.16 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") in connection with secured bank loans (see note 2.15). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSs is the three month Euribor and the fixed rate is 0.826% on the loan obtained in November 2017 and 0.701% on the loan obtained in November 2018. The swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount and are included in cash flow hedges to reduce the Group's cash flow volatility due to variable interest rates on the bank loans. An economic relationship between the hedging instrument and the hedged item exists; the hedging instrument and the hedged item have values that move in the opposite direction and offsets each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The IRSs are measured at fair value using the discounted future cash flow method.

The fair value measurement of the IRSs are derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are the 3-month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly or indirectly. Therefore, these IRSs are classified as a Level 2 fair value measurement under IFRS 13.

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

Interest rate swaps	31 December 2018 €'000	31 December 2017 €'000
Carrying amount (liability)	5,097	1,030
Notional amount	303,875	135,660
Change in fair value of outstanding hedging instruments since 1 January	4,067	1,030

2.17 DEFERRED TAX LIABILITIES

Deferred tax liabilities 2018	Balance as at 1 January 2018 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income €'000	Deferred tax credit/(charge) to on items sold €'000	Balance as at 31 December 2018 €'000
Deferred tax liabilities arise from the following temporary differences:					
Investment properties	(84,240)	(27,832)	-	6,901	(105,171)
Other assets	858	(6)	-	(13)	839
Liabilities and provisions	8,388	(2,682)	-	(24)	5,682
Tax losses carried forward	4,147	2,700	-	(1,900)	4,947
Other	22	7	-	(5)	24
Total deferred tax liabilities	**(70,825)**	**(27,813)**	**-**	**4,959**	**(93,679)**

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

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 €'000	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

2.18 LIABILITIES FROM FINANCE LEASES

The liabilities from financial leases as at 31 December 2018 consisted of liabilities related to long term land leases in Poland and Russia.

Lease payments are due as follows:

Liabilities from finance leases	31 December 2018 Net present value €'000	31 December 2018 Undiscounted lease payments €'000	31 December 2017 Net present value €'000	31 December 2017 Undiscounted lease payments €'000
Due within one year	2,998	3,508	2,889	3,343
Due within two to five years	10,017	14,020	9,647	12,468
Due after five years	34,552	213,793	26,980	178,930
Total	**47,567**	**231,321**	**39,516**	**194,741**
Amount due within 12 months	2,998	3,508	2,889	3,343
Amount due after more than 12 months	44,569	227,813	36,627	191,398

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has two material lease arrangements in Poland; Atrium Promenada, with a net present value ("NPV") of €19.6 million (2017: €18.1 million) and Wars Sawa Junior, with a NPV of €9.7 million (2017: 0).

2.19 OTHER LONG TERM LIABILITIES

Other long term liabilities of €14.2 million (2017: €14.7 million) principally comprise long term deposits from tenants amounting to €13.2 million (2017: €13.3 million).

2.20 TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2018 €'000	31 December 2017 €'000
Short term deposits from tenants	7,409	7,997
Deferred revenue	8,357	9,686
Payables connected with development/construction	3,229	2,417
Short term liabilities from leasing	2,998	2,889
VAT payables	2,651	2,975
Payables for utilities	1,625	1,170
Payables for other services	272	448
Payables for repairs and maintenance	157	166
Payables related to assets in disposal groups[1]	-	4,700
Other taxes and fees payables	719	1,081
Other	4,791	3,040
Total	**32,208**	**36,569**

[1] See note 2.13 Assets and Liabilities held for sale

2.21 ACCRUED EXPENDITURE

Accrued expenditure	31 December 2018 €'000	31 December 2017 €'000
Utilities	861	1,429
Consultancy and audit services	3,294	1,604
Construction services	14,110	13,702
Interest	10,245	13,197
Employee compensation	4,937	5,860
Taxes	442	457
Maintenance, security, cleaning and marketing	2,473	2,422
Other	11,922	9,156
Total	**48,284**	**47,827**

2.22 PROVISIONS

Provisions	Legacy legal provision	Other legal provision	Total
	€'000	€'000	€'000
Balance as at 1 January 2018	35,517	225	35,742
Foreign currency changes	-	12	12
Additions of provision in the period, net	-	1,062	1,062
Amounts paid during the period	(30,064)	-	(30,064)
Balance as at 31 December 2018	**5,453**	**1,299**	**6,752**
Of which			
Current portion	5,453	1,299	6,752
Non-current portion	-	-	-
Total provisions	**5,453**	**1,299**	**6,752**

For more information, see note 2.39.

2.23 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 2018		Year ended 31 December 2017	
	€'000	% of total GRI	€'000	% of total GRI
Poland	101,176	57.8%	100,346	53.2%
Czech Republic	19,323	11.0%	20,061	10.6%
Slovakia	10,692	6.1%	11,101	5.9%
Russia	38,506	22.0%	41,873	22.2%
Hungary	1,270	0.7%	7,871	4.2%
Romania	4,190	2.4%	7,367	3.9%
Total	**175,157**	**100%**	**188,619**	**100.0%**

2.24 SERVICE CHARGE INCOME

Service charge income of €67.2 million (2017: €72.3 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.

2.25 PROPERTY EXPENSES

Net property expenses	Year ended 31 December	
	2018 €'000	2017 €'000
Utilities	(24,885)	(26,206)
Security, cleaning and other facility related costs	(11,640)	(11,979)
Real estate tax	(8,637)	(10,333)
Repairs and maintenance	(9,084)	(9,467)
Direct employment costs	(7,292)	(10,912)
Marketing and other consulting	(8,485)	(8,388)
Office related expenses	(553)	(569)
Creation of allowances for bad debts of receivables from tenants	(243)	(405)
Other	(2,239)	(2,074)
Total	**(73,058)**	**(80,333)**

2.26 NET RESULT ON DISPOSALS

Net result on disposals	Year ended 31 December	
	2018 €'000	2017 €'000
Brno Veveri in the Czech Republic	-	3,920
13 assets in Hungary	-	1,557
Land plots in Russia	-	(16,672)
41,200 sqm portfolio of assets in Hungary	2,881	-
Futurum Shopping Centre in the Czech Republic	(414)	-
Atrium Militari in Romania	(3,262)	-
Atrium Saratov in Slovakia	445	-
Four residual assets in Hungary	(2,265)	-
Others	(467)	955
Total	**(3,082)**	**(10,240)**

€2.6 million non-cash currency translation reserve loss arising from past fluctuation of foreign currencies was reclassified in 2018 to net results on disposals (€15.1 million loss in 2017).

2.27 DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Depreciation, amortisation and impairments	Year ended 31 December	
	2018 €'000	2017 €'000
Impairments	-	(4,480)
Depreciation and amortisation	(2,287)	(3,133)
Total	**(2,287)**	**(7,613)**

2.28 ADMINISTRATIVE EXPENSES

Administrative expenses	Year ended 31 December 2018 €'000	2017 €'000
Legal fees	(1,591)	(1,606)
Employee costs	(9,691)	(9,998)
Consultancy and other advisory fees	(2,836)	(2,304)
Audit, audit related and review fees	(1,063)	(1,222)
Expenses related to directors	(2,282)	(2,896)
Communication and IT	(987)	(1,126)
Office costs	(621)	(908)
Marketing costs	(763)	(526)
Travel expenses	(386)	(585)
Buy-out of a management contract	(4,527)	-
Other Corporate fees	(2,680)	(2,400)
Subtotal	**(27,427)**	**(23,571)**
Legacy legal matters (see note 2.39)	(855)	(5,074)
Total	**(28,282)**	**(28,645)**

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

2.29 INTEREST EXPENSES, NET

Interest expenses, net	Year ended 31 December 2018 €'000	2017 €'000
Interest income	293	412
Interest expense	(34,456)	(35,853)
Total	**(34,163)**	**(35,441)**

Interest income of €0.3 million (2017: €0.4 million) consists mainly of interest on the loans provided to a third party.

The Group's interest expense of €34.5 million (2017: €35.9 million) consists of finance expense on bank loans of €2.9 million (2017: €4.5 million), on bonds of €31.7 million (2017: €31.7 million) and on the utilised credit facility of €0.3 million (2017: €0.1 million). Finance expenses in the amount of €0.5 million (2017: €0.5 million) were capitalised to the redevelopment projects.

2.30 OTHER FINANCIAL EXPENSES, NET

Other financial income and expenses	Year ended 31 December 2018 €'000	2017 €'000
Net loss from bond buy back	(17,223)	-
Early loan repayment	-	(3,377)
Dividend income from financial assets	864	1,451
Interest on financial leases	(2,912)	(2,863)
Other financial expenses, net	(2,029)	(370)
Total	**(21,300)**	**(5,159)**

2.31 TAXATION CHARGE FOR THE YEAR

Taxation charge for the year	Year ended 31 December 2018 €'000	2017 €'000
Corporate income tax current year	(6,028)	(6,785)
Deferred tax credit/(charge)	(28,298)	3,517
Adjustments to corporate income tax previous years	7,301	(7,833)
Income tax charged to the statement of profit or loss	**(27,025)**	**(11,101)**
Income tax on hedging instrument charged to comprehensive income	**644**	**(380)**

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

AMENDMENT TO THE POLISH CORPORATE INCOME TAX LAW

In November 2017, an amendment to the Polish corporate income tax law, effective from 1 January 2018, was published. The amendment includes, among others things, the 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 was 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.

On 4 July 2018, the Alternative minimum tax act was published in the official state gazette ("Dziennik Ustaw"). Subject to certain tax controls, the act allows tax payers to apply to the tax authority for a refund of any excess minimum tax paid over the statutory corporate income tax. Before the refund is granted, intercompany transactions are subject to a tax control. On the basis of the formally published legislation, Atrium has classified minimum tax paid in excess of the corporate income tax as financial receivables pending a refund from the Polish tax authorities in the amount of €3.7 million.

Effective tax rate

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

	2018 €'000	2018 %	2017 €'000	2017 %
Profit before taxation	87,652		100,193	
Income tax (charge)/credit using the weighted average applicable tax rates	(6,138)	7.00%	(6,823)	6.81%
Tax effect of non-taxable income/(non-deductible expenses)	(2,389)		(3,666)	
Tax effect of losses previously not recognised	3,144		1,074	
Deferred tax asset not recognised	(22,194)		(600)	
Tax adjustment of previous years	7,301		(7,833)	
FX impact on non financial tax base	(7,201)		6,092	
Others	451		655	
Tax charge	**(27,025)**		**(11,101)**	
Effective tax rate		**30.83%**		**11.08%**

Unrecognised deferred tax assets and liabilities:

As at 31 December 2018, deferred tax liabilities of €60.7 million (2017: €58.9 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 €94.7 million (2017: €115.7 million) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. These unrecognised deferred tax assets arose primarily from the negative revaluation of investment properties and carry-forward tax losses. The tax losses expire over a number of years, in accordance with local tax legislation.

Unrecognised deferred tax assets

Country	31 December 2018 €'000	31 December 2017 €'000
Poland	37,308	34,587
Czech Republic	710	2,616
Russia	37,881	58,068
Hungary	-	1,272
Romania	3,820	7,691
Latvia	-	8
Turkey	10,256	9,729
Others	4,731	1,683
Total	**94,706**	**115,654**

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

Corporate income tax rates	31 December 2018 €'000	31 December 2017 €'000
Poland	19.0%[1]	19.0%[1]
Czech Republic	19.0%	19.0%
Slovakia	21.0%	21.0%
Russia	20.0%	20.0%
Hungary	9.0%	9.0%
Romania	16.0%	16.0%
Turkey	22.0%[2]	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 Tax rates increased from 20% to 22% for 2018, 2019 and 2020 fiscal years, for tax periods that begin on or after 1 January 2018

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.

2.32 EARNINGS PER SHARE

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

Earnings per share	Year ended 31 December 2018	2017
Profit for the year attributable to the owners of the Company for basic and diluted earnings per share in (€'000)	60,627	89,092
Weighted average number of ordinary shares used in the calculation of basic earnings per share	377,565,496	376,918,095
Adjustments		
Dilutive options	101,364	550,233
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	377,666,860	377,468,328
Basic and diluted earnings per share in €cents	**16.1**	**23.6**

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 2018	2017
Options	1,860,492	1,963,825

2.33 SEGMENT REPORTING

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

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

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

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

Reportable segments For the year ended 31 December 2017	Standing investment segment €'000	Redevelopments and land 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
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 For our 75% share of investment property held in a joint venture

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

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2018

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

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

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

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

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

GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2017

	POLAND				CZECH REPUBLIC			
For the year ended 31 December 2017	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	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
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

	SLOVAKIA				RUSSIA			
For the year ended 31 December 2017	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	11,101	-	-	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)
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

	HUNGARY				ROMANIA			
For the year ended 31 December 2017	Standing investment segment	Redevelopments and land segment	Reconciling item	Total	Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	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
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	Redevelopments and land segment	Reconciling item	Total	RECONCILING Standing investment segment	Redevelopments and land segment	Reconciling item	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income	-	-	-	-	-	-	-	-
Service charge income	-	-	-	-	-	-	-	-
Net property expenses	-	-	-	-	-	-	-	-
Net rental income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result on disposals	-	-	-	-				-
Costs connected with developments	-	(192)	-	(192)	-	(93)	-	(93)
Revaluation of investment properties, net	-	(10,020)	-	(10,020)	-	-	-	-
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

2.34 FAIR VALUE

Fair value measurements recognised in the consolidated statement of financial position are categorised using the fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

• Level 3 inputs are unobservable inputs for the asset or liability

The following table shows the assets and liabilities of the Group which are presented at fair value in the statement of financial position as at 31 December 2018, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2018 €'000
Standing investments	2.4				
Poland		-	-	1,956,194	1,956,194
Czech Republic		-	-	336,563	336,563
Slovakia		-	-	160,510	160,510
Russia		-	-	278,771	278,771
Total standing investments		**-**	**-**	**2,732,038**	**2,732,038**
Redevelopments and land	2.5				
Poland		-	-	137,645	137,645
Russia		-	-	26,620	26,620
Turkey		-	-	80,600	80,600
Others		-	-	10,564	10,564
Total redevelopments and land		**-**	**-**	**255,429**	**255,429**
Assets and liabilities, net of disposal group held for sale	2.13	**-**	**27,898**	**-**	**27,898**
Financial assets at FVOCI	2.12	**13,425**	**-**	**-**	**13,425**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.16	**-**	**5,097**	**-**	**5,097**

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

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	2.4				
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	2.5				
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	2.13	**-**	**58,350**	**-**	**58,350**
Financial assets at FVOCI	2.12	**19,961**	**-**	**-**	**19,961**
Financial liabilities measured at fair value Interest rate swaps used for hedging	2.16	**-**	**1,030**	**-**	**1,030**

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

Investment properties measured at level 3 fair value:

	2018		2017	
	Standing investments €'000	Redevelopments and land €'000	Standing investments €'000	Redevelopments and land €'000
Balance as at 1 January	**2,408,992**	**345,331**	**2,458,760**	**292,617**
Profit (loss) included in the Statement of profit or loss Revaluation of investment properties	17,224	(19,244)	14,319	(16,831)
Additions and Disposals				
New Properties	283,324	-	-	-
Construction, technical improvements and extensions	29,808	58,018	23,528	44,650
Disposals	(117,887)	-	(10,556)	(9,445)
Other movements				
Movements in financial leases	9,214	1,280	1,505	2,862
Interest capitalised	-	470	-	468
Transfers from redevelopments and land to standing Investments	129,035	(129,035)	3,836	(3,836)
Transfers to redevelopments and land from standing Investments	(27,672)	27,672	(24,050)	24,050
Transfer (to)/ from assets held for sale	-	(29,063)	(58,350)	10,796
Balance as at 31 December	2,732,038	255,429	2,408,992	345,331

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 were determined on the basis of independent external valuations received from CBRE and Cushman & Wakefield during the last twelve months of 2018. The fair values of most of the redevelopments and land, as at 31 December 2018, were determined on the basis of independent external valuations received from CBRE and Cushman & Wakefield. Approximately 40% (2017: 46%) of the redevelopments and land properties were valued internally. CBRE & Cushman & Wakefield are both external, independent, international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book").

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

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

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

The valuation techniques used in measuring the fair value of the Group's assets and liabilities which are presented at fair values in the statement of financial position as at 31 December 2018:
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 2018	Range	Weighted average
Estimated rental value ("ERV")	€1-€185 per sqm per month	€15 per sqm, per month
Equivalent yield	4.2%-13.9%	6.5%

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

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

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

2 The distribution of the estimated decrease (in € millions): Poland-79.0, Czech Republic-14.7, Slovakia-5.7, Russia-5.3,

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

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

Redevelopments and land:

The fair value of 33% of redevelopments and land (31 December 2017: 29%) 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 2018	Range	Weighted average
Price[1]	€14-€410 per sqm	€48 per sqm

1 An outlying price of €573 has been excluded from the range

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

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

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

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	Estimated total fair value following the change
	€ in millions	€ 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

The fair value of the remaining 67% of redevelopments and land (31 December 2017: 71%) 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 2018	Range	Weighted average
ERV	€13.7-€14.6 per sqm, per month	€14.4 per sqm, per month
Equivalent yield	6.3%-7.5%	6.6%
Construction costs	€541-€1,151 per sqm GLA	€684 per sqm GLA

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

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

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

2 The distribution of the estimated decrease (in € million): Poland-3.7

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

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

5 The distribution of the estimated increase (in € million): Poland 5.1, Turkey 3.8

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

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

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]	(7.0)	238.3
Decrease of - 1 year in development timeframe[7]	7.3	252.6

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 -1.9, Turkey -5.1
7 The distribution of the estimated increase (in € million): Poland 1.8, Turkey 5.4

Assets and liabilities, net of disposal group held for sale

At 31 December 2018, 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 2.13.

Financial assets at FVOCI

For additional details on the available for sale financial assets see note 2.12.

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 2018, including their levels in the fair value hierarchy:

	Level	2018		2017	
		Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	886,246	931,901	834,392	890,979
Bank loans	2	299,814	302,951	134,897	135,787
Total		**1,186,060**	**1,234,852**	**969,289**	**1,026,766**

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

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

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

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

2.35 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

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

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**	**1,030**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.15 and 2.34. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The fair values of the financial assets are deemed to equal their book values.

2.36 CAPITAL MANAGEMENT

The Group manages its capital to provide stability and reduce risk while generating a solid return over the long term to shareholders through improving the capital structure and efficiency of the Group's balance sheet. The Group's capital strategy remains consistent with 2017.

The capital structure of the Group consists of borrowings (as detailed in note 2.15), cash and cash equivalents and the equity.

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

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

For information about loans and bond covenants see note 2.15 and for information about the capital structure of the Group see note 2.14.

2.37 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.

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 2018, the Group had secured long term deposits from tenants amounting to €13.2 million (2017: €13.3 million) and short term deposits amounting to €7.4 million (2017: €8.0 million) and secured bank guarantees.

The table in note 2.10 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 2.34, represents the maximum credit exposure due to financial assets.

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

LIQUIDITY RISK

Liquidity within the Group is managed by appropriate liquidity planning and through an adequate financing structure, which is linked to our capital management objectives.

The Group's liquidity requirements arise primarily from the need to fund its redevelopment projects, property acquisitions and other capital expenditures, debt servicing costs, property management services and operating expenses. To date, these have been funded through a combination of equity funding, bonds, proceeds from disposal of assets and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges). In addition, the Group has a €300 million revolver credit facility.

Liquid funds, comprising cash and cash equivalents amounted to €38.5 million as at 31 December 2018 (2017: €71.9 million). The short term borrowings amounted to €63.0 million (2017: €1.3 million).

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

2018	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and derivatives[1]	1,264,380	1,449,360	100,860	172,102	544,765	631,633
Other liabilities[2]	116,352	300,105	58,338	6,510	18,404	216,853
Total	**1,380,732**	**1,749,465**	**159,198**	**178,612**	**563,169**	**848,486**

1 Borrowings include accrued interest.

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

2017	Carrying amount	Total contractual cash flows	One year or less	One to two years	Two to five years	More than five years
	€'000	€'000	€'000	€'000	€'000	€'000
Borrowings and derivatives[1]	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 and accrued expenditure.

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

MARKET RISK

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

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

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

Information about the key unobservable inputs used in fair value measurement is disclosed in note 2.34.

Price risk

The Group's investment properties are valued at fair value. These fair values are influenced by the turbulence in the global markets as well as the limited amount of publicly available and up to date data relating to the real estate markets in the countries in which the Group operates. The Group is therefore exposed to price risks resulting from movements in the Group's asset values that could change significantly during subsequent periods, see also note 2.34. At present, it is not possible to assess with accuracy the extent of such changes.

Currency risk

The Group is exposed to a currency risk on cash balances that are denominated in foreign currencies.

To eliminate the risk of transactions in foreign currencies, the Group attempts to match its income with its expense in the same currency, thus reducing the currency risk.

The Group is mainly financed in Euro. The rents payable to the Group under the various lease agreements with tenants are mainly denominated in Euro. However, the income of most tenants is denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of turnover, can be affected by fluctuations in the Euro, the currency in which rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly, a weakening of the local currency against the Euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in these rents becoming unsustainable for the tenants concerned, leading to the respective tenants demanding discounts or even defaulting. This could consequently lead to a decrease in current and estimated rental income and a devaluation of the relevant properties.

The following tables set out the exposure to foreign currency risk and net exposure to foreign currencies of the Group's financial assets and liabilities:

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

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)

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2018 and 31 December 2017 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.

	2018 Gain/(Loss) €'000	2017 Gain/(Loss) €'000
CZK	(72)	450
HUF	10	89
PLN	(5,757)	(3,887)
RON	-	(12)
RUB	(511)	(595)
TRY	1	3
Other	(11)	(17)

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 2.16. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2018, there were no fair value movements due to interest rate risk fluctuations in 2018. The interest rate risk was, therefore, reduced to the impact on the statement of profit or loss of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates not hedged was €60 million as at 31 December 2018 (2017: €nil million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2018, all of the Group's borrowings were effectively at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

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

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

Sensitivity Analysis

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

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.

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

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

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

2.38 TRANSACTIONS WITH RELATED PARTIES

- During 2018, Gazit-Globe indirectly purchased a total of 2,483,020 additional shares in the Company, or approximately 0.7% of the entire issued share capital. Consequently, Gazit-Globe directly or indirectly holds a total of 227,216,162 shares in Atrium, comprising 60.1% of the issued shares and voting rights in the Company. Gazit-Globe is the parent company of Atrium and to the best of the management's knowledge Norstar Holdings Inc. is the ultimate parent company. The ultimate controlling party is Mr. Chaim Katzman, Chairman of the Board of Directors, who is controlling shareholder of Norstar Holding Inc. Transactions between Atrium and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

A. In April 2018, Atrium issued 10,000 ordinary shares to Mr. Katzman, following the exercise of options granted to him under ESOP 2013.

Mr. Katzman, together with family members, held directly 392,119 shares in Atrium as at 31 December 2018 and 385,119 shares as at 31 December 2017. In total, Mr. Katzman, together with family members, through his holdings in Norstar Holdings Inc and Gazit-Globe, held directly and indirectly approximately 12.2% (2017: 10.5%) of Atrium's total shares as at 31 December 2018.

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

Atrium has paid flight and travel expenses of €0.4 million (2017: €0.9 million) to MGN Icarus Inc, a subsidiary of Gazit-Globe. Such travel expenses were at arm's length and were incurred by the Chairman of the Board and other executives for property tours and other business activities

B. In February and June 2018, Atrium issued 282,713 and 126,894 ordinary shares respectively to Rachel Lavine, Director and Vice Chairman of the Board, following the exercise of 1,000,000 options granted to her under ESOP 2009.

Mrs. Lavine held 893,915 shares in Atrium as at 31 December 2018 and 484,308 shares as at 31 December 2017.

In addition, Mrs. Lavine holds 533,333 options granted pursuant to 2013 ESOP in November 2013.

Based on a consultancy agreement with the Group, Mrs. Lavine, through Paragon Management Company Limited, was entitled to consultancy fees of €475,000 per annum and expenses as permitted under the agreement.

Effective from 1 September 2018, Mrs. Lavine's consultancy agreement was replaced with terms similar to the Directors' remuneration entitlement. Mrs. Lavine was entitled to €316,667 consultancy fees in 2018 (€475,000 in 2017) and €34,084 directors fees and others.

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 €0.3 million in 2018. Amounts were billed on the basis of arm's length rates for such services.

C. In February 2018, the Group issued 8,532 shares to its director, Simon Radford.

Mr. Radford held 19,957 shares in Atrium as at 31 December 2018 and 11,065 shares as at 31 December 2017.

D. In February 2018, the Group issued 8,532 shares to its director, Andrew Wignall.

Mr. Wignall, held 8,532 shares in Atrium as at 31 December

2018 and nil as at 31 December 2017.

E. Lucy Lilley was nominated to the Board of Directors with effect from April 2018, as an independent non-executive director.

F. The aggregate annual remuneration paid or payable to the Directors for the year ended 31 December 2018 was €2.2 million (2017: €1.9 million). Please see the breakdown on page 48.

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

A. In March 2018, Atrium issued 88,225 shares to Group Executive Management and other Key Employees in accordance with an Employee Share Participation Plan.

B. In April 2018, the Group CEO and Group CFO received a grant of shares in a total value of €60 and €30 thousand, respectively.

C. In July 2018, Atrium issued 62,071 shares in total to Group CFO and Group COO, as part of a long term performance plan.

D. In August 2018, the Group COO received a grant of shares in a total value of €25 thousand.

E. In December 2018, the Group CEO received a grant of shares in a total value of €60 thousand.

F. The aggregate annual remuneration paid or payable to the Group Executive Team for the year ended 31 December 2018, including base salaries, annual bonuses, allowances and benefits was €2.7 million (2017: €2.9 million), on a consistent Group executive members basis.

G. Gazit-Globe reimbursed Atrium for audit and SOX expenses of €0.3 million which were paid by Atrium (2017: €0.3 million).

2.39 CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of Atrium announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria. In 2012, following an investigation, the Jersey Financial Services Commission reconfirmed its conclusions that the ADC Purchases involved no breach of the Companies (Jersey) Law 1991 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 31 December 2018 the aggregate amount claimed in 247 separate proceedings to which Atrium was then a party in this regard was approximately €11.9 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 €11.2 million. Approximately €250,000 (of which the Company bears 50%) in submissions are 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 to 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 €42.1 million as at 31 December 2018. 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 €5.5 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 and have implemented several legislative changes that signify the government's intent to realize significant changes to the regulatory and fiscal environment in which the Group operates including regulation of trading hours, imposition of an industry specific retail tax and changes in the interpretation of rules around sales and transfer taxes applicable on the purchase and sale of assets. For more information on the amendment to the Polish corporate income tax law refer to note 2.31.

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.

03

ATRIUM'S STANDALONE FINANCIAL REPORT


REPUBLIKA
BURGER KING

ATRIUM'S STANDALONE FINANCIAL REPORT

3.1 BASIS OF ATRIUM'S STANDALONE FINANCIAL REPORT

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

The signifcant accounting policies of Atrium are the same as those of the Group as described in note 2.3 except for that mentioned below.

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

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

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

The financial investments in subsidiaries are recognised and derecognised on the date of the transaction with any resulting gain or loss recognised in the statement of profit or loss.

Statement of Financial Position of Atrium European Real Estate Limited

		31 December 2018		31 December 2017	
	Note	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Fixed assets		30		33	
Financial investments in subsidiaries	3.2	431,593		2,596	
Loans and receivables	3.3	2,257,342		2,732,343	
Other assets		1,210		400	
			2,690,175		**2,735,372**
Current assets					
Other receivables	3.4	5,448		6,228	
Financial assets at FVOCI	3.5	13,427		19,961	
Cash and cash equivalents		18,220		31,195	
			37,095		**57,384**
TOTAL ASSETS			**2,727,270**		**2,792,756**
EQUITY AND LIABILITIES					
Equity					
Stated capital		2,117,380		2,269,199	
Other reserves		(7,292)		1,300	
Retained Earnings		(349,932)		(367,857)	
			1,760,156		**1,902,642**
Non-current liabilities					
Bonds	3.6	886,246		834,392	
			886,246		**834,392**
Current liabilities					
Short term borrowings	3.6	60,000		-	
Other payables		1,153		4,534	
Accrued expenditure	3.7	14,262		15,671	
Provisions	3.8	5,453		35,517	
			80,868		**55,722**
Total liabilities			**967,114**		**890,114**
TOTAL EQUITY AND LIABILITIES			**2,727,270**		**2,792,756**

Statement of Profit or Loss of Atrium European Real Estate Limited

		2018		2017	
	Note	€'000	€'000	€'000	€'000
Administrative expenses	3.9	(7,574)		(9,712)	
Write off of assets	3.3	-		(8,627)	
Fair value changes of financial asset at FVTPL	3.11	(232,966)		(539,887)	
Reversal impairment of assets, net	3.10	150,509		405,148	
Net operating loss			**(90,031)**		**(153,078)**
Interest income	3.12	189,866		261,043	
Interest expense	3.12	(32,183)		(32,265)	
Other financial (expense)/income, net	3.13	(49,727)		38,835	
Total net financial income			**107,956**		**267,613**
Profit before and after taxation for the year			**17,925**		**114,535**

Statement of Other Comprehensive Income of Atrium European Real Estate Limited

		2018		2017	
	Note	€'000	€'000	€'000	€'000
Profit for the year			17,925		114,535
Items that will not be reclassified to the statement of profit or loss:					
Movements in financial assets at FVOCI	3.5	(6,536)		(1,612)	
Total comprehensive profit for the year			**11,389**		**112,923**

Statement of Cash Flow of Atrium European Real Estate Limited

	2018 €'000	2017 €'000
Cash flows from operating activities		
Profit before taxation	17,925	114,535
Adjustments for:		
Dividend from listed equity securities, net	(953)	(39,009)
Foreign exchange (profit)/ loss, net	31,374	(19,682)
Change in legal provision, net of amounts paid	(30,064)	(18,003)
Share based payments expenses	418	241
Reversal impairment of assets, net	(150,509)	(405,148)
Fair value changes of financial assets as FVTPL	232,966	539,887
Net loss from bonds buy back	17,223	-
Waivers of related party balances, net	-	19,688
Write off of assets	-	8,627
Interest expense	32,183	32,265
Interest income	(189,866)	(261,043)
Operating cash flows before working capital changes	**(39,303)**	**(27,642)**
Decrease/ (increase) in trade, other receivables and prepayments, net	4,858	(1,441)
Increase/ (decrease) in trade, other payables and accrued expenditure, net	1,715	(1,134)
Cash used in operations	**(32,730)**	**(30,217)**
Decrease in restricted cash related to legacy legal claims arrangement	118	4,587
Interest paid	(34,876)	(31,709)
Interest received	123,938	148,230
Dividend received	953	1,451
Net cash generated from operating activities	**57,403**	**92,342**
Cash flows from investing activities		
Payments related to financial investments in subsidiaries	(661,964)	(539,869)
Receipt of principle payments of long term borrowings from subsidiaries, net	654,403	534,216
Proceeds from the sale of financial assets at FVOCI	-	20,460
Net cash generated from (used in) investing activities	**(7,561)**	**14,807**
Net cash flow before financing activities	**49,842**	**107,149**
Cash flows from financing activities		
Proceeds from issuance of share capital	174	378
Utilisation of a revolving credit facility	60,000	-
Arrangement fees of revolving credit facility	(1,155)	-
Repayment of long term borrowings	(258,026)	(3,850)
Receipt of long term borrowings	293,113	-
Decrease in restricted cash related to financing activity	-	4,004
Dividends paid	(154,800)	(154,543)
Net cash used in financing activities	**(60,694)**	**(154,011)**
Net decrease in cash and cash equivalents	**(10,852)**	**(46,862)**
Cash and cash equivalents at the beginning of year	**31,195**	**78,283**
Effect of exchange rate fluctuations on cash held	(2,123)	(226)
Cash and cash equivalents at the end of year	**18,220**	**31,195**

Statement of Changes in Equity of Atrium European Real Estate Limited

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

[1] See note 2.14 in the consolidated financial statements

	Stated capital €'000	Share based payment reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings/ (deficit) €'000	Total equity €'000
Balance as at 1 January 2017	**2,422,587**	**3,803**	**(1,419)**	**(481,328)**	**1,943,643**
Profit for the year	-	-	-	114,535	114,535
Other comprehensive 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	(154,543)	-	-	-	(154,543)
Balance as at 31 December 2017	**2,269,199**	**3,267**	**(1,967)**	**(367,857)**	**1,902,642**

3.2 FINANCIAL INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership 2018 %	Ownership 2017 %	Carrying amount 2018[1] €'000	Carrying amount 2017 €'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%	279	287
Atrium European Coöperatief U.A.	Netherlands	Holding company	98%	95%	401,217	-
Atrium Czech Real Estate Management, s.r.o.	Czech Republic	Management company	100%	100%	4,842	1,756
Manhattan Real Estate Management Kft.	Hungary	Management company	100%	100%	-	240
Atrium Treasury Services Ltd.	Jersey	Holding company	100%	100%	25,161	-
Atrium Poland Real Estate Management Sp. z o.o.	Poland	Management company	100%	100%	-	-
Atrium Romania Real Estate Management SRL	Romania	Management company	100%	100%	-	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%	94	194
Manhattan Gayrimenkul Yönetimi Limited Sirketi	Turkey	Management company	100%	100%	-	-
Total net value					**431,593**	**2,596**

[1] In 2018, the Company made a capital contribution to Atrium European Coöperatief U.A in an amount of €662.0 million (2017: €540 million).

3.3 LOANS AND RECEIVABLES

	2018 €'000	2017 €'000
Amounts due from subsidiary undertakings	2,719,658	3,345,168
Accumulated impairment of amounts due from subsidiary undertakings	(462,316)	(612,825)
Total	**2,257,342**	**2,732,343**

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

The average effective interest rate is 6.5% p.a. The maturity dates range from 2019 to 2028.

In 2018, the Company reversed an impairment of €207.2 million and recorded an additional impairment of €56.7 million (2017: reversal of impairment of €540 million; additional impairment of €134.9 million) to the statement of profit or loss related to amounts due from subsidiary undertakings.

In 2017, the Company wrote-off €8.6 million of amounts due from subsidiary undertakings recoverable amount. In addition to that the Company waived €95.4 million due from subsidiary undertakings.

3.4 OTHER RECEIVABLES

	2018 €'000	2017 €'000
Restricted cash[1]	3,755	3,873
Other receivables	1,693	2,355
Total	**5,448**	**6,228**

[1] The Company held cash of €3.8 million restricted as security for the Stichting compensation arrangement (see note 2.39 for the Group's consolidated financial statements).

3.5 FINANCIAL ASSETS AT FVOCI

The Company's financial assets at FVOCI as at 31 December 2018 and 31 December 2017, include an investment in two listed equity securities with less than 1% total holding in each individual investment. The financial assets at FVOCI are carried at fair value. The fair value is based on quoted prices (unadjusted) in active markets (Level 1 within the fair value hierarchy). As of 31 December 2018, financial assets at FVOCI amounted to €13.4 million.

3.6 BONDS AND BORROWINGS

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

2017 Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate
Atrium European Real Estate Limited 2020	EUR	4.0%	2.4	2020	333,517	355,535	4.2%
Atrium European Real Estate Limited 2022	EUR	3.625%	4.9	2022	500,875	535,444	3.5%
Total/Average		**3.8%**	**3.9**		**834,392**	**890,979**	**3.8%**

For information about the fair value of loans and bonds, see note 2.15 for the Group's consolidated financial statements.

In September 2018, the Company priced a €300 million unsecured 7 year Eurobond carrying a fixed 3.0% coupon which will mature in September 2025 at an issue price of 98.457%.

Also in September 2018, the Company repurchased €201.9 million of the 2020 notes and €40.0 million of the 2022 notes. Following the refinancing and tender, the Company recorded €17.2 million tender premium loss.

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

Accrued interest is not included in the bonds and borrowings balance and presented separately in note 3.7 Accrued expenditure.

Revolving credit facility

In May 2018, the Company signed a net increase of €75 million and extended its revolving credit facility to 2023. The total value of the revolving credit facilities is €300 million with an expiry date in 2023. As at 31 December 2018, the Company has utilised €60 million of this facility.

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

3.7 ACCRUED EXPENDITURE

	2018 €'000	2017 €'000
Accrued interest	9,993	13,197
Accrued consultancy and audit fees	3,414	2,007
Other accrued expenditure	855	467
Total	**14,262**	**15,671**

3.8 PROVISIONS

Legacy legal provision	2018 €'000	2017 €'000
Balance as at 1 January	**35,517**	**53,520**
Additional provision in the period	-	2,741
Amounts paid during the period	(30,064)	(20,744)
Balance as at 31 December	**5,453**	**35,517**
Of which Current portion	5,453	35,517
Non-current portion	-	-
Total provisions	**5,453**	**35,517**

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

3.9 ADMINISTRATIVE EXPENSES

	2018 €'000	2017 €'000
Consultancy and other fees	(154)	(538)
Directors' fees and expenses	(1,820)	(1,989)
Legal fees	(251)	(284)
Legacy legal matters	(855)	(2,336)
Legacy legal – provision	-	(2,741)
Audit fees	(740)	(680)
Other corporate fees	(3,754)	(1,144)
Total	**(7,574)**	**(9,712)**

3.10 IMPAIRMENT OF LOANS AND RECEIVABLES

In 2018, the Company made a capital contribution to its subsidiary Atrium European Coöperatief U.A in an amount of €662.0 million. The proceeds of €662.0 million were used ultimately to repay the loans borrowed by Atrium Treasury Services Ltd.

The Company reversed €150.5 million net of impairment on loans to subsidiaries, consists of a reversal €207.2 million of impairment provision and additional impairment provision, €56.7 million (2017: €405.1 million net of impairment; €540.0 million reversal of impairment provision, €134.9 million additional impairment provision).

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 subsidiary to repay their loans to the Company.

3.11 FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FVTPL

€233.0 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 a capital contribution to a subsidiary as described in note 3.10.

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3.12 INTEREST INCOME AND INTEREST EXPENSE

	2018 €'000	2017 €'000
Interest income		
From loans to subsidiary undertakings	189,866	261,043
Total	**189,866**	**261,043**
Interest expense		
Interest on bonds	(31,729)	(31,814)
Interest on a loan from related party	(89)	(322)
Other interest expense	(365)	(129)
Total	**(32,183)**	**(32,265)**

3.13 OTHER FINANCIAL (EXPENSES)/INCOME, NET

	2018 €'000	2017 €'000
Net loss from bond buy back (see note 3.6)	(17,223)	-
Dividend income	953	39,009
Loss from waivers of loans to subsidiaries	-	(95,391)
Payables waived	-	75,703
Foreign exchange gains, net	(31,374)	19,682
Other financial expenses, net	(2,083)	(168)
Total	**(49,727)**	**38,835**

Foreign currency exchange losses and gains arise primarily from foreign currency loans provided to subsidiaries. The foreign exchange loss in 2018 is primarily derived from the loans to subsidiaries denominated in Polish Zloty €33.6 million (2017: foreign exchange gain €80.5 million), Russian Roubles €12.9 million (2017: loss €12.9 million) and Czech Korona €2.2 million (2017: loss €11.2 million), offset by gain on the loans to subsidiaries denominated in US Dollar €18.1 million (2017: loss 58.8 million). For a breakdown of the Company financial assets and liabilities per currency see note 3.16.

3.14 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%.

3.15 CATEGORIES OF FINANCIAL INSTRUMENTS

Atrium distinguishes the following categories of financial instruments

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

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 in subsidiaries	2,596	-	2,596	-	-
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**

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

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.

Impairment losses in relation to financial assets

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

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

	2018 €'000	2017 €'000
Gross carying amount	**2,741,893**	**3,381,218**
Loans and receivables	2,719,658	3,345,168
Other Receivables	4,015	4,855
Cash and cash equivalents	18,220	31,195
Impairment	**(462,316)**	**(612,825)**
Loans and receivables	(462,316)	(612,825)
Carrying amount	**2,279,577**	**2,768,393**

Movements in the provision for impairment of loans and receivables for the years 2018 and 2017 is presented as follows:

	2018 €'000	2017 €'000
Openning impairment at 1 January	**(612,825)**	**(1,028,593)**
Additions	(56,769)	(143,525)
Reversals	207,278	540,046
Written off	-	19,247
Closing impairment at 31 December	**(462,316)**	**(612,825)**

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

Movements in the gross carying on loans and receivable for the years 2018 and 2017 is presented below:

	2018 €'000	2017 €'000
Gross carrying balances at 1 January	**3,345,168**	**3,824,006**
Interest accrued	65,928	112,813
Written off	-	(19,247)
Waive off	-	(95,391)
Foreing exchange differences	(37,035)	19,906
Repaid	(654,403)	(534,216)
Transfers	-	37,296
Gross carrying balances at 31 December	**2,719,658**	**3,345,168**

3.16 RISK MANAGEMENT

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

Credit risk

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

The Company`s principal financial assets are cash and cash equivalents, other receivables, loans and receivables, the maximum exposure of the Company concerning credit risk is the carrying amount of each class of financial assets. See also note 3.15.

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

In order to diversify the risk with connected to the potential insolvency of financial institutions, the Company deposits cash balances at various international banking institutions. Before a deposit is made, a review of the credit ratings of the banking institutions is undertaken and only banks with credit ratings of an investment grade or better are selected.

The amounts due from subsidiary undertakings were impaired as disclosed in note 3.10. As intercompany transactions and balances are eliminated in the consolidated financial statements, they only represent a credit risk exposure on the Company's level. To mitigate the other credit risk arising from financial instruments - loans to third parties, historical data of counterparties from the business relationship are used, in particular data in relation to payment behaviour. Allowances for receivables are recorded in respect of the level of recognised risks, are individually tailored to each borrower and are calculated on the basis of management knowledge of the business and the market.

The credit risk exposure is comprised of normal course of business transactions with third parties, associates and its subsidiaries.

Liquidity risk

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

2018	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and accrued interest	956,239	1,091,795	90,946	164,013	518,836	318,000
Other liabilities	5,422	5,422	5,422	-	-	-
Total	**961,661**	**1,097,217**	**96,368**	**164,013**	**518,836**	**318,000**

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**	**-**

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

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

The Company's liquid financial instruments comprise of cash and cash equivalents at the amount of €18.2 million (2017: €31.2 million) and the listed equity securities at the amount of €13.4 million (2017: 20 million).

Currency risk

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

The following table sets out Atrium's total exposure to foreign currency risk and the net exposure to foreign currencies of its financial assets and liabilities:

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

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
RUB	156,707	-	156,707

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2018 and 31 December 2017 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

	2018 (Loss) €'000	2017 (Loss) €'000
CZK	(30,537)	(17,736)
HUF	(537)	(3,257)
PLN	(147,258)	(141,940)
USD	(10,535)	(12,489)
RUB	(10,955)	(15,671)

A 10 percentage point weakening of the Euro against the above currencies at 31 December 2018 and 31 December 2017 would increase the profit by approximately the same amounts.

3.17 TRANSACTIONS WITH RELATED PARTIES

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

3.18 CONTINGENCIES

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

04

INDEPENDENT AUDITOR'S REPORT


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

OUR OPINION

In our opinion, the parent company financial statements and the consolidated financial statements (together the "financial statements") give a true and fair view of the financial position of Atrium European Real Estate Limited (the "Company") and of the Company and its subsidiaries (together the "Group") as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

WHAT WE HAVE AUDITED

The financial statements comprise:

- the Company and the consolidated statement of financial position as at 31 December 2018;
- the Company and the consolidated statement of profit or loss for the year then ended;
- the Company and the consolidated statement of other comprehensive income for the year then ended;
- the Company and the consolidated statement of changes in equity for the year then ended;
- the Company and the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

OUR AUDIT APPROACH

Context

The Company is incorporated in Jersey, Channel Islands and has securities listed on the Vienna Stock Exchange and the Euronext Amsterdam Stock Exchange. It is structured as a group and therefore key aspects of our audit approach have been framed by our role as the lead engagement team using auditors from other PwC network firms. As at 31 December 2018 the Group owned a €2.9 billion portfolio of 34 retail properties which generated €185.6 million of rental income in that calendar year. These properties are located throughout Central and Eastern Europe, predominantly Poland and the Czech Republic. During 2018 the Group continued to execute its long-term portfolio repositioning strategy, focusing on core assets in core locations. The most significant transactional activity was the acquisition of Wars Sawa Junior in Poland.

As a result, the context for our key audit matters are the Group's investment property valuations, the significant transaction during the year, being the acquisition of the Wars Sawa Junior property and the impact of international tax risks given the Group's multi-jurisdictional footprint.

Overview

Materiality

- Overall Group materiality: €16.5m, based on 0.5% of Group Total Assets
- Overall Company materiality: €16.5m,based on 1% of Company Total Assets

Audit scope

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

Key audit matters

- Valuation of investment property (Group)
- Taxation (Group/Company)
- Significant transaction - acquisition of Wars Sawa Junior (Group)

AUDIT SCOPE

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

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

MATERIALITY

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

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

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit of the Company and the Group above €823,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment property (Group) Refer to page 61 (Key sources of estimation uncertainty), 67 (Significant accounting policies), 73-74 (Notes 2.4 and 2.5), and 98-102 (Note 2.34). The Group's investment property portfolio is split between standing investments of €2,732m and redevelopments and land of €255m. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For redevelopments and land, factors include projected costs to redevelop and timing of practical completion. The valuations for all standing investments and the majority of the redevelopments and land portfolio were carried out by external third party valuers, CBRE and Cushman & Wakefield, (the "external valuers"). The external valuers were engaged by the directors, and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Global Standards which incorporate the International Valuation Standards 2017. The external valuers used by the Group have considerable experience of the markets in which the Group operates. 40% of redevelopments and land were valued by the Group's internal valuation team. The results of the external and internal valuations were reviewed and approved by the directors.	We engaged PwC valuation experts in relevant jurisdictions to review all internal and external valuation reports for all standing investments, redevelopments and land. We confirmed that the valuation approach used was in accordance with RICS standards and suitable for use in determining the fair value for the purpose of the financial statements. For external valuations we assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the external valuers. We found no evidence to suggest that the objectivity of any external valuers in their performance of the valuations was compromised. We attended meetings with management and the external valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group, but the discussions with management and the external valuers focused on the largest properties in the portfolio, properties under development or where the valuation basis has changed in the year, and those where the yields used and/or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector. We performed testing on the standing data in the Group's information systems concerning the valuation process and carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information used by management in the internal valuation process and supplied to the external valuers. For redevelopments during the year, capitalised expenditure was tested on a sample basis to invoices. For redevelopments and land held at the year end we also assessed budgeted costs to redevelop for reasonableness, taking into account the type and scale of the planned redevelopment.

In determining standing investments valuations the external valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For redevelopments and land, the residual appraisal and comparable transaction methods are used. The residual appraisal method is an estimation of the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The comparable transaction method estimates fair value on the basis of recent transactions for similar assets in the market. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.	We compared the investment yields used by management and the external valuers with the range of expected yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with management and the external valuers and obtained evidence to support explanations received. The valuation commentaries provided by management and the external valuers and the supporting evidence received, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate. We saw evidence that alternative assumptions had been considered and evaluated by management and the external valuers, before determining the final valuations. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence. From the testing performed, no significant issues or concerns were identified which would require reporting to those charged with governance.
Taxation (Group/Company) Refer to pages 61 (Key sources of estimation uncertainty), 71 (Significant accounting policies), 75 (Note 2.8), 82 (Note 2.17), 85-86 (Note 2.31) and 119 (Note 3.14). The Group operates across multiple jurisdictions and is exposed to a highly complex, changeable tax environment. Management make significant judgements in their assessment of whether provisions for uncertain tax positions or assets for historic overpayments in certain jurisdictions should be recognised. A combination of the complexity of the Group's direct and indirect tax positions, the significant judgement involved in the calculation of these balances and the ever shifting tax landscape in the major countries where the Group is present led us to focus our attention on this area.	We focused our audit of the Group's tax positions in the regions that make up the majority of the tax payable and/or where tax structuring decisions can have a significant influence, testing the computations performed in locations within the Group audit scope with particular emphasis on Poland, Czech Republic, the Netherlands and Russia. We engaged our internal tax specialists to review the Group's transfer pricing policies and supporting documentation, specifically where it relates to the Group's intercompany financing arrangements, including management's reports and specific tax practices within these jurisdictions. From our review of material component tax positions, no significant issues or concerns were identified which would require reporting to those charged with governance.
Significant transaction – acquisition of Wars Sawa Junior (Group) Refer to pages 24-25 (Group management report), 67 (Significant accounting policies) and 73 (Note 2.4). The Group acquired Wars Sawa Junior in October 2018 through a share deal by acquiring 100% of the shares in Prime Warsaw Properties Spółka z ograniczoną odpowiedzialnością. Management concluded that the acquisition was an asset acquisition as opposed to a business combination in accordance with IFRS 3 as no business processes transferred with the acquired assets. The significance of this transaction to the consolidated financial statements, the effect on the Group's activities and management judgement required additional audit effort.	We participated in various meetings and discussions with external parties and management to understand the details of the transaction. We obtained and read the sale and purchase agreements between the entities involved. We agreed the consideration paid for the acquisition by the Group to signed contracts and bank statements. We used accounting specialists to challenge the conclusions reached by management. Our specialists assessed the Group's conclusions against the requirements of the relevant accounting standards, including interpretation guidance and authoritative support. From the work performed, no significant issues or concerns were identified which would require reporting to those charged with governance.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Annual Financial Report 2018 but does not include the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

GROUP MANAGEMENT REPORT AND DECLARATION OF THE COMPANY'S MANAGEMENT IN ACCORDANCE WITH §124 BÖRSEGESETZ 2018

We have a statutory responsibility to state in our audit report whether in our opinion the information given in the Group management report for the financial year for which the financial statements are prepared is consistent with those financial statements and to confirm whether the directors have made a statement in accordance with section 124 par.1 sub para 3 of the Austrian Stock Exchange Act 2018.

In our opinion the information given in the Group management report is consistent with the financial statements and the Annual Financial Report 2018 contains the statement by directors in accordance with section 124 par.1 sub para 3 of the Austrian Stock Exchange Act 2018.

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
27 February 2019

- The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

05

DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS


królewski
gwiazdozbiór
LEKSUS
APART

DIRECTORS

Chaim Katzman
Rachel Lavine
Michael Erichetti
Neil Flanzraich
Lucy Lilley
Simon Radford
Andrew Wignall

ADMINISTRATOR AND REGISTRAR

Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH

INDEPENDENT AUDITORS

PricewaterhouseCoopers CI LLP
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 XA

MEDIA RELATIONS ADVISOR

FTI Consulting
200 Aldersgate, Aldersgate Street
London, EC1A 4HD, UK

REGISTERED OFFICE

11-15 Seaton Place
St Helier
Jersey
JE4 0QH

BUSINESS ADDRESS

4th Floor, Channel House
Green Street
St Helier
Jersey

PRINCIPAL LOCATIONS

Poland

Atrium Poland Real Estate Management Sp. z o.o.
Ostrobramska 75C, Staircase no 2, 4th floor, 04-175
Warsaw

Czech Republic

Atrium Czech Real Estate Management s.r.o.
Vinohradská 2828/151, 130 00
Praha 3- Žižkov
Prague

The Netherlands

Atrium Group Services B.V.
World Trade Center, I tower, Strawinskylaan 1959
1077 XX Amsterdam

Russia

OOO Manhattan Real Estate Management
JAVAD Business Centre, The Triumph Palace
Chapaevskiy pereulok, Building 3, RU-125057
Moscow

HOW TO CONTACT US

Website www.aere.com
Analysts & Investors ir@aere.com
Media atrium@fticonsulting.com
General enquiries atrium@aere.com

Cover photo: Wars Sawa Junior, Warsaw, Poland