
ATRIUM
European Real Estate

# ANNUAL FINANCIAL REPORT 2015

LEADER IN SHOPPING CENTRES IN CENTRAL AND EASTERN EUROPE

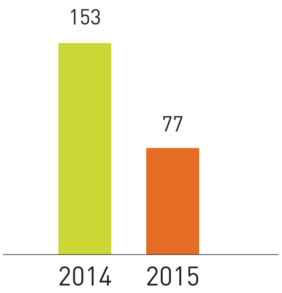
# OUR VISION

Atrium's vision is to remain one of the leading owners and managers of food anchored shopping centres in Central and Eastern Europe and for the Atrium brand to become a hallmark of high quality retail for consumers and retailers

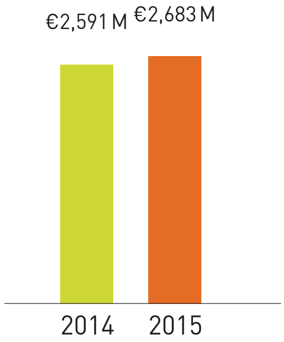
Our portfolio will continue to be predominantly focused on income generating shopping centres in the most mature and stable CEE countries, producing solid long term cash flows. Organic growth is to be driven by pro-active, hands-on asset management, ensuring we uphold our "retail is detail" approach. Further growth is to be achieved through the acquisition of high quality assets in our region and through a selected number of development, redevelopment and extension projects. Our balance sheet will be efficient and conservatively managed with modest leverage.


Atrium Biala, Białystok, Poland

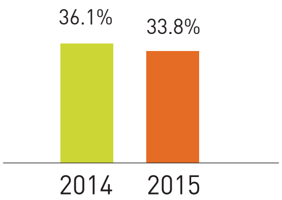
## NUMBER OF PROPERTIES




## STANDING INVESTMENTS




## LTV (GROSS)




## OUR PROFILE

Atrium Group owns a €2.7 billion[1] portfolio of 77 shopping centres and smaller retail properties which produced €207 million of rental income in 2015. These properties are located predominantly in Poland, the Czech Republic, Slovakia and Russia, and, with the exception of two, are all managed by Atrium's internal team of retail real estate professionals.

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

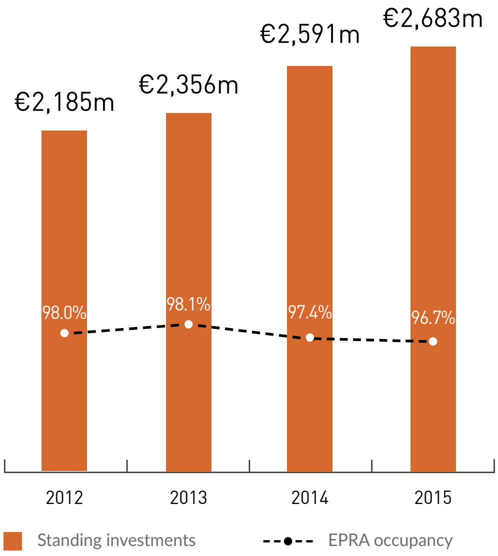
## OUR FOCUS FOR 2016

- Continue to improve the quality of our portfolio through careful selective rotation of properties, driving the operational and financial performance of our assets and increasing the offer for retailers via selective extensions of already stabilised and successful investments;
- Continue to establish the Atrium brand and strengthen our relationships with key clients while seeking to work with new retailers as they expand into and across the region; and
- Further optimise the capital structure and efficiency of the Group's balance sheet.

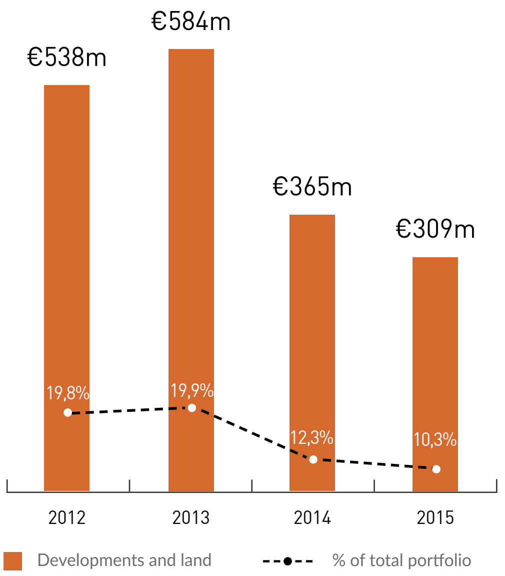
1 Including a 75% stake in assets held in Joint Ventures and €117.5 million (representing 10 assets in the Czech Republic and 3 assets in Poland) classified as held for sale as at 31 December 2015

# HIGHLIGHTS

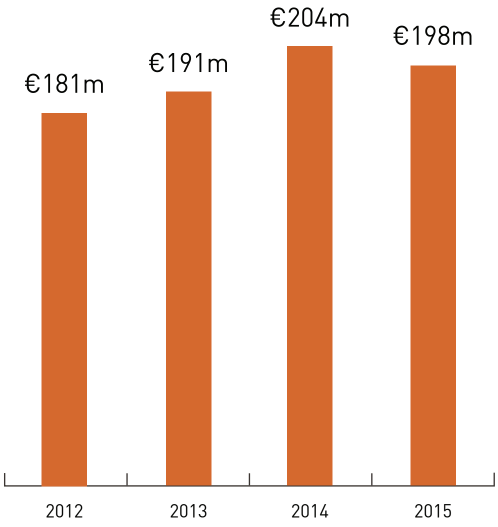
## STANDING INVESTMENTS EPRA OCCUPANCY*




## DEVELOPMENTS AND LAND

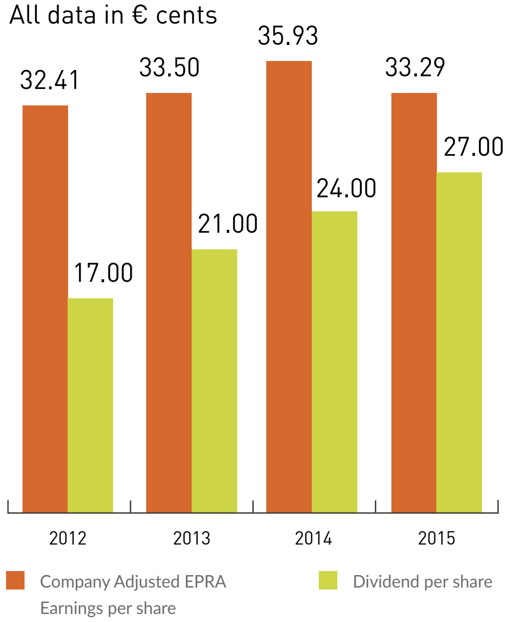



## NET RENTAL INCOME (NRI)




## COMPANY ADJUSTED EPRA EARNINGS AND DIVIDEND PER SHARE

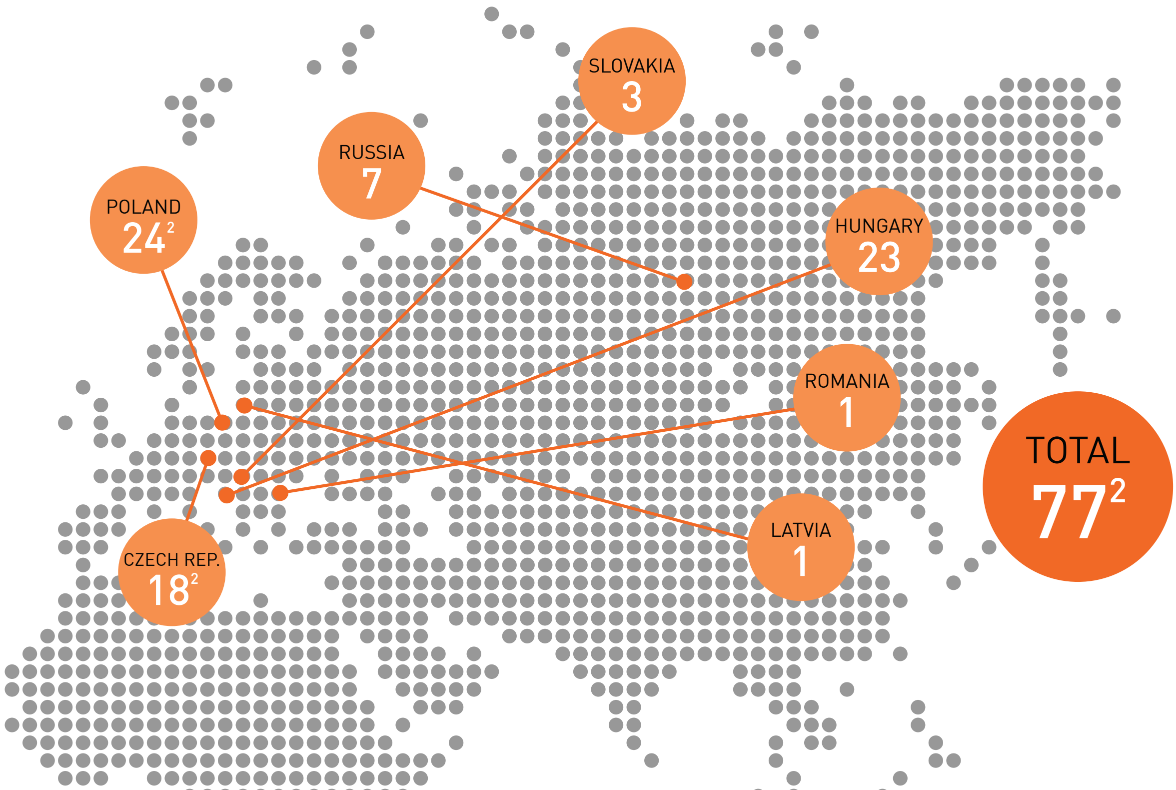
All data in € cents

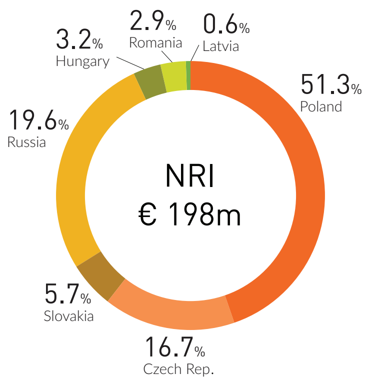


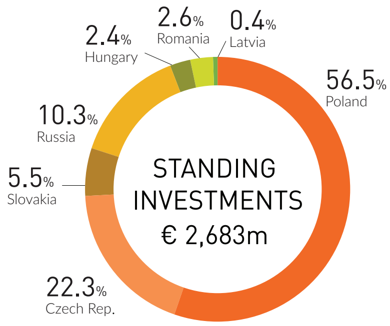

* Including a 75% stake in assets held in Joint Ventures and €117.5 million (representing 10 assets in the Czech Republic and 3 assets in Poland) classified as held for sale as at 31 December 2015. 31 December 2014 includes €71 million classified as held for sale.

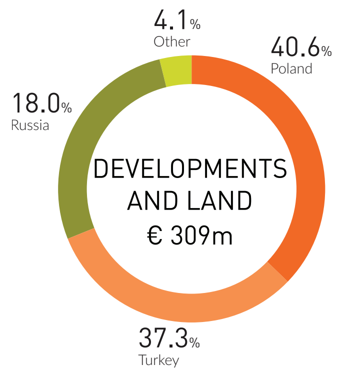
# OUR BUSINESS

## STANDING INVESTMENT PORTFOLIO SPREAD




| Key Facts | Poland | Czech Rep. | Slovakia | Russia | Hungary | Romania | Latvia |
|---|---|---|---|---|---|---|---|
| Credit rating (S&P) | BBB+/Negative | AA-/Stable | A+/Stable | BB+/Negative | BB+/Stable | BBB-/Stable | A-/Stable |
| Credit rating (Fitch) | A-/Stable | A+/Stable | A+/Stable | BBB-/Negative | BB+/Positive | BBB-/Stable | A-/Stable |
| Population | 38.0 m | 10.5 m | 5.4 m | 146.3 m | 9.9 m | 19.9 m | 2.0 m |
| Atrium GLA in sqm | 535.800 | 203.700 | 65.600 | 240.900 | 100.900 | 54.100 | 20.400 |

Source: S&P ratings, Fitch ratings, PMR Publications

2 Including 10 assets in the Czech Republic and 3 assets in Poland classified as held for sale and Arkády Pankrác shopping centre held in joint ventures

# KEY PERFORMANCE INDICATORS

| KEY FINANCIAL FIGURES OF THE GROUP | UNIT | 2015 | 2014 | CHANGE % |
|---|---|---|---|---|
| Gross rental income | €'000 | 207,372 | 214,484 | (3.3%) |
| EPRA like-for-like gross rental income | €'000 | 170,506 | 189,303 | (9.9%) |
| Net rental income | €'000 | 197,871 | 204,037 | (3.0%) |
| EPRA like-for-like net rental income | €'000 | 164,240 | 183,752 | (10.6%) |
| Operating margin | % | 95.4 | 95.1 | 0.3% |
| EBITDA excluding revaluation, disposals and impairments | €'000 | 148,782 | 174,019 | (14.5%) |
| Company adjusted EPRA earnings | €'000 | 125,171 | 134,820 | (7.2%) |
| Revaluation of standing investments | €'000 | (48,678) | (94,065) | |
| Revaluation of developments and land | €'000 | (50,403) | (74,012) | |
| Profit (loss) for the year | €'000 | 4,812 | (57,756) | |
| Net cash generated from operating activities | €'000 | 116,776 | 151,977 | (23.2%) |
| Cash and cash equivalents | €'000 | 224,368 | 420,544 | (46.6%) |
| Total assets | €'000 | 3,282,936 | 3,450,783 | (4.9%) |
| Equity | €'000 | 2,031,126 | 2,110,418 | (3.8%) |
| Borrowings | €'000 | 1,012,781 | 1,068,074 | (5.2%) |
| LTV (gross) | % | 33.8 | 36.1 | (2.3%) |
| LTV (net) | % | 26.3 | 21.9 | 4.4% |
| KEY FINANCIAL FIGURES OF THE GROUP EXCLUDING RUSSIA | | | | |
| Net rental income | €'000 | 159,127 | 148,690 | 7.0% |
| EPRA like-for-like net rental income | €'000 | 125,496 | 124,889 | 0.5% |
| Company adjusted EPRA earnings | €'000 | 90,955 | 89,921 | 1.2% |
| Revaluation of standing investments | €'000 | 49,636 | (16,829) | - |
| PORTFOLIO KEY FIGURES | | | | |
| Number of standing investment assets | Number | 77 | 153 | - |
| Standing investments at fair value | €'000 | 2,682,943 | 2,591,459 | 3.5% |
| Net equivalent yield (weighted average) | % | 7.3 | 8.0 | (0.7%) |
| EPRA Occupancy rate | % | 96.7 | 97.4 | (0.7%) |
| Developments and land at fair value | €'000 | 309,398 | 365,016 | (15.2%) |
| PER SHARE FIGURES | | | | |
| IFRS Earnings (losses) per share | €cents | 1.29 | (15.4) | - |
| Company adjusted EPRA earnings per share | €cents | 33.3 | 35.9 | (7.2%) |
| Dividend per share | € | 0.27 | 0.24 | 12.5% |
| IFRS NAV per share | € | 5.40 | 5.62 | (3.9%) |
| EPRA NAV per share | € | 5.64 | 6.08 | (7.2%) |
| Share price end of the year | € | 3.57 | 4.09 | (12.7%) |

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

# CHAIRMAN'S STATEMENT

"THE STEPS TAKEN OVER THE PAST FEW YEARS TO REWEIGHT OUR PORTFOLIO TOWARDS OUR CORE TERRITORIES OF URBAN MARKETS IN POLAND, THE CZECH REPUBLIC AND SLOVAKIA HAVE PROVED FRUITFUL, AND HELPED US TO CREATE A PLATFORM WHICH CAN DELIVER SUSTAINABLE INCOME"

Looking at the Group as a whole, I am pleased to report that the steps taken over the past few years to reweight our portfolio towards our core territories of densely populated urban markets in Poland, the Czech Republic and Slovakia have proved fruitful, with Atrium reporting net like-for-like rental income growth in all three of these territories during 2015. Not only has this helped to create a platform which can deliver sustainable income and growth, it has also partly mitigated the impact from Russia.

Against this backdrop, for Atrium 2015 was a year which would have been characterized by strong strategic and operational progress leading to further growth and a positive financial performance were it not for the continued deterioration of the economic situation in Russia and, most notably from our perspective, the substantial devaluation of the Rouble. While the geo-political situation in Russia remains out of our direct control, we have continued to work closely with our tenants throughout, with the aim of maintaining the occupancy and attractiveness of our centres.

The on-going strategy of improving the quality of the Group's portfolio and long-term cash flow continued apace throughout the year. In Poland we completed the extension of Atrium Copernicus in Toruń, while the extension and refurbishment of our flagship Warsaw asset, Atrium Promenada, is well underway, with the first units to open in the first quarter of 2016, followed by completion of the first stage later in the year. In their totality these initiatives will add approximately 61,300 sqm of lettable space to the Group's portfolio. They both also serve as great examples of how we are able to draw on the team's extensive experience to ensure that our centres remain dominant in their catchment areas, as well as relevant and appealing in a time of changing consumer and retailer habits. We continue to assess other value accretive opportunities within our portfolio as this ongoing process remains a key priority for Atrium.

Progress in the Czech Republic has been particularly significant, with the acquisitions of a 75% stake in the Arkády Pankrác shopping centre last June and of Palác Pardubice at the end of 2014. Furthermore, we have completed the disposal of approximately €185 million of 87 smaller format, non-strategic assets throughout the past 14 months. The income attributable to the assets that have been sold was replaced by much higher quality and more sustainable revenue, thereby fundamentally improving the income profile of the Group's Czech portfolio.

The Group continued to take advantage of the currently favourable credit markets to further strengthen the balance sheet and optimise its capital structure. We repurchased or repaid some €110 million of our older more expensive notes, either ahead of or upon maturity releasing in the process €400 million of encumbered assets and tapped €150 million of 2014 bonds, thereby extending our debt profile at a lower cost. Furthermore, we once again entered into a new credit facility, for an additional €100 million, as a result of which Atrium now has revolving credit facilities of €150 million. This provides us with further flexibility to deliver our plans for the future.

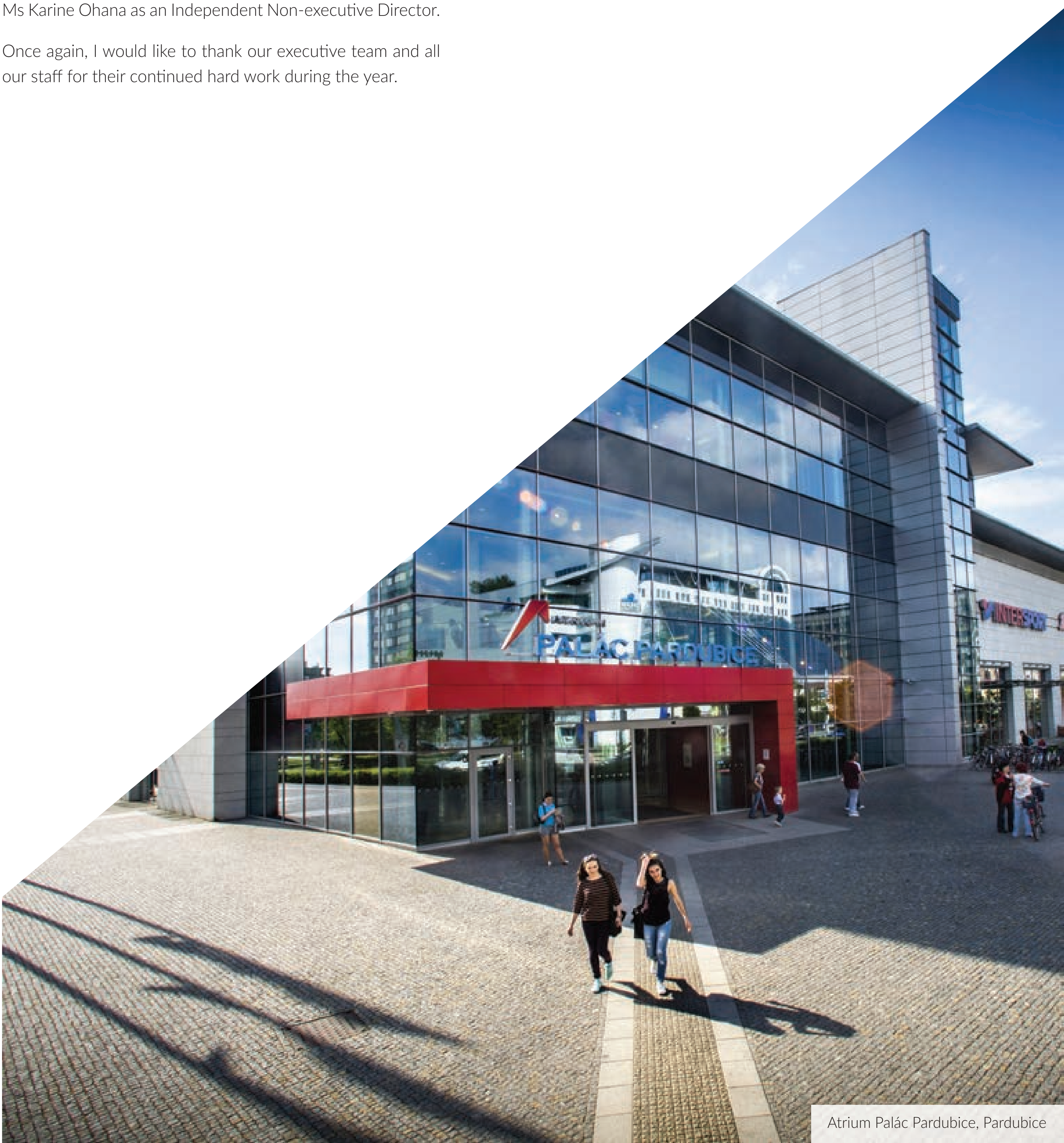
The Board takes great comfort from the continued strength of the Group's performance in its core regions against the backdrop of the continued uncertainty in Russia. This clearly illustrates the tangible progress made in reweighting the portfolio towards more urban markets with higher barriers to entry, and served as one of the key criteria that gave the Board the confidence to maintain the dividend at €0.27 per share.

We saw a number of changes to the Board of Directors during the year. Most recently, we said farewell to Aharon Soffer, who resigned from the Board of Directors in August 2015. His departure followed that of Joseph Azrack and Roger Orf who, as the two Apollo nominated directors, resigned in January after Apollo's divestment of its stake in Atrium. We remain grateful to them for all their hard work and effort on Atrium's behalf. In June we further strengthened the Board when we welcomed Ms Karine Ohana as an Independent Non-executive Director.

Once again, I would like to thank our executive team and all our staff for their continued hard work during the year. Atrium is in good shape and performing well and their contribution to this is significant. I would also like to thank our shareholders and bondholders for their ongoing support and to assure them, as always, that we remain entirely focused on delivering long-term value on their behalf.

Sincerely,

Chaim Katzman




Atrium Palác Pardubice, Pardubice

# CHIEF EXECUTIVE'S STATEMENT

"WE UNDERTOOK A NUMBER OF DIFFERENT MEASURES ACROSS OUR CORE PORTFOLIO DURING 2015, WITH THE AIM OF CONSTANTLY IMPROVING THE INCOME PROFILE OF THE ASSETS, AND ENSURING THEY REMAIN THE DOMINANT OFFERING WITHIN THEIR CATCHMENT AREAS"

I am pleased to report another year of progress for the Group in its core markets. We delivered like-for-like net rental income growth and continued to drive the operational and financial performance of our assets in Poland, the Czech Republic and Slovakia, where the economies continued to grow, while constantly improving our offer for retailers and customers. The situation in Russia was markedly less positive throughout the year, and the last quarter in particular, as we saw a deepening divergence between the external and domestic factors which continue to negatively impact its economy in comparison to the positive performance of our core markets. In Russia, therefore, we have continued to proactively provide tenants with discounts as a result of the devaluation of the Rouble. However, following successful steps taken over the past few years to reweight our portfolio towards the CEE's strongest and most stable economies, together with the devaluation of our Russian portfolio and the positive revaluations elsewhere, Russia now only represents 10% of our portfolio, somewhat mitigating its impact on the Group's underlying performance.

Looking at our financial results, the Group's performance, excluding Russia, was encouraging, with like-for-like net rental income increasing by 0.5% to €125.5 million (2014: €124.9 million), driven by like-for-like growth in all three of our core markets. In addition to this organic growth, the Group's results include the new income from the Palác Pardubice and Focus Mall Bydgoszcz, acquired in late 2014 as well as a six-month contribution from Arkády Pankrác, following the completion of its acquisition in June 2015.

EBITDA, excluding revaluation, disposals and impairments, was €148.8 million for the year (2014: €174.0 million) which reflects the loss of income from the sale of the non-strategic assets in the Czech Republic, lower income in Russia and an increase of €21.9 million in legacy legal expenses. Excluding this provision and looking outside of Russia, the Group's performance is more encouraging and is a better indicator of the underlying health of the core business, showing a growth in EBITDA of 10.6% or €13.2 million to €137.6 million (2014: €124.5 million), despite the loss of income from the sales of Czech assets. Adjusted EPRA earnings per share decreased by 7.2% to 33.3 €cents (2014: 35.9 €cents).

We continued to focus on the effective management of our portfolio and maintained a high occupancy rate of 96.7% (2014: 97.4%) – even in Russia where it was 94.4%. Our operating margin slightly improved to 95.4% (2014: 95.1%). This reflects the continued hard work of our expert teams, whose in depth relationships with our lessees ensure that we can negotiate new leases quickly and effectively, benefitting both the tenant, and the landlord, and, ultimately, the consumers who visit our centres.

We undertook a number of different measures across our core portfolio during 2015 to replace weaker tenants, with the aim of constantly improving the mix and quality within each centre, and ensuring they remain the dominant offering within each of their catchment areas. We are also very dedicated to improving and enlarging the centres themselves, through renovation and extensions, thereby ensuring we continue to offer a best-in-class product. While these works have required capital expenditure, our asset management initiatives will create value in the medium to long term, as already evidenced by the 57 new tenants secured at our recently enlarged Atrium Copernicus shopping centre in Torun.

The financial position of the Group remains strong, supported by several meaningful transactions we completed successfully throughout the year, as we continued to take advantage of the current favourable credit markets to further strengthen our balance sheet and enhance our capital structure. In May, we issued a further €150 million unsecured Eurobonds by tapping the Group's €350 million 3.625% Eurobonds due in October 2022 which resulted in an all-in yield for the tapped issue of 2.9%. That same month, we completed the voluntary repayment of a Polish bank loan for €105.3 million, including accrued interest and costs. Furthermore, during the period we entered into a new revolving credit facility, giving us an additional €100 million. In December we were able to unencumber €400 million of assets in our Polish portfolio. Both Standard & Poor's and Fitch have reaffirmed our BBB- investment grade with a stable outlook, recognising the strength of our balance sheet, quality of our portfolio and the effective strategy we continue to pursue.

## THE PORTFOLIO

Building on the momentum achieved during 2014, the process of re-focusing the portfolio towards larger scale and dominant shopping centres and higher quality cash flows progressed well during the year through both the disposal of non-strategic assets and the prudent deployment of our capital into the acquisition of prime assets and asset management initiatives. Our portfolio grew to €2.7[3] billion during 2015 (31 December 2014: €2.6 billion) and in total we added 57,300 sqm of prime retail space, including a majority stake in a large dominant centre in the Czech Republic and significant extension and refurbishment works within our Polish portfolio.

We added a major new asset to our portfolio in June when we completed the €162 million purchase of a 75% interest in the 40,000 sqm Arkády Pankrác shopping centre in Prague. This prime asset was built in 2008, is 99.6% occupied and well located in Prague 4, a high density residential area that is also evolving as a business location. It significantly strengthened our penetration of this core market, following the acquisition of the Palác Pardubice centre in Pardubice at the end of 2014.

In terms of asset management, we completed the extension of Atrium Copernicus in Torun in March, adding nearly 60% of GLA to this important asset and, with 57 new units, the centre's offering of 144 shops makes it the largest within a 150 km radius and further enhances its status as the dominant local retail and leisure destination. Redevelopment of our flagship Warsaw asset, Atrium Promenada, is well underway, with the first units due to open in March 2016 and stage one completion later in 2016. The overall project will ultimately result in a 44,000 sqm extension and a remodelling of the existing shopping centre. Both of these projects aim to reposition and improve dominant operational centres and are in line with our strategy of continually looking at ways to increase, improve and add value to our existing assets.

Of equal importance to this process were the disposals we completed over the past 14 months in the Czech Republic. The first was the disposal of a Czech Portfolio of 72 smaller format retail properties for €69 million which was concluded at the beginning of the year, while in October we completed the sale of a further portfolio of non-strategic retail assets in the Czech Republic for €14 million.

I am pleased to report that this excellent momentum has carried through to 2016 with the sale of a further 10 non-strategic, smaller Czech retail assets for €102.6 million being completed in February.

These disposals demonstrate our ability and ambitions to recycle our portfolio towards well-established, dominant shopping centres and reweight our income stream away from a significant number of smaller assets towards a higher quality cash flow.

As a result of these initiatives, Atrium's presence in the Czech Republic now comprises eight properties, compared to 95 two years ago, of which the prime assets of Atrium Flora in Prague, Atrium Palác in Pardubice and our 75% stake in Arkády Pankrác which have all been acquired within the last four years, account for more than 95% of the total Czech portfolio by value.

## BOARD & MANAGEMENT

During 2015, in addition to the changes to the Board of Directors, as mentioned in the Chairman's statement, there was a notable change to the Group's executive team.

Effective from 1 April, Ryan Lee was appointed our new Group Chief Financial Officer, succeeding Soňa Hýbnerová. Ryan has 24 years of international financial experience, and joined us from Central European Distribution Corporation (CEDC) where he was group CFO.

Liad Barzilai resigned his position as Group Chief Investment Officer on 14 November 2015 to take the position as Chief Investment Officer with Gazit-Globe. He will continue to provide acquisition and disposal services to the Group.

I firmly believe that we have a first class executive team comprising a range of talented and experienced professionals from across Europe.

## SUSTAINABILITY

As a leading owner and operator of shopping centres and retail real estate we are committed to sustainable growth and

3 Including a 75% stake in assets held in Joint Ventures and €117.5 million (representing 10 assets in the Czech Republic and 3 assets in Poland) classified as held for sale as at 31 December 2015.

sustainable development. We strive for economic efficiency, social fairness and environmental sustainability in all our endeavours.

We strongly believe that running a sustainable business makes good business sense, anticipating future regulatory requirements and driving cost savings, as well as being the right thing to do.

## DIVIDEND

After another year building on our solid track record of success and with our core portfolio in a strong position, we are optimistic about our prospects for 2016 and beyond. As a result of this, and despite the negative backdrop presented by the continued uncertainty in Russia, in November the Board took the decision to maintain a dividend of €0.27 per share throughout 2016 (subject to any legal and regulatory requirements and restrictions of commercial viability), demonstrating its confidence in Atrium's ability to generate strong cash flow.

The total dividend paid for the year under review was €0.27 per share.

## OUTLOOK

Looking forward, we remain well positioned, with a higher-quality portfolio, and able to take full advantage of the advantageous conditions of solid domestic demand, improving labour markets and low inflation in our core markets. Despite this, turbulent conditions in Russia weigh on the performance of our assets in this market and we will continue to monitor the situation closely.

While we remain cognisant that political and external factors can have an impact on the economic performance of any country, our intention remains to seek appropriate investment opportunities in our core markets of Poland, the Czech Republic and Slovakia. This will include continuing to drive the financial and operational performance of our existing assets and seeking areas where we can apply our active asset management expertise to optimise our offer for retailers and consumers – and ultimately our shareholders.

In summary, our strong, low-leveraged balance sheet, high liquidity profile and solid operational performance provide a firm basis for our confidence as we look ahead.

Finally, I would like to thank all of my colleagues for their support and hard work. I am now looking forward to a successful 2016.

Sincerely,

Josip Kardun

# CONTENTS




Atrium Flora, Prague


# 01

GROUP
MANAGEMENT
REPORT


Atrium Felicity, Lublin

# OPERATING ACTIVITIES

## OUR MARKETS

Broadly speaking, over the past year we have seen a continuation of trends previously observed during 2014, with a deepening divergence between our core markets of Poland, the Czech Republic, and Slovakia on the one hand and Russia, on the other hand. In our core countries, domestic demand has remained strong, supported by improving labour markets and low inflation. As a result, across most of CEE, household spending has benefitted from the current local economic environment. Whereas Russia has endured a perfect storm of both external and domestic negative factors. The tense geopolitical relations, economic sanctions, and unpredictable oil prices have translated into a volatile and weakening currency, higher inflation, and, ultimately, a decrease in retail sales.

Based on the latest forecasts of the IMF, the CEE region is expected to enjoy GDP growth of 3.1% in 2016, with per country growth rates anticipated at 3.5% in Poland, 2.6% in the Czech Republic, and 3.6% in Slovakia. Similarly, projections for our other markets foresee growth of 3.9% in Romania, and 2.5% in Hungary. In contrast, Russia is expected to remain in recession this year, with GDP growth forecast at -1.0%. In 2017, the whole CEE area is projected to grow by 3.4%. More generally, the IMF has noted that there has been a sudden rise in global risk aversion, regardless of the trigger. The observation is very much in line with the recent turmoil across many financial markets, despite the lack of changes in fundamentals.

As the only European country to avoid a recession in the 2008-09 crisis, Poland had an average annual GDP growth rate of 4.15% between 1995 and 2015. In particular, its economy has grown by an impressive 20% over the past seven years, a figure unmatched by any other European country during the period. Today, our largest core market continues to enjoy robust macroeconomic fundamentals, driven by healthy domestic demand - for example, household consumption growth reached 3.1% year-on-year in 2015 - and macroeconomic stability. The impact of the recent political shift since the change of government in late October last year, is still being evaluated and we consider it too early to clearly estimate its medium- and long-term impact. Having gained an absolute majority in the country, the newly elected Law and Justice Party has begun implementing a series of measures which have caused controversy among some EU politicians and international investors who believe that they are more populist than economically driven. While this has had an impact on the performance of the Polish financial markets and, to some degree, on the country's image as a place of business, we have yet to see any significant change, either positive or negative, on trading or consumer sentiment at our centres. Indeed, Poland remains ranked as a medium-grade investment by all the major rating agencies with Fitch affirming its A-/ stable rating in January 2016. Standard and Poor's lowered its rating just one notch to BBB+/ negative, but this was mostly due to their assessment that the new government may have weakened the independence of institutions, rather than a reflection of Polish macroeconomic fundamentals.

Turning to the real estate market, 2015 has brought about historically high transaction volume for the CEE region, increasing by 19% year-on-year to an estimated €9.5bn. Two of our core markets were once again the key drivers, recording investment volumes of €4.1bn in Poland (up 31% year-on-year) and €2.7bn in the Czech Republic (up 33% year-on-year). According to CBRE, "Poland's stellar performance is a testament to the country's outstanding macro-economic growth and stability", while, for the Czech Republic growth came on the back of two large investment deals signed in 2015, including our acquisition of a 75% interest in Arkady Pankrac. The high appetite for good retail products, evident from 2013 and 2014, translated into strong numbers in 2015, with retail accounting for as much as 43% of CEE's total investment volume. CBRE expects this resilient trend to continue in 2016, highlighting that one of the major factors likely to contribute to higher interest in the area is the strong expansion seen in retailers' reported sales across the region.

## OUTLOOK

Looking forward, we remain well positioned, with a better-quality portfolio and ripe to take full advantage of the improving conditions of solid domestic demand and recovering labour markets in our core markets. Despite this, turbulent conditions in Russia which have ultimately translated to substantially decreased retail sales have weighed on the performance of our assets in this market and we will continue to monitor the situation closely. At the same time, we have taken notice of the controversy surrounding the measures implemented by the new Polish government. However, while external and political factors can certainly have an impact on the economic performance of any country, we continue building our business based on the solid macroeconomic fundamentals in our core markets and the expertise of our local teams. We will continue to drive the financial and operational performance of our existing assets and focus on active asset management to optimise our offer for retailers and consumers. Our strong, low-leveraged balance sheet, high liquidity profile and solid operational credentials provide a firm basis for our confidence as we look ahead.

## INCOME PRODUCING PORTFOLIO

As at 31 December 2015, Atrium's income producing portfolio comprised 77 standing investment properties with a market value of €2.7 billion[4].

Our assets have a total gross lettable area ("GLA") of 1.2 million sqm and in 2015 produced a gross rental income of €207.4 million. The portfolio is located in seven countries across CEE.

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

The Group's operating assets are anchored by supermarkets, hypermarkets and key fashion tenants, supporting the resilient nature of the portfolio and its focus on meeting the every-day needs of consumers.

Our detailed, forward thinking and proactive approach to the asset management of our investment properties remains key to generating additional income and value creation. We maintain close working

4 Including a 75% stake in assets held in Joint Ventures and €117.5 million (representing 10 assets in the Czech Republic and 3 assets in Poland) classified as held for sale as at 31 December 2015.

relationships with our tenants through our local 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 a major component in the sustainable levels of rental income and cash flow generated from the Group's operating activities in its core territories.

The market value of the Group's 77[5] standing investments increased by 3.5% or €91.5 million, to €2,683 million over the course of the year, compared to €2,591 million at the same time in 2014. The increase was primarily as a result of the acquisition of a 75% interest in the Arkady Pankrac shopping centre in Prague, the Czech Republic for an agreed asset value of €162 million, the opening of the extension to the Atrium Copernicus shopping centre in Toruń, Poland in March 2015, with an initial value of €31 million, and €28.2 million of investments in asset management programmes at our existing centres, together with a €49.6 million gain across our portfolio of assets outside Russia throughout the year. However, this was offset by a €98.3 million devaluation of our Russian portfolio, mainly due to lower rent and lower ERVs, as well as the sale of two portfolios of small retail assets in the Czech Republic with a total value of €85.4 million

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

| Standing investments | No. of properties | | Gross lettable area | | Market value | | Revaluation | |
|---|---|---|---|---|---|---|---|---|
| Country | 2015 | 2014 | 2015 sqm | 2014 sqm | 2015 €'000 | 2014 €'000 | 2015 €'000 | 2014 €'000 |
| Poland | 21 | 24 | 520,200 | 519,100 | 1,498,095 | 1,437,862 | 27,542 | (11,753) |
| Czech Republic | 7 | 22 | 87,500 | 188,400 | 327,770 | 419,522 | 12,271 | 4,659 |
| Slovakia | 3 | 3 | 65,600 | 65,500 | 148,096 | 144,500 | 2,315 | (4,688) |
| Russia | 7 | 7 | 240,900 | 240,700 | 275,286 | 369,346 | (98,314) | (77,236) |
| Hungary | 23 | 23 | 100,900 | 100,900 | 64,810 | 68,625 | (4,620) | (2,648) |
| Romania | 1 | 1 | 54,100 | 54,100 | 71,030 | 70,700 | 89 | 3,303 |
| Latvia | 1 | 1 | 20,400 | 20,400 | 11,864 | 9,884 | 1,933 | (1,639) |
| **Total** | **63** | **81** | **1,089,600** | **1,189,100** | **2,396,951** | **2,520,439** | **(58,784)** | **(90,002)** |
| Investment in Joint Ventures (75%) | 1 | - | 30,000 | - | 168,525 | - | 5,584 | - |
| Standing investments classified as assets held for sale | 13 | 72 | 101,800 | 176,900 | 117,467 | 71,020 | 4,522 | (4,063) |
| **Total standing investments** | **77** | **153** | **1,221,400** | **1,366,000** | **2,682,943** | **2,591,459** | **(48,678)** | **(94,065)** |

The primary driver behind the 1.9% or €48.7 million devaluation as at 31 December 2015 across our portfolio was the current economic situation and uncertainty in Russia which was reflected in a €98.3 million devaluation of our Russian portfolio mainly due to lower rent and lower ERVs offset by positive revaluations in our core markets of Poland, Czech Republic and Slovakia, mainly due to yield compression.

The Polish portfolio was revalued by 1.9%, or €27.2 million, mainly as a result of yield compression, partially offset by our capital expenditures in the centres. In the Czech Republic, the positive valuation was also mainly due to yield compression in our major assets offset by ERV decreases in certain assets and capital expenditures. The positive revaluation in Slovakia was again brought about by a compression of yields while in Hungary and Latvia valuation results were mainly affected by a change in the valuation margins.

5 Including a 75% stake in assets held in Joint Ventures and €117.5 million (representing 10 assets in the Czech Republic and 3 assets in Poland) classified as held for sale as at 31 December 2015

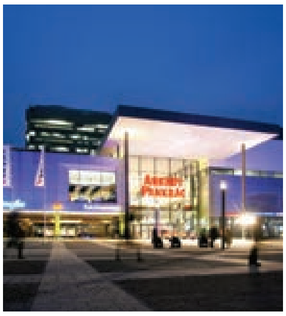
## THE YIELD DIVERSIFICATION OF THE GROUP'S INCOME PRODUCING PORTFOLIO IS PRESENTED BELOW:

| | Net equivalent yield* (weighted average) | | EPRA Net initial yield (NIY) ** | |
|---|---|---|---|---|
| Country | 2015 | 2014 | 2015 | 2014 |
| Poland[6] | 6.5% | 6.7% | 6.5% | 6.7% |
| Czech Republic[7] | 6.2% | 7.6% | 6.1% | 7.5% |
| Slovakia | 7.4% | 7.6% | 7.4% | 7.6% |
| Russia | 12.7% | 12.9% | 12.3% | 12.5% |
| Hungary | 9.7% | 9.8% | 10.5% | 9.3% |
| Romania | 8.7% | 8.8% | 7.9% | 8.2% |
| Latvia | 10.1% | 10.1% | 8.9% | 6.8% |
| **Average** | **7.3%** | **8.0%** | **7.2%** | **7.8%** |

* The net equivalent yield takes into account the current and potential net rental income, occupancy and the expiry of leases.
** 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 decreased to 7.3% and 7.2% respectively (31 December 2014: 8.0% and 7.8%), largely as a result of the sale of the smaller-asset portfolios in the Czech Republic, the addition of Arkády Pankrác and yield compression in Poland, Czech Republic and Slovakia as well as the reduced weighting towards Russia. The alternative EPRA "topped up" NIY as at 31 December 2015 decreased to 8.0% (31 December 2014: 8.2%) mainly due to the portfolio changes mentioned above offset by increased discounts in Russia.

## ACQUISITIONS AND DEVELOPMENT COMPLETIONS



### ARKÁDY PANKRÁC, THE CZECH REPUBLIC

At the end of June 2015, the Group completed the acquisition of a 75% interest in the Arkády Pankrác shopping centre in Prague, the Czech Republic, for €162 million from Unibail-Rodamco S.E., which owned 75% of the Centre in a joint venture with the Otto family. The Otto family continues to own the remaining 25%. Following the acquisition, ECE Projektmanagement GmbH & Co KG continued to manage the centre, working closely alongside Atrium's in-house team of experts.

The centre, which comprises 40,000 sqm of lettable area along with parking for approximately 1,100 cars, is currently 99.6% occupied. It is anchored by major retailers including Interspar Hypermarket, a Datart electronics store, H&M, New Yorker, Humanic, Peek & Cloppenburg, Inditex and LPP Group fashion brands.


### ATRIUM COPERNICUS, POLAND

In March 2015, we opened the extension to the Atrium Copernicus shopping centre in Toruń, Poland, adding an additional 17,300 sqm of GLA and a further 640 parking spaces to the centre. Atrium Copernicus now offers 144 shops, 47,400 sqm of GLA and 1,470 parking spaces, making it the largest shopping centre in the greater Toruń area and within a 150 km radius. The additional parking spaces and new international and domestic brand names have significantly strengthened the centre's offering in line with our strategy of continually finding ways to add value to our assets and improve our already dominant centres.

## DISPOSALS

In January 2015, the Group completed the sale of a portfolio of 72 small retail assets spread throughout the Czech Republic, with a total lettable area of 177,000 sqm, for a total consideration of CZK1,925 million (approximately €69 million), to a private client account managed by Peakside Capital Advisors. The consideration comprised a cash payment of CZK1,670 million (approximately €60 million) with the balance satisfied through a secured vendor loan to the purchaser. The transaction resulted in a small loss of €1.0 million. In addition, €10.4 million of non-cash currency translation reserve in equity, arising from past fluctuations of the Czech Koruna, was reclassified to the consolidated income statement, although this has had no net impact on the Group's equity.

In October 2015, the Group completed the sale of another five smaller format retail assets in the Czech Republic, with a total lettable area of approximately 16,300 sqm, to JMB Durzstvo for a cash consideration of CZK390 million (approximately €14.0 million). The net profit resulting from this transaction amounted to €1.7 million.

In February 2016, the Group completed the sale of a further portfolio of ten small retail assets located in the Czech Republic with a total lettable area of approximately 86,200 sqm to a private client account managed by Palmer Capital for an asset value of approximately €102.6 million. The expected net profit from this transaction amounts to €2.0 million.

These sales form part of the Group's strategy of improving its portfolio through selective rotation of the properties and focusing on larger scale, well-established shopping centres which dominate their catchment areas in Atrium's core markets.

6 Including €16.0 million (representing 3 assets) classified as held for sale as at 31 December 2015
7 Including a 75% stake in assets held in Joint Ventures and €101.5 million (representing 10 assets) classified as held for sale as at 31 December 2015. 31 December 2014 includes €71 million classified as held for sale

## OCCUPANCY

Atrium's occupancy remained strong throughout the year being 96.7% and 96.9% on the basis of EPRA and GLA respectively[8].

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

## OCCUPANCY ANALYSIS

| | EPRA Occupancy | | GLA Occupancy | |
|---|---|---|---|---|
| Country | 2015 | 2014 | 2015 | 2014 |
| Poland[9] | 96.6% | 97.6% | 96.5% | 97.1% |
| Czech Republic[10] | 97.7% | 96.8% | 97.5% | 95.6% |
| Slovakia | 98.7% | 98.7% | 97.7% | 98.5% |
| Russia | 94.4% | 96.9% | 96.4% | 98.3% |
| Hungary | 97.7% | 97.3% | 97.5% | 96.9% |
| Romania | 99.5% | 100.0% | 99.8% | 100.0% |
| Latvia | 95.3% | 96.5% | 94.6% | 96.6% |
| **Group** | **96.7%** | **97.4%** | **96.9%** | **97.1%** |

## LEASING ACTIVITY

Atrium's focus on asset management and building relationships with tenants saw it sign 689 leases (2014: 831 leases) during the year; 511 (2014:580) of these leases were in previously occupied premises and 178 (2014: 251) leases in previously vacant units (incl. restructured units).

| | Unit | 2015 |
|---|---|---|
| **Previously occupied (comparable units)** | | |
| Number of leases | Number | 511 |
| GLA leased | Sqm | 154,576 |
| New contracted monthly rental income per sqm | € | 12.6 |
| Prior contracted monthly rental income per sqm | € | 14.4 |
| **Previously vacant (incl. restructured units)** | | |
| Number of leases | Number | 178 |
| GLA leased | Sqm | 37,849 |
| New contracted monthly rental income per sqm | € | 12.7 |
| **Total New Leases** | | |
| Number of leases | Number | 689 |
| GLA leased | Sqm | 192,425 |
| New contracted monthly rental income per sqm | € | 12.6 |
| **Expired Leases** | | |
| Number of leases | Number | 739 |
| GLA of expired leases | Sqm | 133,186 |

The 689 leases signed represented approximately €29 million of annualised rental income at an average rent of €12.6 per square metre per month and helped sustain the portfolio occupancy level and the average lease duration.


8 Best practice recommendations provides for an occupancy definition based on ERV of occupied units divided by the ERV of the whole portfolio.
9 Including €16.0 million (representing 3 assets) classified as held for sale as at 31 December 2015
10 Including a 75% stake in assets held in Joint Ventures and €101.5 million (representing 10 assets) classified as held for sale as at 31 December 2015. 31 December 2014 includes €71 million classified as held for sale

## LEASE EXPIRIES

30.9% of lease agreements across the Group now have a remaining contract term of more than five years (2014: 31.0%). 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 2015. Additionally, the lease maturities between 2016 and 2020 are well spread. This provides the Group with a high degree of visibility regarding likely future cash flows over the coming years.

The average length of the leases in the portfolio at the end of 2015 was 5.1 years (2014: 5.3 years).

On the basis of 2015's ARI the expiry schedule of existing lease agreements is shown in the following table:

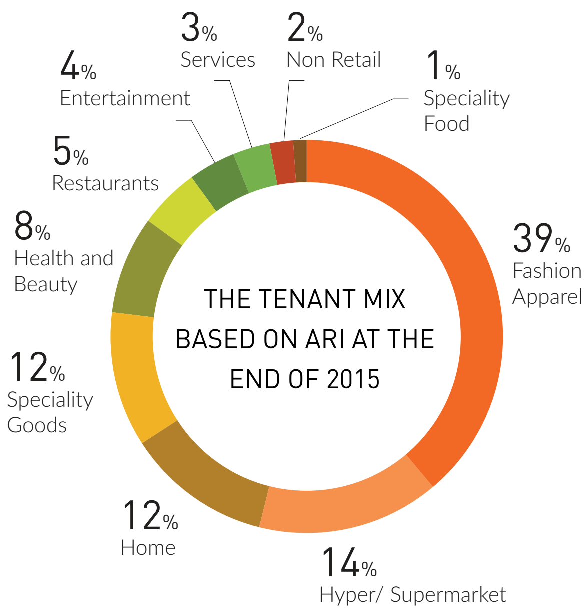
| Lease expiry schedule | % of ARI | Number of terminating lease agreements | Area in terminating agreements (in sqm '000) |
|---|---|---|---|
| 2016 | 11.3% | 738 | 119 |
| 2017 | 11.0% | 444 | 129 |
| 2018 | 21.9% | 691 | 189 |
| 2019 | 12.7% | 422 | 120 |
| 2020 | 10.5% | 384 | 105 |
| > 2020 | 30.9% | 433 | 496 |
| Indefinite | 1.7% | 128 | 25 |
| **Total** | **100.0%** | **3,240** | **1,183** |

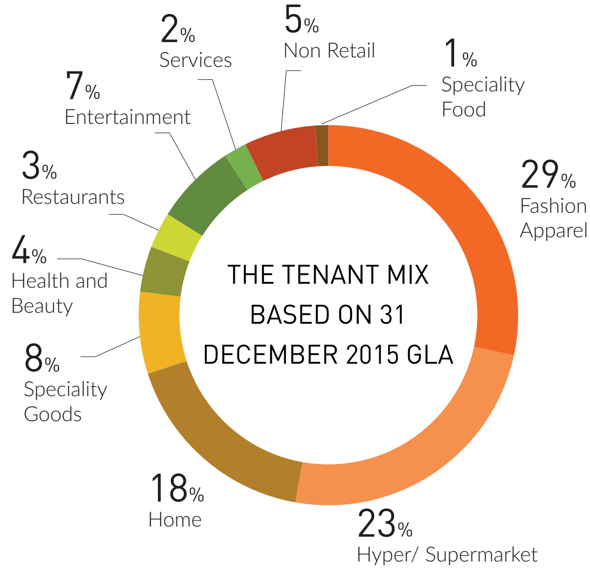
85.0% of the Group's lease agreements by GRI are denominated in Euros, limiting the Group's rental income exposure to local currency fluctuations. Of the remainder, 5.3% is denominated in Czech Korunas, 5.7% in Polish Zlotys, 1.7% in US Dollars, and 2.3% in other currencies.

In currencies, such as the Rouble, where we expect future exposure to currency fluctuations, Atrium has been proactive in providing protection to tenants in the form of discounts.

## TENANT MIX

Ensuring our centres have a strong and diversified range of retail and leisure operators that are appealing to consumers is a key priority for the Group and therefore our asset managers keep tenant mix under constant review. We assess the possibility of making improvements when there are natural points or breaks in the leasing cycle, or where we see an opportunity or situation arise which facilitates this process. The Group's larger shopping centres are all anchored by strong international hyper/supermarket brands and/or well-known fashion anchors. 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 an asset. In 2015, fashion and apparel tenants represented the largest percentage of GLA at 29% and the largest percentage of ARI at 39%.



## TOP TEN TENANTS

As at the end of 2015, Ahold, was the Group's largest tenant with 4.6% of total ARI, and the top ten tenants represented 24.2% of the Group's total ARI and 32.7% of the total GLA, highlighting the high degree of tenant diversification in the portfolio.

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

| Top ten tenants | Main brands | Field of operations | As a % of 2015 total ARI | As a % of 2015 total GLA |
|---|---|---|---|---|
| Ahold | Albert | International hyper / supermarket | 4.6% | 6.7% |
| AFM | Auchan, Decathlon | International hypermarket and sport goods retailer | 3.5% | 6.7% |
| Metro Group | Media Markt, Saturn | International hypermarket and electronic retailer | 3.4% | 4.9% |
| LPP | Reserved, House, Mohito, Cropp | Fashion | 3.3% | 3.0% |
| Hennes & Mauritz | H&M | Fashion | 2.2% | 2.8% |
| Inditex | Bershka, Pull&Bear, Zara | Fashion | 2.1% | 2.1% |
| Kingfisher | Castorama | Home improvement | 1.5% | 1.7% |
| EMF | Empik, Smyk | Media & fashion | 1.2% | 1.2% |
| ASPIAG | Interspar, Spar | International hyper / supermarket | 1.2% | 1.8% |
| Tengelmann Group | OBI, KIK | Home improvement | 1.2% | 1.8% |
| **Total top ten tenants** | | | **24.2%** | **32.7%** |

## TOP TEN STANDING INVESTMENTS

The table below gives an overview of the Group's top ten standing investments based on the market value as at 31 December 2015. On that date, the top ten standing investments were located in our strongest markets of Poland, the Czech Republic and Slovakia and represented 59.3% (2014: 55.9%) of the total standing investments by value.

| Property name | City | Country | Market value €'000[11] | GLA Sqm | Year of opening | Number of retail tenants | Food anchor tenants | EPRA Occupancy rate |
|---|---|---|---|---|---|---|---|---|
| Atrium Promenada | Warsaw | Poland | 249,313 | 55,300 | 1996 | 159 | Alma | 93.5% |
| Atrium Flora | Prague | Czech Republic | 217,585 | 40,200 | 2003 | 115 | Albert | 96.4% |
| Atrium Targowek | Warsaw | Poland | 173,260 | 31,300 | 1998 | 133 | Carrefour | 99.4% |
| Arkády Pankrác[12] | Prague | Czech Republic | 168,525 | 30,000 | 2008 | 119 | Albert | 99.6% |
| Galeria Dominikańska | Wroclaw | Poland | 168,220 | 32,500 | 2001 | 99 | Carrefour | 100.0% |
| Atrium Koszalin | Koszalin | Poland | 130,530 | 56,600 | 2008 | 115 | Tesco | 98.2% |
| Atrium Felicity | Lublin | Poland | 129,803 | 54,600 | 2014 | 111 | Auchan | 96.7% |
| Atrium Copernicus | Torun | Poland | 120,252 | 47,400 | 2005 | 129 | Auchan | 95.5% |
| Focus Mall | Bydgoszcz | Poland | 119,750 | 41,200 | 2008 | 124 | Alma | 94.1% |
| Atrium Optima | Kosice | Slovakia | 114,616 | 48,100 | 2002 | 150 | Hypernova | 99.9% |
| **Total top ten standing investments** | | | **1,591,854** | **437,200** | | | | |

11 Includes land lease
12 Represent our 75% stake in the centre

## RENTAL INCOME

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

### GROSS RENTAL INCOME

| | 2015 | | 2014 | Change | Change |
|---|---|---|---|---|---|
| Country | €'000 | % OF GRI | €'000 | €'000 | % |
| Poland | 103,410 | 49.9% | 91,084 | 12,326 | 13.5% |
| Czech Republic | 30,195 | 14.6% | 35,435 | (5,240) | (14.8%) |
| Slovakia | 11,297 | 5.4% | 11,175 | 122 | 1.1% |
| Russia | 42,136 | 20.3% | 61,395 | (19,259) | (31.4%) |
| Hungary | 7,492 | 3.6% | 7,515 | (23) | (0.3%) |
| Romania | 6,392 | 3.1% | 6,341 | 51 | 0.8% |
| Latvia | 1,555 | 0.7% | 1,539 | 16 | 1.0% |
| **Total** | **202,477** | **97.6%** | **214,484** | **(12,007)** | **(5.6%)** |
| Investment in Joint Ventures (75%) | 4,895 | 2.4% | - | 4,895 | |
| **Total gross rental income** | **207,372** | **100.0%** | **214,484** | **(7,112)** | **(3.3%)** |

### NET RENTAL INCOME

| | 2015 | | 2014 | Change | Change |
|---|---|---|---|---|---|
| Country | €'000 | % OF NRI | €'000 | €'000 | % |
| Poland | 101,450 | 51.3% | 91,513 | 9,937 | 10.9% |
| Czech Republic | 28,581 | 14.4% | 32,526 | (3,945) | (12.1%) |
| Slovakia | 11,272 | 5.7% | 11,149 | 123 | 1.1% |
| Russia | 38,744 | 19.6% | 55,347 | (16,603) | (30.0%) |
| Hungary | 6,395 | 3.2% | 6,729 | (334) | (5.0%) |
| Romania | 5,826 | 2.9% | 5,817 | 9 | 0.2% |
| Latvia | 1,073 | 0.6% | 956 | 117 | 12.2% |
| **Total** | **193,341** | **97.7%** | **204,037** | **(10,696)** | **(5.2%)** |
| Investment in Joint Ventures (75%) | 4,530 | 2.3% | - | 4,530 | |
| **Total net rental income** | **197,871** | **100.0%** | **204,037** | **(6,166)** | **(3.0%)** |


Atrium Koszalin, Koszalin

Despite a 31.4% decrease in Russian gross rental income, Group GRI was only down 3.3% to €207.4 million compared to the same period last year, reflecting the progress made by the Group in building revenues from its core, and more economically stable, countries. The GRI figure includes a 13.5% uplift in Poland which was mainly due to the contribution from Focus Mall Bydgoszcz following its acquisition in November 2014, the opening of the new Atrium Felicity shopping centre in Lublin in March 2014 and the opening of the enlarged Atrium Copernicus shopping centre in Toruń in March 2015. In the Czech Republic, the 14.8% decrease was mainly a result of the disposal of 72 non-core assets although this was partly offset by the income from Palác Pardubice, which was acquired in November last year, as well as a six month contribution from the 75% interest in Arkády Pankrác in Prague which was acquired in June.

The Group's NRI followed a similar pattern with a 30.0% decline in Russia but only a 3.0% decrease, to €197.9 million, overall. Poland's NRI increased by 10.9%, while the main reason behind the differing levels of NRI and GRI performances in Hungary and Romania was the collection of a one-off receivable in the first half of 2014, which had previously been provided for.

## OPERATING MARGIN

| Country | 2015 (in %) | 2014 (in %) | Change (in %) |
|---|---|---|---|
| Poland | 98.1% | 100.5% | (2.4%) |
| Czech Republic | 94.4% | 91.8% | 2.6% |
| Slovakia | 99.8% | 99.8% | 0.0% |
| Russia | 92.0% | 90.1% | 1.9% |
| Hungary | 85.4% | 89.5% | (4.1%) |
| Romania | 91.1% | 91.7% | (0.6%) |
| Latvia | 69.0% | 62.1% | 6.9% |
| **Total operating margin** | **95.4%** | **95.1%** | **0.3%** |

The base rent including lease incentives per sqm increased from €145 as at 31 December 2014 to €154 as at 31 December 2015. The operating margin remained strong at 95.4%.

## EPRA LIKE-FOR-LIKE GROSS RENTAL INCOME

| | 2015 | | 2014 | Change | Change |
|---|---|---|---|---|---|
| Country | €'000 | % Total | €'000 | €'000 | % |
| Poland | 78,407 | 37.8% | 77,875 | 532 | 0.7% |
| Czech Republic | 23,226 | 11.2% | 23,789 | (563) | (2.4%) |
| Slovakia | 11,297 | 5.4% | 11,175 | 122 | 1.1% |
| Russia | 42,136 | 20.3% | 61,069 | (18,933) | (31.0%) |
| Hungary | 7,492 | 3.6% | 7,515 | (23) | (0.3%) |
| Romania | 6,392 | 3.1% | 6,341 | 51 | 0.8% |
| Latvia | 1,556 | 0.8% | 1,539 | 17 | 1.1% |
| **Like-for-like gross rental income** | **170,506** | **82.2%** | **189,303** | **(18,797)** | **(9.9%)** |
| Remaining gross rental income | 36,866 | 17.8% | 25,083 | 11,783 | 47.0% |
| Exchange rate effect* | - | - | 98 | (98) | - |
| **Total gross rental income** | **207,372** | **100.0%** | **214,484** | **(7,112)** | **(3.3%)** |

* To enhance comparability of GRI, prior period values for like-for-like properties have been recalculated using the 2015 exchange rates as per EPRA best practice recommendations

## EPRA LIKE-FOR-LIKE NET RENTAL INCOME

| | 2015 | | 2014 | Change | Change |
|---|---|---|---|---|---|
| Country | €'000 | % Total | €'000 | €'000 | % |
| Poland | 79,187 | 40.0% | 78,653 | 534 | 0.7% |
| Czech Republic | 21,743 | 11.0% | 21,577 | 166 | 0.8% |
| Slovakia | 11,272 | 5.7% | 11,149 | 123 | 1.1% |
| Russia | 38,744 | 19.6% | 58,863 | (20,119) | (34.2%) |
| Hungary | 6,395 | 3.2% | 6,737 | (342) | (5.1%) |
| Romania | 5,826 | 2.9% | 5,817 | 9 | 0.2% |
| Latvia | 1,073 | 0.6% | 956 | 117 | 12.2% |
| **Like-for-like net rental income** | **164,240** | **83.0%** | **183,752** | **(19,512)** | **(10.6%)** |
| Remaining net rental income | 33,631 | 17.0% | 24,011 | 9,620 | 40.1% |
| Exchange rate effect* | - | - | (3,726) | 3,726 | - |
| **Total net rental income** | **197,871** | **100.0%** | **204,037** | **(6,166)** | **(3.0%)** |

* To enhance comparability of NRI, prior period values for like-for-like properties have been recalculated using the 2015 exchange rates as per EPRA best practice recommendations.

On a like-for-like basis, Group GRI decreased by 9.9% to €170.5 million while like-for-like NRI declined 10.6% to €164.2 million, once again this was primarily due to a decline in rental income in Russia. In the Czech Republic, the net like-for-like figures compared positively to the gross figures mainly due to higher service charge income. Across the rest of the portfolio, the like-for-like figures mirrored that of the overall GRI and NRI figures.

EBITDA, excluding the valuation result and the impact of disposals and impairments, decreased by 14.5% compared to last year, to €148.8 million. This result was primarily due to a €10.7 million decrease in NRI together with a €27.1 million increase in administrative expenses resulting mainly from increased legacy legal expenses of €21.9 million (for details see note 2.24 to the financial statements), offset by the €10.1 million profit share in the joint ventures received in 2015. As such, Company adjusted EPRA earnings decreased by 7.2% to €125.2 million, compared to €134.8 million in 2014 (for more details about EPRA earnings see page 29).

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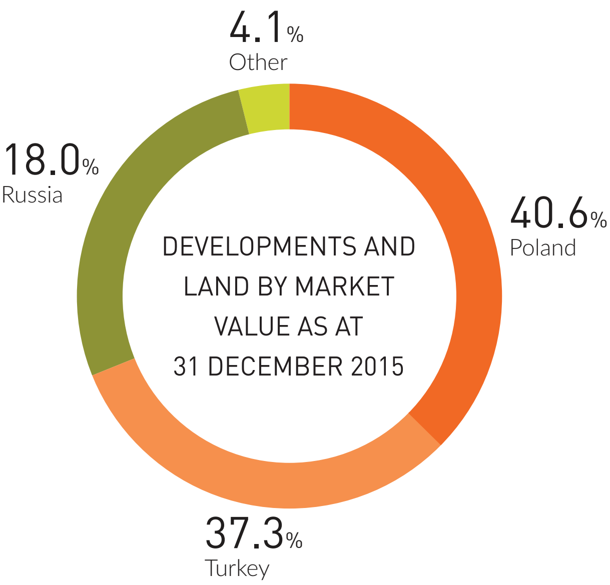
Park House Togliatti, Togliatti

# DEVELOPMENT AND LAND PORTFOLIO

As at 31 December 2015, Atrium's development and land portfolio was valued at €309[13] million compared to €365 million as at 31 December 2014. The values reflect Atrium's continued strategy of monetising non-core and non-income producing development and land assets, including the sale of small plots of land at Balcova in Turkey for a consideration of €7.0 million, as well as the effect of the current economic situation in Russia on our land and development portfolio.

Development and land portfolio experienced a €50.4 million devaluation during 2015 primarily due to a €45.1 million devaluation in Russia caused by the current economic situation and uncertainty in the country.

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




Over the course of the year we have carefully continued to assess which projects have the most potential to add value to our portfolio. Our focus is oriented towards growing and strengthening our portfolio in the largest and strongest cities and domestic economies of our core countries. The decision to develop a project is dependent on its location, size, the economic situation in the relevant city and country, competition and the overall risk profile. The decision process also involves a number of broad considerations such as the demand and prices realised for land sales achieved to date, our preference to acquire income producing properties, together with our reluctance to create excessive development commitments. Accordingly, we aim to create value mainly by developing extensions to our existing and proven assets, while continuing to examine the possibility of monetising specific land plots and analysing the potential of new developments.

## DEVELOPMENT ACTIVITY

As mentioned above, we completed the extension of the Atrium Copernicus shopping centre in Toruń, Poland, in March 2015, at which point the total book value of the extension was transferred to the income producing portfolio.

Currently, the only active development project is stage one of the redevelopment of the Atrium Promenada centre in Warsaw, Poland, on which work commenced in September 2014. The overall project entails a major extension of 44,000 sqm and a remodelling of the existing shopping centre.

Stage one of the redevelopment, estimated at €49 million, consists of two extensions, totalling 7,800 sqm of additional GLA, the remodelling of a section of the existing centre and the purchase of an adjacent land plot, to be used for the future stages of the extension. Stage one is expected to complete in 2016 with the first units to open in Q1 2016. The total net incremental costs to complete this stage were approximately €32 million as at 31 December 2015.

Visualisation of Atrium Promenada, Warsaw, Poland

13 Including €1.6 million (representing 1 asset in Poland) classified as held for sale as at 31 December 2015.

# OTHER EVENTS DURING AND AFTER THE PERIOD

## FINANCING TRANSACTIONS

In May 2015, Atrium issued a further €150 million 3.625% notes due in October 2022 which have been consolidated and form a single series with the €350 million 3.625% bonds due in October 2022, and issued by Atrium in October 2014. The issue price was 106.395% of the principal amount reflecting a yield of 2.9%. The cash proceeds amounted to €159.6 million, including €3.0 million of accrued interest.

Also in May 2015, the Group completed the voluntary repayment of a bank loan from Berlin-Hannoversche Hypoteken AG, in Poland, for a total amount of €105.3 million including accrued interest, the repayment of a hedging instrument and breakage costs.

In addition, during the reporting period, Atrium repurchased bonds issued in 2005 and due in 2017. The total nominal value of the bonds repurchased as at 31 December 2015 amounted to €81.0 million and the principal amount of remaining notes is €3.9 million. The level of collateral pledged in support of the reduced outstanding principal amount of the notes was revised so that the value of real estate assets provided as collateral decreased from €435.3 million to a value, as of 31 December 2015, of €29.8 million.

The proceeds from the bond tap referred to above strengthened the Group's liquidity and provided additional resources to facilitate the repayments described above, which further optimised the Group's capital structure and balance sheet efficiency.

In August 2015, a further €31 million of the Group's 2005 Bonds reached their maturity date and were repaid.

In October 2015, the Group signed a new five-year unsecured revolving credit facility for a total of €125 million which comprises €100 million of new credit and an existing €25 million facility which has been extended. The facility was provided by a syndicate of ING Bank N.V., Citibank N.A. and HSBC Bank plc. Following this transaction, Atrium has undrawn revolving credit facilities of €150 million.

## CHANGES IN THE HOLDINGS OF RELATED PARTIES

In January 2015, Gazit-Globe Ltd ("Gazit-Globe") purchased, through an intermediate holding company, 52,069,622 additional ordinary shares in Atrium from a consortium managed by CPI CEE Management LLC and controlled by Apollo Global Real Estate Management LP, an affiliate of Apollo Global Management LLC ("Apollo"). Consequently, Gazit-Globe holds 206,681,552 ordinary shares in Atrium, comprising 54.9% of the issued and outstanding shares, and voting rights in Atrium. Apollo no longer holds ordinary shares in Atrium.

## BOARD OF DIRECTORS AND GROUP EXECUTIVE TEAM CHANGES

In January 2015, following Gazit-Globe's acquisition of Apollo's shareholding as described above, the two directors of Atrium nominated by Apollo, Joseph Azrack and Roger Orf, resigned from the Board of Directors.

In June 2015, Atrium announced the appointment of Ms Karine Ohana M.Sc to the Board of Directors as an independent Non-executive Director, with her appointment as Director effective from 24 June 2015. Ms. Ohana is currently a managing partner of Ohana & Co., which she joined in 1998 and is a social entrepreneur. Ms Ohana also served as a Director of Citycon from 2013 to 2015.

On 1 August 2015, and as detailed in the Group's half yearly report, Rachel Lavine moved to a consultancy arrangement under which Mrs Lavine continues to provide management services to the Group including overseeing of Group strategy and continues in her role as Vice Chairman, although she now acts in a non-executive capacity.

Aharon Soffer resigned from the Board of Directors effective as of 31 August 2015.

In January 2015, Atrium announced the appointment of Ryan Lee as its new Group Chief Financial Officer. Ryan joined the Group Executive Management Team on 2 February 2015, with his appointment as Group CFO becoming effective on 1 April 2015 following an orderly handover. Mr. Lee joined Atrium from Central European Distribution Corporation (CEDC), CEE's largest integrated spirit beverage business, where he spent two years as group Chief Financial Officer after being promoted from CFO of Russian Alcohol Group, a CEDC subsidiary.

Liad Barzilai resigned his position as Group Chief Investment Officer on 14 November 2015 to take the position as Chief Investment Officer with Gazit-Globe. He will continue to provide acquisition and disposal services to the Group.

## OTHERS

In January 2016, Atrium announced the resolution of the Dutch litigation case brought by the "Stichting Atrium claim" and the establishment of an arrangement to create a compensation fund through which to resolve disputes currently being litigated in Austrian civil courts as well as submissions by individuals to join pending criminal proceedings. For further details see note 2.40 to the financial statements.

## AWARDS

Following the similar distinctions it has received in past years, Atrium was honoured to be named "Retail Investor of the Year" at the 2015 EuropaProperty CEE Investment and Green Building Awards, as well as "Investor of the Year" and "Overall Company of the Year" at the 2015 CEE Retail Awards. In addition, Atrium Felicity, our 75,000 sqm GLA Greenfield development, which opened in spring 2014, was also recognised as "Retail Development of the Year" at the 2015 CEEQA Awards.

# MANAGEMENT

On 31 December 2015, the Group Executive Team consisted of Josip Kardun, Chief Executive Officer, Ryan Lee, Chief Financial Officer, Rüdiger Dany, Chief Operating Officer, Thomas Schoutens, Chief Development Officer, Geraldine Copeland-Wright, General Counsel and Ljudmila Popova, Head of Asset Management and Investor Relations. This team is supported by local management teams with day-to-day responsibility for managing the assets and customer relationships in each of our countries of operation.

As at 31 December 2015, the division of the Group's 351 employees was: General Management - 9 employees; Operations - 177 employees; Development - 18 employees; Finance and administration - 97 employees; Information systems - 7 employees; Legal - 15 employees; Other – 28 employees.

## OUR CURRENT MANAGEMENT TEAM:

**Alice Augustova**
CFO, Czech Republic and Slovakia

**Ildiko Braun**
CFO and MD Hungary

**Geraldine Copeland - Wright**, Group General Counsel

**Anna Dafna**
CFO, Poland

**Rolf Rüdiger Dany**
Group COO

**Scott Dwyer**
CEO, Poland

**Murat Gursey**
COO, Russia

**Ondrej Jirak**
COO, Czech Republic and Slovakia

**Asi Kahana**
CEO, Romania and Hungary

**Josip Kardun**
Group CEO

**Ryan Lee**
Group CFO

**Tatyana Mironova**
CFO, Russia

**Claudiu Muscalu**
CFO, Romania

**Eshel Pesti**
CEO, Russia

**Ljudmila Popova**
Group Head of Asset Management and IR

**Thomas Schoutens**
Group CDO[14]

**Oldrich Spurek**
CEO, Czech Republic and Slovakia

**Jolanta Wawrzyszuk**
Acting COO, Poland

14 The role of Group Chief Development Officer is currently being restructured.

# CASE STUDY: SHOPPING CENTRE ARKÁDY PANKRÁC

## KEY FACTS ABOUT ARKÁDY PANKRÁC AS AT 31ST DECEMBER 2015

Na Pankraci 86
140 00 Prague 4, Czech Republic

**Year of opening** 2008

**GLA:** 40,000 sqm (Atrium's share 30,000 sqm)

**Market value:** €224.7 million (Atrium's share €168.5 million)

**Atrium's share:** 75%

**EPRA occupancy:** 99.6% (GLA 99.4%)

**Number of retailers:** 119

**Food Anchor:** Albert

**Parking spaces:** 1,100

**Website:** www.arkady-pankrac.cz

Prague is the capital of the Czech Republic (a EU member) and the natural centre of education, politics, culture and economy. Over 25% of national GDP is created in the city, with all major Czech banks, insurance companies and other financial service companies as well as IT companies including Microsoft, Google, Avast and Unicorn are based in Prague. Prague has a population of 1.25 million out of 10.5 million in the Czech Republic and the lowest unemployment rate in the country, which at 4.20% is one of the lowest rates in Europe. The average monthly salaries in Prague are more than 27% above national average.

Arkády Pankrác is located in Prague 4, a high density residential area that was predominantly constructed in the 1970s. Although a demographically older population than the Czech average, the area is gradually changing, with 250,000 sqm of office space in the immediate vicinity of Arkády Pankrác, and a further c. 50,000 sqm of office space in the pipeline. The property is located at the junction of two main roads, in close proximity to the motorway network, and benefits from two bus lines, a tram line in the immediate vicinity and a connection to the metro directly from within the shopping centre.

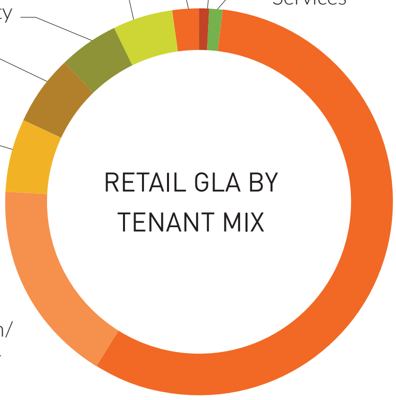
Arkády Pankrác was opened on 14 November 2008 and was visited by over 12 million customers in 2015.

In January 2015, Atrium acquired a 75% interest, in the entity owning Arkády Pankrác from Unibail-Rodamco S.E. for €162 million. ECE group continues to own the remaining 25%. ECE manages Arkády Pankrác shopping centre, working closely alongside Atrium Group's in-house team of retail experts. Atrium has classified its 75% interest in the entity owning Arkady Pankrac as a joint venture accounted for under the equity method.


Arkády Pankrác, Prague


Arkády Pankrác, Prague

Arkády Pankrác houses 119 shops and amenities, including some of the most popular and favoured fashion brands, such as H&M, the Inditex Group (Zara, Bershka, Stradivarius, Pull & Bear, Massimo Dutti), the LPP Group brands (Reserved, Cropp), Peek&Cloppenburg and New Yorker. The health and beauty sector is represented by Sephora, dm drogerie markt and Douglas. It is anchored by a 6,700 sqm hypermarket, operated by Ahold Czech Republic under the Albert brand, and a 1,900 sqm Datart electronics store.




## INTERVIEW WITH ONDREJ JIRAK (COO, CZECH REPUBLIC AND SLOVAKIA)

"Arkády Pankrác is a fashion oriented shopping centre which is a well-known landmark in Prague and we are thrilled to have this asset in our portfolio. Over 12 million customers visited the centre in 2015 and the shopping mall's occupancy is close to 100%.

The centre is located in Prague 4, a well-established residential area which is currently also up-and-coming as a result of the fact that it hosts thousands of square meters of office space, as well as a number of new residential developments, either under construction or in the pipeline. This will underpin the future growth of the centre and strengthens the case for undertaking a potential extension.

The tenant mix is well balanced and includes numerous popular brands, such as H&M and the only P&C store in Prague, as well as the Inditex and LPP brands. The centre attracts customers not only from the neighbourhood but also from more distant parts of Prague and even from outside of the city.

Arkády Pankrác benefits from excellent accessibility by car, being located near the main highway, and by public transport, as it has direct connection to the metro station."

## INTERVIEW WITH ROMAN PUCHALA (CCC SHOES & BAGS GENERAL MANAGER CZECH AND SLOVAKIA)

"We are very satisfied with the operation of our store in Arkády Pankrác. We are reaching our turnover targets which have a growth trend. Also, our cooperation with the centre's management – both operational and in terms of marketing – runs smoothly without any problems. We believe our cooperation will successfully continue in the future."

# 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

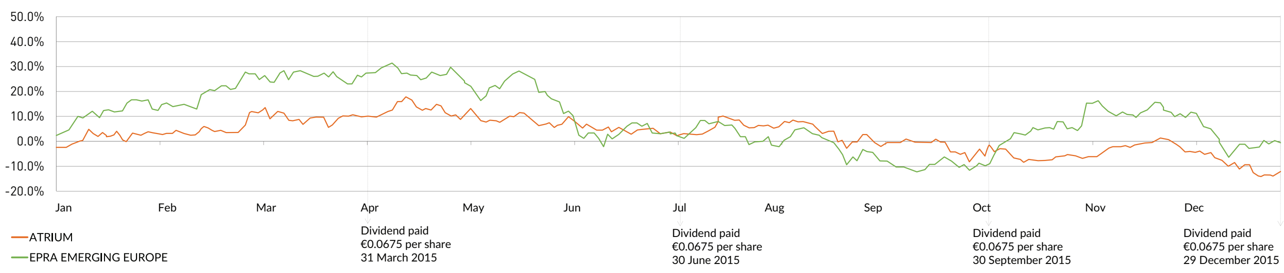
**Reuters tickers**
Vienna: ATRS.VI
Euronext: ATRS.AS

**Total Return in 2015**
Over 2015, Atrium's shareholder return was as follows:

## VIENNA STOCK EXCHANGE

| | |
|---|---|
| Closing price 2014 | €4.09 |
| Closing price 2015 | €3.57 |
| Movement in the share price | €(0.52) |
| Share return | (12.7%) |
| Dividend for year 2015 | €0.27 |
| Dividend return | 6.6% |
| Total return per share invested on 31 December 2014 | €(0.25) or (6.11%) |

## ATRIUM SHARE PRICE RELATIVE[15] TO EPRA INDICES




| | |
|---|---|
| Outstanding shares as at 31 December 2015 | 376,174,317 |
| Market capitalisation as at 31 December 2015 | €1,343 million |
| 2015 lowest share price | €3.51 quoted on 22 December 2015 |
| 2015 highest share price | €4.65 quoted on 14 April 2015 |

## DIVIDEND

Atrium paid a €0.0675 per share dividend as a capital repayment on each of 31 March 2015, 30 June 2015, 30 September 2015 and 29 December 2015. Total dividend payments for 2015 amounted to €101.5 million (2014: €90.1 million).

In November 2015, the Company's Board of Directors approved the maintenance of an annual dividend of €0.27 per share for 2016 which will be paid in equal quarterly instalments commencing at the end of March 2016 (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 2015, no single shareholder of Atrium held more than 5% of the Company's shares, except for Gazit-Globe which held 55% (2014: 41.1%) of the shares, as at 31 December 2015, as notified by them.

In January 2015, Gazit-Globe purchased all the shares held by Apollo, being 52,069,622 and representing approximately 13.9% of Atrium's total shares.

15 Vienna Stock Exchange

# EPRA PERFORMANCE MEASURES

## A. EPRA EARNINGS

| | 31 December 2015 € '000 | 31 December 2014 € '000 |
|---|---|---|
| **Earnings attributed to equity holders of the parent company** | **4,866** | **(57,705)** |
| Changes in value of investment properties | 104,665 | 168,077 |
| Net result on disposals of investment properties | 9,446 | 3,711 |
| Goodwill impairment and amortisation of intangible assets | 2,000 | 9,265 |
| Deferred tax in respect of EPRA adjustments | (11,837) | (14,633) |
| Close-out costs of financial instruments | 12,449 | 2,004 |
| Joint venture interest in respect of the above adjustments | (5,584) | - |
| **EPRA Earnings** | **116,005** | **110,719** |
| Weighted average number of shares | 376,005,016 | 375,179,750 |
| **EPRA Earnings per share (in €cents)** | **30.9** | **29.5** |
| Company adjustments[16] | | |
| Legacy legal matters | 25,259 | 3,399 |
| Impairments | 496 | 790 |
| Foreign exchange differences | 1,669 | (12,506) |
| Deferred tax not related to revaluations | (31,727) | 32,127 |
| Changes in the fair value of financial instruments | 4,283 | 291 |
| Non recurring tax charges | 6,475 | - |
| Business restructuring costs | 2,711 | - |
| **Company adjusted EPRA earnings** | **125,171** | **134,820** |
| **Company adjusted EPRA earnings per share (in €cents)** | **33.3** | **35.9** |

## B. EPRA NET ASSET VALUE ("NAV")

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | €'000 | in € per ordinary share | €'000 | in € per ordinary share |
| **Equity** | **2,031,126** | | **2,110,418** | |
| Non-controlling interest | 845 | | 791 | |
| **NAV per the financial statements** | **2,031,971** | **5.40** | **2,111,209** | **5.62** |
| Effect of exercise of options | 16,683 | | 19,962 | |
| **Diluted NAV, after the exercise of options** | **2,048,654** | **5.38** | **2,131,171** | **5.60** |
| Fair value of financial instruments | 6,872 | | 12,328 | |
| Deferred tax | 91,498 | | 172,349 | |
| **EPRA NAV** | **2,147,024** | **5.64** | **2,315,848** | **6.08** |

16 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.

## C. EPRA TRIPLE NAV ("NNNAV")

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | €'000 | in € per ordinary share | €'000 | in € per ordinary share |
| **EPRA NAV** | **2,147,024** | | **2,315,848** | |
| Fair value of financial instruments | (6,872) | | (12,328) | |
| Impact of debt fair value | (38,689) | | (37,612) | |
| Deferred tax | (91,498) | | (172,349) | |
| **EPRA NNNAV** | **2,009,965** | **5.28** | **2,093,559** | **5.50** |
| Number of outstanding shares | 376,174,317 | | 375,508,176 | |
| Number of outstanding shares and options | 380,502,476 | | 380,627,373 | |

## D.EPRA NIY AND "TOPPED UP" NIY

| | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Investment property – wholly owned | 2,823,816 | 2,956,475 |
| Investment in Joint Venture (75%) | 168,525 | - |
| Less developments | (309,398) | (365,016) |
| **Completed property portfolio** | **2,682,943** | **2,591,459** |
| Allowance for estimated purchasers' costs | 47,955 | 46,317 |
| **Gross up completed property portfolio valuation (B)** | **2,730,898** | **2,637,776** |
| Annualised cash passing rental income | 206,384 | 220,095 |
| Property outgoings | (9,866) | (13,224) |
| **Annualised net rents (A)** | **196,518** | **206,871** |
| Add: notional rent expiration of rent free periods or other lease incentives | 21,874 | 9,744 |
| **Topped-up net annualised rent (C)** | **218,392** | **216,615** |
| **EPRA NIY A/B** | **7.2%** | **7.8%** |
| **EPRA "topped up" NIY C/B** | **8.0%** | **8.2%** |

## E. EPRA VACANCY RATE

| | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Estimated rental value of vacant space | 6,065 | 5,330 |
| Estimated rental value of the whole portfolio | 183,738 | 203,772 |
| **EPRA vacancy rate** | **3.3%** | **2.6%** |

## F. EPRA COST RATIO

| | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Administrative expenses | 52,072 | 24,953 |
| Exclude non-recurring legacy legal and business restructuring costs | (27,970) | (3,399) |
| Other depreciation and amortisations | 3,005 | 2,678 |
| Cost connected with development | 2,601 | 5,065 |
| Net property expenses net of service charge income | 9,136 | 10,447 |
| Share of JV expenses | 338 | - |
| **EPRA Costs (including direct vacancy costs) (A)** | **39,182** | **39,744** |
| Direct vacancy cost | (2,834) | (1,931) |
| **EPRA Costs (excluding direct vacancy costs) (B)** | **36,348** | **37,813** |
| Share of JV income | 4,895 | - |
| Gross rental income | 202,477 | 214,484 |
| **Total income (C)** | **207,372** | **214,484** |
| **EPRA Costs ratio (including direct vacancy costs) (A/C)** | **18.9%** | **18.5%** |
| **EPRA Costs ratio (excluding direct vacancy costs) (B/C)** | **17.5%** | **17.6%** |

# SUSTAINABILITY

In 2014, Atrium has publicly committed to continuing and increasing its efforts to formalize its sustainability strategy and to improving the transparency of its sustainability reporting. Since 2014, this endeavour was further pursued not only internally but also with the help of experienced external consultants and Atrium's efforts have already been rewarded with several important certifications. Throughout 2015, work has continued to focus around the three strategic priority areas it previously defined, namely Our customers, Our places, and Our people. Below are a number of case studies that exemplify some of Atrium's latest achievements in this respect.

## OUR CUSTOMERS

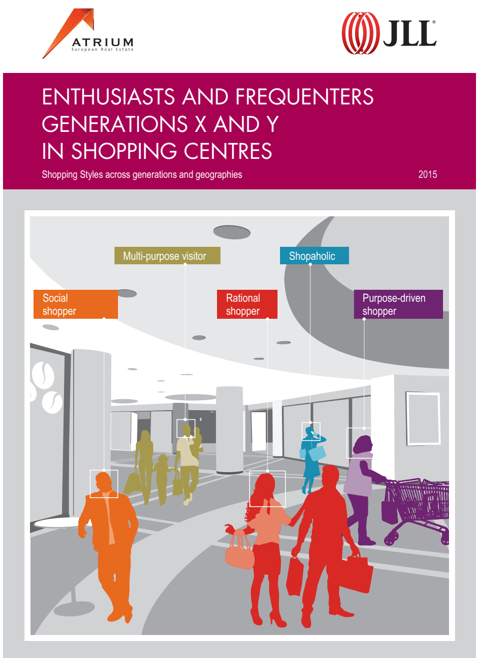
### Case study: Atrium's collaboration with JLL Poland

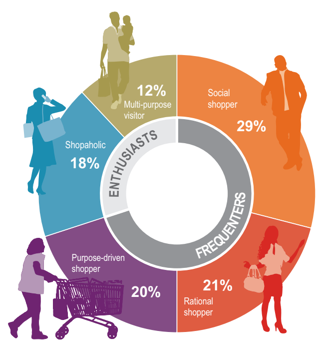
In late 2015, the Polish Atrium team has partnered with JLL Poland in order to gain a detailed understanding of its customers, resulting in a research report entitled "Enthusiasts and Frequenters – Generations X and Y in Shopping Centres". Based on over 2,000 survey respondents aged 25-34 and 45-54 from several cities, the report explores various shopping styles within a centre's catchment area, recognizing the increasing integration of generations and defining segments based on shopping patterns, e.g. social shoppers, rational shoppers, purpose-driven shoppers, shopaholics, and multi-purpose visitors. This research initiative reflects Atrium's endeavour to care for and engage with its customers in order to better meet their needs and expectations by gaining relevant insight into their behaviour.

## OUR PLACES

### Case study: Atrium Flora

Acquired in September 2011 in what was the largest real estate transaction in Prague that year, Atrium Flora is one of the prime shopping centres in the Czech capital and remains one of Atrium's top assets. Located in an affluent residential area with excellent transport links, the asset has a GLA of over 40,000 sqm and is 96% occupied, attracting over 8 million visitors per year. After an extensive analysis process, in December 2015 the property was granted an Excellent In-use certificate from BREEAM, one of the world's foremost environmental assessment method and rating system for buildings. The appraisal methodology provides for seven categories: energy, water, materials, pollution, land use and ecology, health and wellbeing, and management. Atrium Flora has scored a perfect record on both the water and land use and ecology categories, with scores of around 90% for all other categories except energy. The excellent 5-star BREAM In-use ranking, marking a milestone in Atrium's strategy to own, operate and manage shopping centres with optimal sustainable performance.





BREEAM
BREEAM In-Use
Atrium Flora
Vinohradská 151/2828
Prague
13000
Czech Republic
BS 5018 Part 2 (Building Management)
Atrium Flora a.s.
Excellent
BREEAM
bre

## OUR PEOPLE

### Case study: Atrium's Core Values

In 2015, the Group Executive Team has defined the Atrium Core Values which will be embedded in the organisation and in our personnel within the next years.

In the words of our Group HR Director, "I believe it is key that our people, throughout Europe, share the Atrium core values and competencies and feel that they belong to a truly exciting, professional and leading company. A place where they can make a difference, where they can develop themselves and their environment. Employees should, no matter where their office is located, feel and experience that they are part of the Atrium Group, the preferred employer".

The Atrium Core Values reflect our ambition to attract, support, develop and retain talented staff that is proud to work within the Atrium Group, as defined below:

**A**ccountability – take responsibility to drive results and be accountable for these results
**T**rust – integrity and transparency in all we do
**R**espect – understand the importance and value of others,
**I**nnovation – an entrepreneurial, flexible attitude, combined with speed of response.
**U**nity – work as a team, helping each other deliver a competitive advantage, and
**M**otivation – maximise our efforts and have fun along the way.

An HR framework has also been established in order to support Atrium's long-term ambitions as an employer, driven by the above-mentioned Core Values:

# STATEMENT BY THE BOARD OF DIRECTORS OF ATRIUM EUROPEAN REAL ESTATE LIMITED PURSUANT TO § 82 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 82 of the Austrian Stock Exchange Act (§ 82 BoerseG) hereby confirm:

**A** 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

**B** that the Group management report presents the development and performance of the business and the position of the Group and Atrium in such a manner so as to give a true and fair view of the assets, liabilities, financial position and profit or loss, together with a description of the major risks and uncertainties to which the Group and Atrium are exposed.

**THE BOARD OF DIRECTORS:**

**CHAIM KATZMAN**
Chairman of the Board

**RACHEL LAVINE**
Vice-Chairman and Director

**PETER LINNEMAN**
Director

**NOAM BEN-OZER**
Director

**KARINE OHANA**
Director

**SIMON RADFORD**
Director

**THOMAS WERNINK**
Director

**ANDREW WIGNALL**
Director

# STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Annual Financial Report includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, “should”, “could”, “assumes”, “plans”, “seeks” or “approximately” or 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.


Atrium Targówek, Warsaw, Poland

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH CORPORATE GOVERNANCE CODES

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

As a certified Jersey Listed Fund Atrium must comply at all times, and be operated 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 the Directors, who are also under a statutory obligation to act in good faith and in the best interest of Atrium. In addition and as agreed with the Jersey Financial Services Commission ("JFSC"), Atrium must remain materially compliant with the AIC Code and the UK Combined Code as set down in the AIC's Corporate Governance Guide for Investment Companies in matters pertaining to the independence of Directors and the composition of the Board. The Austrian Code of Corporate Governance (as amended in January 2015) (the "Austrian Code") sets out rules and regulations for responsible management and guidance of companies listed in Austria. The Austrian Code applies primarily to Austrian stock market-listed companies that voluntarily 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 43.

## BOARD AND MANAGEMENT STRUCTURE

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

Pursuant to Atrium's articles of association ("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 2015, six of the eight Directors were independent in accordance with those rules, namely Mr. Ben-Ozer, Mr. Linneman, Mr. Radford, Mr. Wernink, Ms. Ohana and Mr. Wignall. The independent Directors do not have shareholdings of more than 10% in Atrium. They also do not 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 2015, the Board consisted of eight Directors, as set out below. Previously, at the start of January 2015, the Board consisted of ten directors until Joe Azrack and Roger Orf, as nominated representatives of a consortium managed by CPI CEE Management LLC and controlled by Apollo Global Real Estate Management LP, an affiliate of Apollo Global Management LLC ("Apollo") resigned their positions on the Board of Directors with effect from 22 January 2015 following the disposal by Apollo of its shareholding to Gazit-Globe. In June 2015 Karine Ohana was appointed to the Board of Directors and in August 2015 Aharon Soffer resigned as a Director. Rachel Lavine became a Gazit-Globe nominated representative to the Board of Directors on 1st August 2015.

| Name | Audit Committee | Compensation and Nominating Committee | Special Standing Committee | Operations Committee | Investment Committee | Date of birth | Mandate start |
|---|---|---|---|---|---|---|---|
| Chaim Katzman | | ✓ | ✓ | | | 04.11.1949 | 01.08.2008 |
| Rachel Lavine | ✓[2] | | ✓ | | ✓ | 09.12.1965 | 01.08.2008 |
| Joseph Azrack[1] | | ✓ | ✓ | | | 08.04.1947 | 15.08.2011 |
| Noam Ben-Ozer | ✓ | ✓ | | | | 22.06.1963 | 24.11.2009 |
| Peter Linneman | ✓ | ✓ | ✓ | | | 24.03.1951 | 01.08.2008 |
| Karine Ohana | ✓[3] | | | | | 27.12.1964 | 24.06.2015 |
| Roger Orf[1] | | ✓ | | | | 28.07.1952 | 11.11.2013 |
| Simon Radford | ✓ | | | ✓ | ✓ | 03.02.1957 | 06.03.2008 |
| Aharon Soffer[2] | ✓ | | | | | 03.03.1971 | 17.05.2011 |
| Thomas Wernink | ✓ | ✓ | | | | 10.12.1945 | 01.08.2008 |
| Andrew Wignall | ✓ | | | ✓ | ✓ | 11.05.1964 | 06.03.2008 |

[1] Resigned with effect from 22 January 2015
[2] Aharon Soffer resigned with effect from 31 August 2015, following which Rachel Lavine became a member of the Audit Committee
[3] Appointed with effect from 13 August 2015

The mandate of each Director then in office ends at the shareholders' annual general meeting ("AGM") held following the date of appointment. Provision is made for each Director to retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected, except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed, or it is expressly resolved not to fill the office being vacated, or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected. The current mandate of each Director in office ends at the AGM to be held in May 2016.

## CHAIM KATZMAN

Non-executive director and Chairman

Chairman, Special Standing Committee

Member, Compensation and Nominating Committee

Chaim Katzman is the founder, controlling shareholder and Chairman of Gazit-Globe, a leading international real estate company listed on the Tel Aviv Stock Exchange (TASE: GZT) and the New York Stock Exchange (NYSE: GZT) and the Toronto Stock Exchange (TSX: GZT).

Mr. Katzman is also the founder, controlling shareholder and Chairman of Norstar Holdings (formerly Gazit Inc.), the parent company of Gazit-Globe; the founder and Chairman of Equity One (NYSE: EQY); the Chairman of First Capital Realty (TSX: FCR) and Chairman of Citycon (OMX: CTY). Mr. Katzman is a member of the International Council of Shopping Centers (ICSC), the National Association of Real Estate Investment Trusts (NAREIT), the Urban Land Institute (ULI), the Real Estate Roundtable and the Association of Foreign Investors in Real Estate (AFIRE).

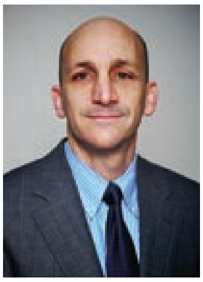
He received a LL.B. degree from Tel Aviv University Law School and in 2011, founded the Gazit-Globe Real Estate Institute at Israel's Interdisciplinary Center (IDC) Herzlya.

## RACHEL LAVINE

Non-executive director and Vice-Chairman

Member, Audit Committee, Special Standing Committee and Investment Committee

Rachel Lavine was appointed as Vice Chairman on 1 December 2014 having previously been Chief Executive Officer from August 2008 and a member of the Board of Directors throughout that time. Mrs. Lavine currently serves as Chief Executive Officer and is a member of the Board of Directors of Gazit-Globe, and currently serves as a member of the Board of Citycon and EPRA. Mrs. Lavine was formerly president and CEO of Plaza Centres (Europe) BV and a former president and CEO of Elscint Ltd. Mrs. Lavine graduated from Tel Aviv University, College of Management with BA (Bachelor of Business) in accounting, has been a CPA (Certified Public Accountant) since 1995 and completed an Executive MBA at the Kellogg School of Management in 2008.



## NOAM BEN-OZER

Non-executive director

Chairman, Compensation and Nominating Committee and

Member, Audit Committee

Noam Ben-Ozer is an independent non-executive director appointed to the Board in November 2009. He is a founder and managing director of Focal Energy, a company which develops and invests in renewable energy projects. He is also the founder and proprietor of Focal Advisory, a strategic and finance-related advisory firm in Boston. Mr. Ben-Ozer has extensive experience in financial and business planning, fund raising, deal structuring and project financing. Mr. Ben-Ozer holds a MBA from the Harvard Business School.

## PETER LINNEMAN

Non-executive director
Chairman, Audit Committee
Member, Compensation and Nominating Committee and Special Standing Committee

Peter Linneman is an independent non-executive director appointed to the Board in August 2008. Mr. Linneman is a principal of Linneman Associates and the Albert Sussman Emeritus Professor of Real Estate, Finance and Public Policy at the Wharton School of Business, University of Pennsylvania. He has served as a director of eleven NYSE-listed companies. Mr. Linneman has a PhD in Economics. He is also a director and member of the executive committee of Equity One Inc.

## KARINE OHANA

Non-executive director

Member, Audit Committee

Karine Ohana is an independent non-executive director appointed to the Board on 24 June 2015. Ms. Ohana is currently a Managing Partner at Ohana & Co., and was previously with Société Générale, after beginning her career at Merrill Lynch. Ms. Ohana served as a Director of Citycon from 2013 to 2015 and is the author of a book written under the supervision of the Banking Regulation Committee of the French central bank "Les Banques de Groupe en France" (Corporate-owned banks in France). Ms. Ohana holds a Master's degree in Finance from Université Paris-Dauphine.

## SIMON RADFORD

Non-executive director

Member, Audit Committee,

Investment Committee and Operations Committee

Simon Radford is an independent non-executive director appointed to the Board in March 2008. He is also the Chief Financial Officer of an alternative investment fund administration business, based in Jersey and serves as a non-executive director on a number of alternative investment strategy funds. Mr. Radford is the former 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 served as Chairman of the Institute of Directors in Jersey.

## THOMAS WERNINK

Non-executive director

Member, Audit Committee and Compensation and Nominating Committee

Thomas Wernink is an independent non-executive director appointed to the Board in August 2008. He has been serving as a non-executive director of Green Reit PLC in Dublin since July 2013, was recently appointed as non-executive Chairman of MAF Properties in Dubai and previously served as a non-executive director of a number of European based property and investment companies, including stock exchange listed companies Segro plc, Citycon and European Direct Real Estate Fund (SICAF). Formerly, he was also Chief Executive of Corio and Chairman of the European Public Real Estate Association.

## ANDREW WIGNALL

Non-executive director

Member, Audit Committee,

Investment Committee and Operations 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.

## 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.

Currently, five permanent committees have been established: (i) the Audit Committee, (ii) the Compensation and Nominating Committee (iii) the Special Standing Committee (iv) the Operations Committee and (v) the Investment Committee, the latter two established during 2015. During 2015, there were also temporary committees established to address specific strategic issues. The Board of Directors and committees hold meetings and can also pass written resolutions.

In the year ended 31 December 2015, the Board of Directors held eight meetings and passed two written resolutions.

## AUDIT COMMITTEE

The Audit Committee is composed of a majority of independent Directors. In 2015, the members of the Audit Committee were Peter Linneman, Rachel Lavine (with effect from 31 August 2015), Noam Ben-Ozer, Karine Ohana (with effect from 13 August 2015), Simon Radford, Aharon Soffer (until 31 August 2015 when he resigned as a director), Thomas Wernink and Andrew Wignall. The Chairman of the Audit Committee is Peter Linneman.

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

The Audit Committee is required to meet at least four times annually before publication of Atrium's annual financial statements and the interim reports. In the year ended 31 December 2015, the Audit Committee held four meetings.

## COMPENSATION AND NOMINATING COMMITTEE

In 2015, the members of the Compensation and Nominating Committee were Joseph Azrack (until 22 January 2015 when he resigned as a director), Noam Ben-Ozer (with effect from 16 February 2015), Chaim Katzman, Peter Linneman, Roger Orf (until 22 January 2015 when he resigned as a director) and Thomas Wernink. The Chairman of the Compensation and Nominating Committee is Noam Ben-Ozer.

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 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 2015, the Compensation and Nominating Committee held eight meetings.

## SPECIAL STANDING COMMITTEE

In 2015, the members of the Special Standing Committee were Joseph Azrack (until 22 January 2015 when he resigned as a director), Chaim Katzman, Rachel Lavine and Peter Linneman. The Chairman of the Special Standing Committee is Chaim Katzman.

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

In the year ended 31 December 2015, the Special Standing Committee held no meetings and passed three written resolutions.

## OPERATIONS COMMITTEE

The Operations Committee was established during the course of 2015 and the members are Andrew Wignall and Simon Radford. The Chairman of the Operations Committee is Andrew Wignall.

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, day to day sanction of operational needs of the Company, treasury functions and incidental commitments.

In the period from its establishment in August 2015 to 31 December 2015, the Operations Committee held three meetings.

## INVESTMENT COMMITTEE

The Investment Committee was established during the course of 2015 and the members are Rachel Lavine, Andrew Wignall and Simon Radford.

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

In the period from its establishment in August 2015 to 31 December 2015, the Investment Committee held one meeting.

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 2015, the ages of the members of the Board of Directors ranged from 50 to 70 and the Directors represented five different national backgrounds. Currently, of the eight Directors, two are women, although Atrium does not take any specific measures to promote women to the Board of Directors, or to top Group executive positions, other than on merit.

## GROUP EXECUTIVE TEAM

During 2015, the Group Executive Team, which has day to day responsibility for Atrium Group operations, was as set out below. Each member of the Group Executive Team is appointed for, and has a mandate throughout, the duration of his/her employment agreement.

| Name | Position | Date of birth | Mandate start |
|---|---|---|---|
| Josip Kardun | Group Chief Executive Officer | 11.04.1974 | 30.11.2014 |
| Soňa Hýbnerová[1] | Group Chief Financial Officer | 03.02.1977 | 01.09.2013 |
| Ryan Lee | Group Chief Financial Officer | 19.08.1968 | 01.04.2015 |
| Rolf Rüdiger Dany | Group Chief Operating Officer | 28.02.1963 | 01.10.2014 |
| Thomas Schoutens | Group Chief Development Officer[2] | 01.01.1969 | 01.02.2010 |
| Geraldine Copeland-Wright | Group General Counsel | 25.03.1971 | 14.06.2013 |
| Liad Barzilai | Group Chief Investment Officer | 25.11.1978 | 11.09.2013[3] |
| Ljudmila Popova | Group Head of Assets Management & Investor Relations | 03.04.1980 | 07.10.2013 |

[1] Soňa Hýbnerová resigned her position as Group Chief Financial Officer on 31 March 2015. She was replaced as Group Chief Financial Officer by Ryan Lee whose mandate commenced on 1 April 2015 after he joined the Group on 1 February 2015.

[2] The role of Group Chief Development Officer is currenty being restructured.

[3] Liad Barzilai resigned his position as Group Chief Investment Officer on 14 November 2015 to take the position as Chief Investment Officer with Gazit-Globe although he will continue to provide acquisition and disposal services to the Group.

### JOSIP KARDUN

Group Chief Executive Officer

Josip was appointed as Group Chief Executive Officer with effect from 1 December 2014 after joining the Atrium Group in February 2014 as Group Chief Operating Officer and Group Deputy Chief Executive Officer. Prior to joining the Atrium Group, Josip was Chief Investment Officer and Head of Mergers and Acquisitions and Transaction Management Group at European retail property specialists ECE Projektmanagement GmbH & Co KG ("ECE"), where he worked for seven years in a number of senior positions.

Prior to ECE, Josip was General Manager at Sierra Management Germany GmbH, Düsseldorf, part of the international shopping centre development and management group Sonae Sierra, with responsibility for leasing activities and centre management.

Josip has a law degree from the Goethe University Frankfurt and sits on the Executive Board of ICSC Europe.

### RYAN LEE

Group Chief Financial Officer

Ryan joined Atrium Group in February 2015 and assumed the role of Group Chief Financial Officer with effect from 1 April 2015 following the departure from the Group of Soňa Hýbnerová.

Ryan, a chartered accountant who has 24 years of international financial experience, joined Atrium Group from Central European Distribution Corporation (CEDC), CEE's largest integrated spirit beverage business, where he spent two years as group Chief Financial Officer after being promoted from the position of CFO of Russian Alcohol Group, a CEDC subsidiary. During his time at CEDC he led and completed a successful financial restructuring and turnaround strategy, in addition to the $250 million acquisition of ROUST Inc., a leading spirit and wine distributor.

Prior to joining CEDC Ryan spent over three years as Vice President, Finance at Eldorado. In addition, he previously held various senior and board level financial roles over a nine year period with Japan Tobacco International, including Vice President - Finance, Vice President - Corporate Tax and CFO of Russia. He also spent ten years at Unilever plc and its group subsidiaries in a number of senior financial roles across a number of different territories.

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

### ROLF RÜDIGER DANY

Group Chief Operating Officer

Rüdiger Dany joined the Atrium Group as Group Chief Operating Officer in October 2014.

He was previously Chief Executive Officer at Auxideico Gestión, a member of the ECE group of companies. He held several senior roles within ECE, including three years as ECE's Managing Director Poland, Czech Republic, Slovakia and Romania. Prior to joining ECE, Rüdiger was Managing Director at Dany Fachhandel GmbH, Germany.

Rüdiger studied retail specialised economics at Lehranstalt des deutschen Textilhandels Nagold, Germany.

### THOMAS SCHOUTENS

Group Chief Development Officer[17]

Thomas joined the Atrium Group in February 2010 as Group Chief Development Officer, with responsibility for overseeing the Group's development activity.

With over 22 years of experience in the real estate and construction industry in Central & Eastern Europe, Thomas previously held the role of Director at Carrefour, overseeing expansion and assets in Poland and Russia and was responsible for driving the development of Carrefour and its real estate portfolio in the region.

Thomas previously spent 11 years at general contractors Besix and CFE (Vinci) with long term assignments in Prague, Budapest, Warsaw, Moscow and St. Petersburg.

Thomas holds a degree in Business Administration and Engineering from ICHEC Business School, Brussels.

### GERALDINE COPELAND-WRIGHT

Group General Counsel

Geraldine joined the Atrium Group in June 2013 as Group General Counsel. Prior to joining the Atrium Group, Geraldine was Regions Senior Legal Advisor to Qatari Diar, the real estate development arm of the Qatar sovereign wealth fund, specializing in international real estate investment and development of large scale, mixed use assets. Previously, Geraldine was European General Counsel and a managing director of Tishman Speyer Properties, a leading global real estate developer, operator and fund manager, where she gained significant experience in European cross-border real estate transactions.

Geraldine graduated from the University of Reading with LLB (Hons) and from the College of Law with First Class Honours in 1993. Geraldine was admitted to the Roll of Solicitors of England and Wales in 1995.

### LJUDMILA POPOVA

Group Head of Asset Management & Investor Relations

Ljudmila joined the Atrium Group in April 2009 as the Group's Financial Analyst working alongside the Group CEO and Group CFO and was initially responsible for valuations. Since then she has had a number of additional responsibilities and currently oversees the Group's asset management function and investor and bondholder relations. Ljudmila also heads the Group's research department.

Prior to joining the Atrium Group, Ljudmila was an equity research analyst at Kempen & Co, a specialist merchant bank in the Netherlands, where she focused on real estate companies with large exposures in Central and Eastern Europe, including Atrium.

Ljudmila has a Master's and a Bachelor's degree in Econometrics from the University of Amsterdam.

## 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 the first half of 2015, non-executive Directors were each entitled to receive ordinary remuneration of €50,000 per annum and a meeting attendance fee of €1,000 per meeting. The non-executive Directors nominated by Gazit-Globe and previously Apollo, other than Chaim Katzman and Rachel Lavine, were each entitled to receive a remuneration of €25,000 per annum and a meeting attendance fee of €1,000 per meeting.

17 The role of Group Chief Development Officer is currently being restructured

Following a review of non-executive Director compensation including recommendations from external consultants, in August 2015 the Compensation and Nominating Committee approved revisions to the ordinary remuneration of the non-executive Directors, effective 1 July 2015. The non-executive Directors, other than those Directors nominated by Gazit-Globe, are entitled to receive remuneration in two components: a fixed cash remuneration of €65,000 per annum together with meeting attendance fees of €1,500 per meeting and a telephonic meeting attendance fees of €1,000 per meeting; and 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 ordinary remuneration will be subject after vesting to restrictions on disposal of shares such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €130,000. Any Director who acts as Chairman of the Audit Committee or the Compensation and Nominating Committee, other than a Director nominated by Gazit-Globe, will also be entitled to receive additional remuneration of €25,000 per annum and any member of either committee, other than a Director nominated by Gazit-Globe, will be entitled to receive additional remuneration of €10,000 per annum. The Chairman of the Operations Committee is entitled to additional remuneration of €20,000 per annum and any member of the Operations Committee, additional remuneration of €15,000 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. As at the end of the financial year ended 31 December 2015, neither Mr. Katzman as Chairman of the Board nor Mrs. Lavine as Vice Chairman were entitled to Directors' compensation.

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. Other than Mr. Katzman and Mrs. Lavine, in the year ended 31 December 2015 special pay awards were made to Mr. Linneman, Ms. Ohana, Mr. Wignall and Mr. Ben-Ozer in connection with special committee activity.

In relation to Mr. Katzman, under a consultancy agreement Mr. Katzman provides certain consultancy services, including (inter alia) advice on and review of proposed acquisitions, 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 current annual fee under this agreement is €550,000.

On assuming the position of Vice Chairman with effect from 1 December 2014, Mrs Lavine, who has responsibility for the oversight of Group strategy, became entitled to a fixed remuneration in the amount of €380,000 per annum and in addition, an annual grant of shares to the value of €120,000 to be made in four quarterly instalments of €30,000 each on 28 February, 31 May, 31 August and 30 November in each year. The first grant was 4,582 ordinary shares in March 2015 and the second grant was 4,361 ordinary shares in June 2015, in each case on a net of tax basis.

In July 2015, the Compensation and Nominating Committee approved a consultancy agreement with Paragon Management Company Limited under which Mrs. Lavine continues to provide management services to the Group but which replaces the employment terms of Mrs. Lavine set out above. An annual consultancy fee of €475,000 per annum is payable under these new arrangements, which became effective from 1 August 2015. The consultancy arrangement is for a period of 16 months, until 30 November 2016, and thereafter is automatically renewable for further periods of 12 months unless terminated by either party. Mrs. Lavine continues her role as Vice Chairman in a non-executive capacity, and as a member of the Board of Directors as a Gazit-Globe nominated Director. Upon termination of her employment agreement, Mrs. Lavine received a pro rata grant of 3,036 shares for the period from 1 June to 31 July 2015, on a net of tax basis, which were issued in August 2015. Mrs. Lavine is not entitled to any further share grant under the new arrangements.

The other Directors (in their capacity as Directors) were entitled to an aggregate remuneration in 2015 of €598,000 (2014: €386,000).

## OVERVIEW OF REMUNERATION OF THE DIRECTORS IN 2015

| Name | Directors Fixed Fees € '000 | Directors other fees (including attendance fees) € '000 | Consultancy fees € '000 | Vice Chairman compensation € '000 | 2015 Total € '000 | 2014 Total € '000 |
|---|---|---|---|---|---|---|
| Chaim Katzman[1] | - | - | 550 | - | 550 | 550 |
| Rachel Lavine[1,2] | - | - | 198 | 257 | 455 | 1,846 |
| Joseph Azrack[3] | - | - | - | - | - | 32 |
| Noam Ben-Ozer | 75 | 36 | - | - | 111 | 58 |
| Peter Linneman | 75 | 51 | - | - | 126 | 64 |
| Simon Radford | 75 | 11 | - | - | 86 | 58 |
| Aharon Soffer[1] | 13 | 2 | - | - | 15 | 25 |
| Thomas Wernink | 68 | 19 | - | - | 87 | 61 |
| Andrew Wignall | 78 | 35 | - | - | 113 | 60 |
| Roger Orf[3] | - | - | - | - | - | 28 |
| Karine Ohana | 37 | 23 | - | - | 60 | - |
| **TOTAL** | **421** | **177** | **748** | **257** | **1,603** | **2,782** |

[1] Gazit-Globe nominated board member
[2] Base salary, guaranteed bonus, allowances and benefits
[3] Apollo nominated board member

## GROUP EXECUTIVE TEAM COMPENSATION

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

The annual remuneration paid or payable to each member of the Group Executive Team for the year ended 31 December 2015, including base salary, annual guaranteed bonus, allowances and benefits is set out below:

| Name | Annual remuneration for 2015 | Annual bonus for 2014 (including minimum guaranteed bonus amounts) |
|---|---|---|
| Josip Kardun | 626,179 | 325,000 |
| Ryan Lee[1] | 425,603 | - |
| Rolf Rüdiger Dany[2] | 438,533 | 35,000[2] |
| Thomas Schoutens | 356,600 | 130,900 |
| Geraldine Copeland-Wright | 389,090 | 123,210 |
| Ljudmila Popova | 245,740 | 67,200 |
| Liad Barzilai[3] | 445,114 | 90,000 |
| Soňa Hýbnerová[4] | 347,031 | 80,000 |
| **TOTAL** | **3,273,890** | **851,310** |

1 Ryan Lee commenced employment with the Group on 1 February 2015 taking up his role as Group Chief Financial Officer with effect from 1 April 2015 following Soňa Hýbnerová's resignation.

2 Rolf Rüdiger Dany commenced employment with the Group on 1 October 2014. Consequently, the bonus for 2014 was pro rata.

3 Liad Barzilai resigned his position as Group Chief Investment Officer on 14 November 2015. He will continue to provide acquisition and disposal services to the Group under the terms of a services agreement with Gazit-Globe. His annual remuneration for 2015 includes the Annual bonus for 2015 pro-rata to the date of termination of employment.

4 Soňa Hýbnerová left the group on 31 March 2015. Her annual remuneration for 2015 includes the Annual bonus for 2015 pro-rata to the date of termination of employment.

The annual bonus awards for the year ended 31 December 2015 will be determined by the Board in due course based on the Group's overall performance and taking into account the individual's performance in respect of a number of specified elements within each executive's responsibilities and function. The annual guaranteed bonus payable to the Group Executive Team for the financial year ended 31 December 2015, which forms part of the annual bonus award, amounts to €400,417.

As part of his remuneration, Josip Kardun is entitled to an award of shares equal to €400,000 which will be issued, free of any lock-up period, in four equal tranches on each of the first, second, third and fourth anniversaries of commencement of employment. The first issue of 15,329 ordinary shares, equal to €100,000 on a net of tax basis, was made in February 2015 and the second issue of 19,515 ordinary shares, also equal to €100,000 on a net of tax basis, was made in February 2016.

## EMPLOYEE SHARE OPTION PLAN AND LONG TERM INCENTIVE PROGRAM

The Employee Share Option Plan ("ESOP") provides for the grant of options to key employees, executives, Directors and consultants of Atrium and its subsidiaries. There are currently two plans in operation, the ESOP, as approved by shareholders on 23 May 2013 ("ESOP 2013") and the ESOP, as approved by shareholders on 6 April 2009("ESOP 2009") although no further grants may be made under ESOP 2009. The Directors may amend ESOP 2009 and ESOP 2013 as they consider appropriate, but shall not make any amendment that would materially prejudice the interests of existing option holders, except with the consent in writing of 75% of all such option holders.

Options have been granted to and exercised by the Directors and members of the Group Executive Team (including those employees who left the Group in 2015) as follows:

## OPTIONS GRANTED AND EXERCISED UNDER ATRIUM'S ESOP 2009

| Name | Grant date | Number of options granted | Exercised in prior years | Exercised in 2015 | Vested but unexercised as at 31.12 2015 | Option price of unexercised options as of 31.12.2015 |
|---|---|---|---|---|---|---|
| Chaim Katzman | 21.08.2012 | 127,119 | - | - | 127,119 | 2.83 |
| Chaim Katzman (second grant) | 29.11.2013 | 200,000 | - | - | 100,000 | 4.38[1] |
| Rachel Lavine | 09.03.2009 | 1,500,000 | 1,500,000 | - | - | N/A |
| Rachel Lavine (second grant) | 16.03.2010[3] | 1,000,000 | - | - | 1,000,000 | 3.38 |
| Rachel Lavine (third grant) | 29.11.2013[3] | 1,600,000[2] | - | - | 533,330 | 4.38[1] |
| Thomas Schoutens | 16.03.2010 | 300,000 | 200,000 | 100,000 | - | N/A |
| Thomas Schoutens (second grant) | 29.11.2013 | 186,666 | - | - | 93,332 | 4.38[1] |
| Soňa Hýbnerová | 01.05.2009 | 50,000 | 50,000 | - | - | N/A |
| Soňa Hýbnerová (second grant) | 01.09.2013 | 306,011[4] | - | - | 153,006 | 4.23[1] |
| Geraldine Copeland-Wright | 01.07.2013 | 397,163 | - | - | 198,582 | 4.38[1] |
| Liad Barzilai | 09.03.2009 | 30,000 | 30,000 | - | - | N/A |
| Liad Barzilai (second grant) | 20.08.2010 | 20,000 | - | 20,000 | - | N/A |
| Liad Barzilai (third grant) | 29.11.2013 | 133,333[5] | - | - | 66,667 | 4.38[1] |
| Ljudmila Popova | 01.04.2009 | 20,000 | 20,000 | - | - | N/A |
| Ljudmila Popova (second grant) | 20.08.2010 | 15,000 | - | 15,000 | - | N/A |
| Ljudmila Popova (third grant) | 29.11.2013 | 120,000 | - | - | 60,000 | 4.38[1] |

[1] These grants were made under ESOP 2013. No options granted under ESOP 2013 have yet been exercised

[2] Out of this amount 1,066,670 options were cancelled when Mrs. Lavine became Vice Chairman on 1 December 2014

[3] As part of the arrangements for the termination of Mrs Lavine's employment contract and appointment as a consultant, with effect from 1 August 2015, the period for exercise of these options was extended to, in the case of the ESOP 2009 grant, the date seven months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, or in the case of the ESOP 2013 grant, 18 months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, but in either case with a maximum period of ten years from the options' original grant date

[4] Out of this amount 153,005 options were cancelled when Ms. Hýbnerová left the Group

[5] Out of this amount 66,666 options were cancelled when Mr. Barzilai left the Group

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

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

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

## DEVIATIONS FROM THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

Atrium's management structure is a one-tier Board of Directors. The Rules of the Austrian Code otherwise applying to the supervisory board and/or the management board in a typical Austrian joint stock corporation will be applied in each case to the Board of Directors. Consequently, in relation to all Rules where the Austrian Code refers to an interaction or cooperation between the supervisory board and the management board in a typical Austrian joint stock corporation, Atrium deviates from such Rules as such function is already fulfilled by the Board of Directors. This applies in relation to the Rules L-9, C-10, L-11, L-14, C-18a, L-23, L-24, L-26a, L-32, L-33, L-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. At the beginning of 2015 the substantial shareholders were Gazit-Globe and Apollo but following the acquisition of Apollo's shares by Gazit-Globe in January 2015, the only substantial shareholder for this purpose is 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.

Apollo and Gazit-Globe were granted certain rights, now only applicable to Gazit-Globe, 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 or Dutch law applicable to Atrium.

Finally, pursuant to the Articles, a mandatory cash offer is required to be made to all Atrium shareholders if any person other than Apollo and Gazit-Globe (or any person with whom either of those parties act 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 Annual General Meeting.

**C-rule 12:** In 2015, the materials and documents required for the Board of Directors' quarterly meetings were distributed at least 5 days before the respective meeting, which is incompliance 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 are required to comply with a statutory duty to act honestly, in good faith and in the best interests of the Company which, in the case of solvent companies, is interpreted as the shareholder body as a whole. There is, however, no specific obligation to take into account the interests of the employees and the public good.

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

**C-rule 18:** Atrium's internal audit function is currently outsourced and reports directly to the Audit Committee on at least a quarterly basis.

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

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

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

**C-rule 27a:** With the exception of Mr. Katzman and Mrs. Lavine, the compensation payable as ordinary remuneration to the Directors consists of a fixed cash component and a grant of ordinary shares in the Company which vest after two years. Such remuneration and the consultancy fees payable in respect of Mr. Katzman and Mrs. Lavine, accrues from day to day, and for the remainder of the Directors on a meeting attendance basis.

**C-rule 28:** In May 2013, Atrium established ESOP 2013, which supersedes ESOP 2009, under which the Board of Directors can grant share options to key employees, executives, Directors and consultants. Options under both ESOP 2009 and ESOP 2013 are granted unconditionally. Generally, options granted under ESOP 2009 are exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. Options granted under ESOP 2013 are generally exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Subject to the terms of the ESOPs, option holders are entitled to exercise their options upon vesting. Details of share options awarded to Directors and members of the Group Executive Team under ESOP 2009 and 2013 are provided on page 42.

Whilst there is no specific predetermined level set as to the appropriate volume of shares each Director or Group Executive Team member should hold as a personal investment, the Board of Directors considers that the share options provide equity incentivisation and alignment of interest with other shareholders.

**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. 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 2015, six of the seven members of the Audit Committee, three of the four members of the Compensation and Nominating Committee and one of the three members of the Special Standing Committee were independent, as defined in the rules of the New York Stock Exchange. Those individuals appointed to serve as members of Board 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 remuneration committee.

**C-rule 43:** In 2015, the Chairman of the Compensation and Nominating Committee was not the same person as the Chairman of the Board of Directors.

**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. Currently, of the eight Directors: two are women (including the Vice Chairman); the ages of the Directors range from 50 to 70; and the Directors represent five different national backgrounds.

**C-rule 53:** In accordance with the Articles, at least half of the Directors are independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2015, six of Atrium's eight Directors were independent, in accordance with said rules.

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

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

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

## THE BOARD OF DIRECTORS

**CHAIM KATZMAN**
Chairman of the Board

**RACHEL LAVINE**
Vice-Chairman and Director

**PETER LINNEMAN**
Director

**NOAM BEN-OZER**
Director

**SIMON RADFORD**
Director

**KARINE OHANA**
Director

**THOMAS WERNINK**
Director

**ANDREW WIGNALL**
Director

Focus Mall, Bydgoszcz


# 02

# ANNUAL FINANCIAL STATEMENTS

Park House, Togliatti

# 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 2015.

## 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 primarily operates in Poland, the Czech Republic, Slovakia, Russia, Hungary and Romania.

## RESULTS

The results for the year ended 31 December 2015 are shown in the consolidated income statement on page 50.

## DIVIDEND

For the year ended 31 December 2015, the Directors approved a dividend of at least €0.27 per share, which was paid in quarterly instalments of at least €0.0675 per share at the end of each calendar quarter. The total dividend declared and paid as a capital repayment in the year ended 31 December 2015 amounted to €101.5 million (2014: €90.1 million).

In November 2015, the Company's Board of Directors approved an annual dividend of €0.27 per share for 2016 - consistent with the 2015 dividend. This dividend will be paid as a capital repayment in equal quarterly instalments commencing at the end of March 2016 (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 35 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 2015, Aztec held one share in Atrium, see note 2.16 of the financial statements.

## DIRECTORS' RESPONSIBILITIES

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

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

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

**By order of the Board**

*09 March 2016*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|---|
| | Note | €'000 | €'000 | €'000 | €'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Standing investments | 2.4 | 2,396,951 | | 2,520,439 | |
| Developments and land | 2.5 | 307,845 | | 365,016 | |
| Property, plant and equipment | 2.6 | 2,505 | | 3,013 | |
| | | | **2,707,301** | | **2,888,468** |
| Intangible assets | 2.7 | 5,064 | | 7,038 | |
| Equity-accounted investment in joint ventures | 2.8 | 169,408 | | - | |
| Deferred tax assets | 2.9 | 1,239 | | 1,086 | |
| Long term loans | 2.10 | 13,086 | | 8,114 | |
| Other assets* | 2.11 | 18,537 | | 16,404 | |
| | | | **207,334** | | **32,642** |
| **Current assets** | | | | | |
| Receivables from tenants | 2.12 | 12,499 | | 11,882 | |
| Prepayments | 2.13 | 2,965 | | 14,106 | |
| Other receivables* | 2.14 | 6,185 | | 8,969 | |
| Income tax receivable | | 2,632 | | 1,694 | |
| Assets held for sale | 2.15 | 119,652 | | 72,478 | |
| Cash and cash equivalents* | | 224,368 | | 420,544 | |
| | | | **368,301** | | **529,673** |
| **TOTAL ASSETS** | | | **3,282,936** | | **3,450,783** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Stated capital | 2.16 | 2,574,836 | | 2,673,166 | |
| Share based payment reserve | 2.16 | 4,153 | | 4,360 | |
| Hedge reserve | 2.16 | (5,566) | | (9,986) | |
| Retained earnings | | (442,381) | | (447,247) | |
| Currency translation reserve | | (96,449) | | (98,645) | |
| Currency translation reserve for disposal group held for sale | 2.15 | (2,622) | | (10,439) | |
| Non-controlling interest | | (845) | | (791) | |
| | | | **2,031,126** | | **2,110,418** |
| **Non-current liabilities** | | | | | |
| Long term borrowings | 2.17 | 1,011,392 | | 1,034,524 | |
| Derivatives | 2.18 | 6,872 | | 12,328 | |
| Provisions | 2.24 | - | | 2,626 | |
| Deferred tax liabilities | 2.19 | 67,511 | | 120,955 | |
| Long term liabilities from finance leases | 2.20 | 31,592 | | 36,277 | |
| Other long term liabilities | 2.21 | 15,163 | | 17,802 | |
| | | | **1,132,530** | | **1,224,512** |
| **Current liabilities** | | | | | |
| Trade and other payables | 2.22 | 33,246 | | 38,279 | |
| Accrued expenditure | 2.23 | 45,360 | | 38,617 | |
| Short term borrowings | 2.17 | 1,389 | | 33,550 | |
| Income tax payable | | 4,852 | | 1,946 | |
| Liabilities held for sale | 2.15 | 11,878 | | 2,946 | |
| Provisions | 2.24 | 22,555 | | 515 | |
| | | | **119,280** | | **115,853** |
| **TOTAL EQUITY AND LIABILITIES** | | | **3,282,936** | | **3,450,783** |

The financial statements were approved and authorised for issue by the Board of Directors on 9 March 2016 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, Peter Linneman, Chairman of the Audit Committee, and Josip Kardun, Chief Executive Officer.

*31/12/2014 balances have been reclassified, see note 2.2

## CONSOLIDATED INCOME STATEMENT (FOR THE YEAR ENDED 31 DECEMBER)

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | Note | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 2.25 | 202,477 | | 214,484 | |
| Service charge income | 2.26 | 73,783 | | 74,475 | |
| Net property expenses | 2.27 | (82,919) | | (84,922) | |
| **Net rental income** | | | **193,341** | | **204,037** |
| Net result on disposals | | (9,446) | | (3,711) | |
| Costs connected with developments | | (2,601) | | (5,065) | |
| Revaluation of investment properties, net | 2.4,2.5 | (104,665) | | (168,077) | |
| Other depreciation, amortisation and impairments | 2.28 | (3,501) | | (11,091) | |
| Administrative expenses | 2.29 | (52,072) | | (24,953) | |
| Share of profit of equity-accounted investments in joint ventures | 2.8 | 10,114 | | - | |
| **Net operating profit/(loss)** | | | **31,170** | | **(8,860)** |
| Interest expenses, net | 2.30 | (39,670) | | (32,723) | |
| Foreign currency (loss)/gain | | (1,669) | | 12,506 | |
| Other financial expenses | 2.31 | (20,704) | | (7,905) | |
| **Loss before taxation** | | | **(30,873)** | | **(36,982)** |
| Taxation credit/(charge) for the year | 2.32 | 35,685 | | (20,774) | |
| **Profit/(Loss) after taxation for the year** | | | **4,812** | | **(57,756)** |
| **Attributable to:** | | | | | |
| Owners of the Company | | 4,866 | | (57,705) | |
| Non-controlling interest | | (54) | | (51) | |
| | | | **4,812** | | **(57,756)** |
| Basic and diluted earnings/(loss) per share in €cents, attributable to shareholders | 2.33 | | **1.29** | | **(15.4)** |

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Profit/(Loss) for the year | 4,812 | | (57,756) | |
| **Items that are or may be reclassified to the income statement:** | | | | |
| Exchange differences arising on translation of foreign operations (net of deferred tax) | 916 | | (11,496) | |
| Movements in hedging reserves (net of deferred tax) | 2,209 | | (464) | |
| Amounts reclassified to profit or loss in respect of cash flow hedges (net of deferred tax) | 2,211 | | - | |
| Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed of during the period | 9,097 | | - | |
| **Total comprehensive income/(loss) for the year** | | **19,245** | | **(69,716)** |
| **Attributable to:** | | | | |
| Owners of the Company | 19,299 | | (69,665) | |
| Non-controlling interest | (54) | **19,245** | (51) | **(69,716)** |

## CONSOLIDATED CASH FLOW STATEMENT (FOR THE YEAR ENDED 31 DECEMBER)

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | (30,873) | (36,982) |
| **Adjustments for:** | | |
| Other depreciation, amortisation and impairments | 3,501 | 11,091 |
| Revaluation of investment properties, net | 104,655 | 168,077 |
| Foreign exchange loss/(gain) | 1,669 | (12,506) |
| Change in legal provisions | 19,404 | 200 |
| Share based payment expenses | 905 | 1,356 |
| Results of joint ventures, net of dividend received | (6,330) | - |
| Net result on disposals | 9,446 | 3,711 |
| Finance lease interest expense | 3,462 | 4,819 |
| Impairment charge on long term loans granted | 4,256 | 307 |
| Net loss from bond buy backs and early repayments of loans | 12,433 | 2,004 |
| Interest expense | 40,679 | 33,933 |
| Interest income | (1,009) | (1,210) |
| **Operating cash flows before working capital changes** | **162,208** | **174,800** |
| Decrease in trade, other receivables and prepayments* | 2,766 | 7,121 |
| Decrease/(increase) in trade, other payables and accrued expenditure, net | (1,969) | 1,569 |
| **Cash generated from operations** | **163,005** | **183,490** |
| Interest paid | (40,980) | (31,011) |
| Interest received | 709 | 870 |
| Corporation taxes paid, net | (5,958) | (1,372) |
| **Net cash generated from operating activities** | **116,776** | **151,977** |
| **Cash flows from investing activities** | | |
| Payments related to investment properties and other assets | (210,198) | (266,293) |
| Proceeds from the disposal of investment properties | 76,958 | 70,268 |
| **Net cash used in investing activities** | **(133,240)** | **(196,025)** |
| **Net cash flow before financing activities** | **(16,464)** | **(44,048)** |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of share capital | 2,090 | 1,545 |
| Repayment of long term borrowings | (226,066) | (85,885) |
| Receipt of long term borrowings | 155,486 | 347,147 |
| Change in restricted cash * | (3,853) | 1,149 |
| Payments for finance leases | (4,185) | (5,072) |
| Dividends paid | (101,532) | (90,055) |
| **Net cash generated from (used in) financing activities** | **(178,060)** | **168,829** |
| **Net (decrease)/increase in cash and cash equivalents** | **(194,524)** | **124,781** |
| **Cash and cash equivalents at the beginning of year*** | **420,544** | **299,624** |
| Cash and cash equivalents classified as held for sale | (571) | (272) |
| Effect of exchange rate fluctuations on cash held | (1,081) | (3,589) |
| **Cash and cash equivalents at the end of year** | **224,368** | **420,544** |

*31/12/2014 balances have been reclassified, see note 2.2

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Stated capital | Share based payments reserve | Hedge reserve | Retained earnings/ (deficit) | Currency translation reserve | Currency translation reserve for disposal group held for sale | Equity attributable to the owners of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Balance as at 1 January 2015** | | **2,673,166** | **4,360** | **(9,986)** | **(447,247)** | **(98,645)** | **(10,439)** | **2,111,209** | **(791)** | **2,110,418** |
| Profit for the year | | - | - | - | 4,866 | - | - | 4,866 | (54) | 4,812 |
| Other comprehensive income/(expense) | | - | - | 4,420 | - | (426) | 10,439 | 14,433 | - | 14,433 |
| **Total comprehensive income/(expense)** | | **-** | **-** | **4,420** | **4,866** | **(426)** | **10,439** | **19,299** | **(54)** | **19,245** |
| **Transactions with owners of the Company** | | | | | | | | | | |
| Share based payment | 2.16 | - | 905 | - | - | - | - | 905 | - | 905 |
| Issuance of no par value shares | 2.16 | 3,202 | (1,112) | - | - | - | - | 2,090 | - | 2,090 |
| Dividends | 2.16 | (101,532) | - | - | - | - | - | (101,532) | - | (101,532) |
| Disposal group held for sale | 2.15 | - | - | - | - | 2,622 | (2,622) | - | - | - |
| **Balance as at 31 December 2015** | | **2,574,836** | **4,153** | **(5,566)** | **(442,381)** | **(96,449)** | **(2,622)** | **2,031,971** | **(845)** | **2,031,126** |

| | Note | Stated capital | Share based payments reserve | Hedge reserve | Retained earnings/ (deficit) | Currency translation reserve | Currency translation reserve for disposal group held for sale | Equity attributable to the owners of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Balance as at 1 January 2014** | | **2,760,335** | **4,346** | **(9,522)** | **(389,542)** | **(97,588)** | **-** | **2,268,029** | **(740)** | **2,267,289** |
| Loss for the year | | - | - | - | (57,705) | - | - | (57,705) | (51) | (57,756) |
| Other comprehensive expense | | - | - | (464) | - | (11,496) | - | (11,960) | - | (11,960) |
| **Total comprehensive expense** | | **-** | **-** | **(464)** | **(57,705)** | **(11,496)** | **-** | **(69,665)** | **(51)** | **(69,716)** |
| **Transactions with owners of the Company** | | | | | | | | | | |
| Share based payment | 2.16 | - | 1,008 | - | - | - | - | 1,008 | - | 1,008 |
| Issuance of no par value shares | 2.16 | 2,886 | (994) | - | - | - | - | 1,892 | - | 1,892 |
| Dividends | 2.16 | (90,055) | - | - | - | - | - | (90,055) | - | (90,055) |
| Disposal group held for sale | 2.15 | - | - | - | - | 10,439 | (10,439) | - | - | - |
| **Balance as at 31 December 2014** | | **2,673,166** | **4,360** | **(9,986)** | **(447,247)** | **(98,645)** | **(10,439)** | **2,111,209** | **(791)** | **2,110,418** |

# NOTES TO THE FINANCIAL STATEMENTS

## 2.1 REPORTING ENTITY

Atrium European Real Estate Limited is a company incorporated and domiciled in Jersey. Its registered office is 11-15 Seaton Place, St. Helier, Jersey, ¬Channel Islands and its business address in Jersey is Lister House Chambers, 35 The Parade, St Helier, Jersey, Channel Islands.

Atrium shares are publicly traded on the Vienna and Euronext Amsterdam Stock Exchanges under the ticker ATRS.

The consolidated financial statements of Atrium as at and for the year ended 31 December 2015 comprise Atrium and its subsidiaries collectively the "Group".

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

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

## 2.2 BASIS OF PREPARATION

### STATEMENT OF COMPLIANCE

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").

### BASIS OF MEASUREMENT

The consolidated financial statements are prepared on the historical cost basis, except for the following items in the statement of financial position:

- Standing investments and developments and land ("investment property") are measured at fair value; and
- Derivative financial instruments are measured at fair value.

### FUNCTIONAL AND PRESENTATION CURRENCY

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.

The individual financial statements of each of the Group entities use the currency of the primary economic environment in which the entity operates as its functional currency. The currency in which the entity generates rental income is considered the primary driver in determining the functional currency of that entity, but other cash flows are also taken into account.

The Euro has been determined to be the functional currency for the Group companies, except for certain subsidiaries in the Czech Republic, which use the Czech Koruna ("CZK") as their functional currency.

### RECLASSIFICATIONS

The Group holds restricted cash as security for bonds, loans and tenants' deposits. Previously the Group presented the restricted cash balance as part of cash and cash equivalents, as of these financial statements restricted cash is presented as part of other assets and other receivables. See also notes 2.11 and 2.14.

The Group has reclassified 31 December 2014 comparative information in the statement of financial position and cash flow statement to conform to the current period's presentation.

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

- IFRS 9 Financial Instruments (issued in July 2014, not yet endorsed by the EU). 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 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted subject to EU endorsement. Except for hedge accounting, retrospective application for all comparable periods is required. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group is currently assessing the impact of the new standard.

- Annual Improvements to IFRSs –2012-2014 Cycle (issued in September 2014, endorsed by the EU). On 25 September 2014, the International Accounting Standards Board (IASB) issued Annual Improvements to IFRSs –2012-2014 Cycle. The improvements contain five amendments to four standards. The effective date of the amendments is 1 January 2016 either prospectively or retrospectively. The amendments are not expected to have a material impact on the Group's financial statements.

- IFRS 15- Revenue from Contracts with Customers (issued in May 2014, not yet endorsed by the EU). In May 2014, the IASB and the FASB issued their joint revenue-recognising standard, IFRS 15 Revenue from Contracts with Customers. IFRS 15 sets out the requirements for recognising revenue and providing disclosures that apply to all contracts with customers, except for contracts that are within the scope of the standards of leases, insurance contracts and financial instruments. The standard replaces IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. IFRS 15 is effective from 1 January 2018. The Group is currently assessing the impact of the new standard.

- IFRS 16- Leases (issued in January 2016, not yet 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 Group is currently assessing the impact of the new standard.

- Amendments to IAS 7-Disclosure Initiative (issued in January 2016, not yet endorced by the EU). In January 2016, the IASB published the amendments to IAS 7 Statement of Cash Flows. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted subject to EU endorsement. The Group is currently assessing the impact of the amendments.

- Amendments to IAS 12-Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016, not yet endorsed by the EU). In January 2016, the IASB published final amendments to IAS 12 Income Taxes. The IASB had concluded that the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principles in IAS 12. Therefore the amendments consist of some clarifying paragraphs and an illustrating example. The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted subject to EU endorsement. The Group is currently assessing the impact of the amendments.

- Amendments to IAS 16-and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014, endorsed by the EU). IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can, however, be rebutted in certain limited circumstances. The amendments are effective from 1 January 2016 and should be applied prospectively. The amendments are not expected to have a material impact on the Group's financial statements.

- Amendments to IFRS 11-Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014, endorsed by the EU). The amendments published add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments are effective from 1 January 2016 and are to be applied prospectively. The amendments are not expected to have an impact on the Group's financial statements.

- Amendments to IFRS 10-and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014, not yet endorsed by the EU). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In August 2015 the IASB proposed to defer the effective date indefinitely, while earlier application is permitted. The amendments are not expected to have an impact on the Group's financial statements.

- Amendments to IAS 1-Disclosure Initiative (issued in December 2014, endorsed by the EU). These amendments to IAS 1 Presentation of Financial Statements address some of the concerns expressed about existing presentation and disclosure requirements and ensure that entities are able to use judgement when applying IAS 1. The final amendment Disclosure Initiative (Amendments to IAS 1) is effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. The amendments are not expected to have an impact on the Group's financial statements.

Atrium Kasztanowa, Piła

## 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 assets and liabilities, income and expenses and the disclosure of contingent liabilities. 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 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.

- **Income tax** - In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes Atrium to change its judgement regarding the adequacy of existing tax liabilities; any such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

## KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- **Fair value measurements and valuation processes - Standing investments, developments and land and derivatives** are presented at fair value in the statement of financial position. Management determines the appropriate valuation techniques and inputs for the fair value measurements. Information about the valuation techniques and inputs used in determining the fair values are disclosed in note 2.35.

- **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.

## 2.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all the periods presented in these consolidated financial statements and have been applied consistently by entities within the Group.

## BASIS OF CONSOLIDATION

## SUBSIDIARIES

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

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

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

## NON-CONTROLLING INTEREST

The non-controlling interest in subsidiaries represents the non-controlling shareholders' proportion of the net assets or the net identifiable assets on the acquisition of the subsidiaries, adjusted subsequently for their proportionate interest in the comprehensive income or loss of the subsidiaries and dividends distributed. The non-controlling interests are presented as equity separately from the equity attributable to the shareholders of the Company.

The acquisition of non-controlling interests by the Group is recorded against a decrease or an increase in equity. On disposal of rights in a subsidiary that does not result in a loss of control, an increase or a decrease in equity is recognised as the amount of the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary which has been added to the Group's equity, also taking into account the disposal of goodwill in a subsidiary, if any, and amounts which have been recognised in other comprehensive income, if any, based on the decrease in the interests in the subsidiary. Transaction costs in respect of transactions with non-controlling interests are also recorded in equity.

## 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 income statement. 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.

## ACQUISITIONS OF SUBSIDIARIES THAT ARE NOT BUSINESS COMBINATIONS

On the acquisition of subsidiaries and operations that do not constitute a business, the acquisition consideration is allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes. Non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date. Directly attributable costs are recognised as part of the acquisition cost.

## BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

## 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, the 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 income statement 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 income statement.

## CONSOLIDATION GROUP

The Consolidated financial statements of the Group include the following subsidiaries as at 31 December 2015:

| 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 BETA CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| ATRIUM DELTA CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| ATRIUM FLÓRA A.S. | Czech Republic | 100% |
| ATRIUM GAMMA CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| ATRIUM KAPPA CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| ATRIUM OSTRAVA CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| ATRIUM PALÁC PARDUBICE S.R.O.[1] | Czech Republic | 100% |
| ATRIUM PANKRÁC S.R.O.[2] | Czech Republic | 100% |
| ATRIUM PARDUBICE CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| ATRIUM ZLÍN CZECH REPUBLIC S.R.O. | Czech Republic | 100% |
| EURO MALL BRNO REAL ESTATE S.R.O. | Czech Republic | 100% |
| FLÓRA-SEN S.R.O. (IN LIQUIDATION) | Czech Republic | 100% |
| MANHATTAN DEVELOPMENT S.R.O. | Czech Republic | 100% |
| MANHATTAN REAL ESTATE MANAGEMENT S.R.O. | Czech Republic | 100% |
| VEVEŘÍ CENTRE S.R.O. | Czech Republic | 100% |
| FORAS HOLDING A/S | Denmark | 100% |
| POLONIACO APS | Denmark | 100% |
| EUROPE & CO LLC (IN LIQUIDATION) | Georgia | 100% |
| ALFA - PIAC KFT. | Hungary | 100% |
| ATRIUM ALFA HU KFT. | Hungary | 100% |
| ATRIUM BETA HU KFT. | Hungary | 100% |
| MAGNUM HUNGARIA INVEST KFT. | Hungary | 100% |
| MANHATTAN DEVELOPMENT ALFA KFT. | Hungary | 100% |
| MANHATTAN DEVELOPMENT GLOBAL KFT. | Hungary | 100% |
| MANHATTAN DEVELOPMENT INVEST KFT. | Hungary | 100% |
| MANHATTAN DEVELOPMENT KFT. | Hungary | 100% |
| MANHATTAN DEVELOPMENT PROJEKT KFT. | Hungary | 100% |

| Company name | Country | Ownership |
|---|---|---|
| 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% |
| SIA MANHATTAN REAL ESTATE MANAGEMENT | Latvia | 100% |
| SIA MD GALERIJA AZUR | Latvia | 100% |
| ATRIUM AGROMEX SCSP[2] | Luxemburg | 100% |
| ATRIUM BIAŁA SCSP[2] | Luxemburg | 100% |
| ATRIUM BYDGOSZCZ SCSP[2] | Luxemburg | 100% |
| ATRIUM COPERNICUS SCSP[2] | Luxemburg | 100% |
| ATRIUM DOMINIKANSKA SCSP[2] | Luxemburg | 100% |
| ATRIUM KALISZ SCSP[2] | Luxemburg | 100% |
| ATRIUM KOSZALIN GP S.À R.L.[2] | Luxemburg | 100% |
| ATRIUM KOSZALIN SCSP[2] | Luxemburg | 100% |
| ATRIUM MOLO SCSP[2] | Luxemburg | 100% |
| ATRIUM PLEJADA SCSP[2] | Luxemburg | 100% |
| ATRIUM POLAND HOLDING GP S.À R.L.[3] | Luxemburg | 100% |
| ATRIUM PROMENADA 2 SCSP[2] | Luxemburg | 100% |
| ATRIUM PROMENADA GP S.À R.L.[2] | Luxemburg | 100% |
| ATRIUM PROMENADA SCSP[2] | Luxemburg | 100% |
| ATRIUM REDUTA SCSP[2] | Luxemburg | 100% |
| ATRIUM TARGÓWEK SCSP[2] | Luxemburg | 100% |
| ATRIUM EUROPE B.V. | Netherlands | 100% |
| ATRIUM EUROPEAN COÖPERATIEF U.A. | Netherlands | 100% |
| ATRIUM EVEREST HOLDING 1 BV[2] (IN LIQUIDATION) | Netherlands | 100% |
| ATRIUM EVEREST HOLDING 2 BV[2] (IN LIQUIDATION) | 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 TURKEY ADANA BOSSA B.V. (IN LIQUIDATION) | 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 TURKEY URFA B.V. (IN LIQUIDATION) | Netherlands | 100% |
| A100 ATRIUM POLAND SP. Z O.O.[1] | Poland | 100% |

| Company name | Country | Ownership |
|---|---|---|
| ATRIUM POLAND 1 SP. Z O.O. AGROMEX DEVELOPMENT SP.K. | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. BIAŁA SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· BIAŁA 2 SP.K.[2] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· BYDGOSZCZ SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· BYDGOSZCZ 2 SP.K.[2] | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. COPERNICUS SP.K. | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· COPERNICUS 2 SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. DOMINIKANSKA SP.K. | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· DOMINIKANSKA 2 SP.K. [2] | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. KALISZ SP.K. | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. KALISZ 2 SP.K. | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· MOLO SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· MOLO 2 SP.K.[2] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· PLEJADA SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· PLEJADA 2 SP.K.[2] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· PROMENADA SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. PROMENADA 2 SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· REDUTA SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· REDUTA 2 SP.K. [2] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· TARGÓWEK SP.K.[4] | Poland | 100% |
| ATRIUM POLAND 1 SP· Z O·O· TARGÓWEK 2 SP.K.[2] | Poland | 100% |
| ATRIUM POLAND 2 SP· Z O·O· KOSZALIN 2 SP.K.[2] | 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.[1] | Poland | 100% |
| ATRIUM JASTRZĘBIE SP. Z O.O. | Poland | 100% |
| ATRIUM KOSZALIN SP. Z O.O. | Poland | 100% |
| ATRIUM POLAND 1 SP. Z O.O. | Poland | 100% |
| ATRIUM POLAND 2 SP. Z O.O. | Poland | 100% |
| ATRIUM POLAND 3 SP. Z O.O.[2] | Poland | 100% |
| ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O | Poland | 100% |
| CENTRUM HANDLOWE NEPTUNCITY SP. Z O.O. | Poland | 100% |
| GALERIA NA WYSPIE SP. Z O.O. | Poland | 100% |
| IPOPEMA 77 FIZ | Poland | 100% |
| L.P.H. SP. Z O.O. | Poland | 100% |
| MANHATTAN DEVELOPMENT SP. Z O.O. | Poland | 100% |
| MD POLAND II SP. Z O.O. | Poland | 100% |
| PROJEKT ECHO-35 SP. Z O.O. | Poland | 100% |
| WIOSENNY ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O. S.K.A. | Poland | 100% |
| ZIELONY ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O. S.K.A. (IN LIQUIDATION) | Poland | 100% |
| ATRIUM ROMANIA REAL ESTATE MANAGEMENT SRL | Romania | 100% |
| LAND DEVELOPMENT PROIECT SRL | Romania | 100% |
| PROPERTY DEVELOPMENT ONE SRL | Romania | 100% |
| PROPERTY DEVELOPMENT TWO SRL | Romania | 100% |

| Company name | Country | Ownership |
|---|---|---|
| OOO BUGRY | Russia | 100% |
| OOO DELTA | Russia | 100% |
| OOO ENGINEERICS | Russia | 100% |
| OOO EVEREST | Russia | 100% |
| OOO MALL MANAGEMENT | Russia | 100% |
| OOO MANHATTAN BRATEEVO | Russia | 100% |
| OOO MANHATTAN DEVELOPMENT | Russia | 100% |
| OOO MANHATTAN REAL ESTATE MANAGEMENT | Russia | 100% |
| OOO MANHATTAN SIGNALNY | Russia | 100% |
| OOO MANHATTAN YEKATERINBURG | Russia | 100% |
| OOO MD TOGLIATTI | Russia | 100% |
| OOO RETAIL TOGLIATTI | Russia | 100% |
| OOO ZVEZDNYI GOROD | Russia | 100% |
| OOO MEGAPOLIS | Russia | 100% |
| OOO NAUTILUS | Russia | 100% |
| OOO PATERA | Russia | 100% |
| ZAO UNIVERSAL-URAL | Russia | 51% |
| MANHATTAN DEVELOPMENT SK S.R.O. | Slovakia | 100% |
| MANHATTAN REAL ESTATE MANAGEMENT SK S.R.O.[5] | Slovakia | 100% |
| PALM CORP S.R.O. | Slovakia | 100% |
| SLOVAK INVESTMENT GROUP S.R.O. | Slovakia | 100% |
| ATRIUM EUROPEAN REAL ESTATE SPAIN S.L.U. | Spain | 100% |
| TRETTIOENCORP AB | Sweden | 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 | 99.9% |
| A.KHARKIV 2 LLC | Ukraine | 99.9% |
| A.KHARKIV 3 LLC | Ukraine | 99.9% |
| ENGINEERICS UKRAINE LLC | Ukraine | 100% |
| PRIVATE JSC IPODROM | Ukraine | 100% |
| VORONTSOVSKI VEZHI LLC | Ukraine | 70% |

1 Companies merged during 2015
2 Companies newly incorporated or purchased during 2015
3 Companies renamed during 2015
4 Companies converted into limited partnerships in 2015 (sp.k).
5 Converted from JSC (a.s.) into LLC (sro)

## FOREIGN CURRENCY

### FOREIGN CURRENCY TRANSACTIONS

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. 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 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.

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 income statement.

### FOREIGN OPERATIONS

On consolidation, the assets and liabilities of the Group's foreign entities with functional currencies that differ from the presentation currency are translated into Euros at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period.

The exchange differences that arise from the translation of the statement of financial position and the consolidated income statement from the functional to the presentation currency are recognised in other comprehensive income and presented as a separate component of equity until the disposal of the foreign entity, when the cumulative amount in equity is reclassified to the consolidated income statement as part of the gain or loss on disposal. 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 amount 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 income statement. 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.

## STANDING INVESTMENTS

Standing investments comprise properties held to earn rental income and land related to those properties. Standing investments are initially measured at cost, including costs directly attributable to the acquisition and, after initial recognition, are measured at fair value. The fair values of all standing investments were determined on the basis of valuations received from Cushman & Wakefield and JLL. Both are external, independent, international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details see notes 2.4 and 2.35.

When technical improvements or extensions are constructed or added to an existing standing investment, the property will continue to be classified as a standing investment, which is measured at fair value.

Subsequent 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 day to day maintenance costs are expensed to the consolidated income statement.

Any gain or loss arising from a change in the fair value of standing investments is recognised in the consolidated income statement under the caption "Revaluation of investment properties, net". In the case of entities whose functional currency is the local currency (i.e. not the Euro), the revaluation gain/loss in the local currency is converted into Euros using the average foreign exchange rate for the period. The remaining foreign exchange difference (being the difference arising from the conversion of the standing investments in the statement of financial position at the period end rates and the conversion of the revaluation gain/loss using the average period rate) is recognised in the statement of comprehensive income and in equity as a foreign exchange difference.

## DEVELOPMENTS AND LAND

Developments and land comprise capitalised development costs and land, except for the land on which standing investments are situated. Developments and land are initially recognised at cost which includes directly attributable expenditures and subsequently at fair value with any change therein recognised in the consolidated income statement.

All costs directly associated with the purchase and development of a property and all subsequent capital expenditure that adds to, replaces part of or services the property are capitalised. 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.

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 to inventories. The development's deemed cost shall be its fair value at the date of change in use.

The fair value of most of the developments and land as at 31 December 2015 was determined on the basis of valuations received from Cushman & Wakefield, an external, independent, international valuation company and real estate consultant. Approximately 24% (2014: 26%) was valued internally. For further details see note 2.5 and 2.35.

Any gain or loss arising from a change in fair value of developments and land is recognised in the consolidated income statement under the caption "Revaluation of investment properties, net". In the case of entities whose functional currency is the local currency (i.e. not the Euro) the revaluation gain/loss in the local currency is converted into Euros using the average foreign exchange rate for the period. The remaining foreign exchange difference (being the difference arising from the conversion of the developments and land in the statement of financial position at the period end rates and the conversion of the revaluation gain/loss using the average period rate) is recognised in the statement of comprehensive income and in equity as a foreign exchange difference.

## PROPERTY AND EQUIPMENT

Property, plant 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.

## GOODWILL

Goodwill initially represents the excess of the aggregate of the cost of the acquisition and any non-controlling interests over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or whenever there is an indication that assets may be impaired.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The Group's cash-generating units are determined on the basis of the entities to which the goodwill was originally allocated. The recoverable amount is the higher amount of the fair value less the cost to sell or the value in use of the cash generating unit. Determination of the value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Future cash flows of real estate companies are mainly derived from the cash flows of the standing investment properties and future standing investment properties and are therefore reflected in the fair values of investment properties. Goodwill itself mainly arises due to the recognition of deferred tax liabilities in the course of the purchase price allocation. Therefore, goodwill impairment testing is carried out by comparing the goodwill recognised to the carrying value of deferred tax liabilities. Any excess of goodwill over deferred tax liabilities is considered a goodwill impairment loss.

Impairment losses are recognised immediately in the consolidated income statement. Impairment losses in respect of goodwill are not reversed.

## 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 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. The depreciation of the assets ceases on the initial classification date, and they are presented separately in the statement of financial position as current assets, and measured at the lower of their carrying amount and fair value less costs to sell.

Investment property measured at fair value and classified as held for sale, as above, continues to be measured at fair value and is presented separately in the statement of financial position as assets classified as held for sale.

## FINANCIAL INSTRUMENTS

**Financial assets** are recognised in the statement of financial position when the Group becomes a party to the contractual conditions of the instrument. All financial assets are recognised initially at fair value plus transaction costs, with the exception of financial assets classified at fair value through profit or loss presented at fair value.

The Group's financial assets are classified as loans and receivables and consist of cash and cash equivalents, loans, receivables from tenants and other receivables with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less impairment.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Financial liabilities** are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

- Financial liabilities at fair value through profit or loss include derivatives as detailed below and are presented at fair value. Any profit or loss deriving from changes in fair value is recognised in the consolidated income statement. For further details see note 2.18.
- Other financial liabilities in the Group include borrowings, financial leases, other long term liabilities, trade and other payables, provisions and accrued expenditures.

Other financial liabilities are initially recognised at fair value after the deduction of transaction costs. Subsequent to initial recognition, other financial liabilities are measured on the basis of amortised cost, with financing costs recorded in the consolidated income statement on the basis of the effective interest method.

A financial liability is derecognised when it is extinguished, meaning, when the obligation is discharged, cancelled or expires. A financial liability is extinguished when the debtor (the Group):

- discharges the liability by paying in cash, other financial assets, goods or services; or
- is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amount of the above liabilities is recognised in the profit or loss. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognised from the exchange. When determining whether an exchange transaction of a debt instrument constitutes material change, the Group takes into consideration quantitative as well as qualitative criteria.

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

Other than as described in note 2.35, the Group believes that the carrying amounts of financial assets and liabilities which are carried at amortised cost in the financial statements are deemed not to be significantly different from their fair value. Loans to third parties with a book value of €4.0 million (31 December 2014: €8.0 million) were impaired to reflect the estimated recoverable amounts.

## 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.

## FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

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

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% – 125%.

Derivatives are initially recognised at fair value. Any attributable transaction costs are recognised in the consolidated income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Atrium Felicity, Lublin

## CASH FLOW HEDGES

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecasted transaction is no longer expected to occur, then the balance in equity is reclassified to the consolidated income statement.

## IMPAIRMENT

At each reporting date, management reviews the carrying amount of the Group's assets, other than investment properties measured at fair value, goodwill and deferred tax assets (for which separate accounting policies apply), to determine whether there is any objective evidence that it is impaired. An asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event (or events) has (have) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that assets are impaired includes default or delinquency by a debtor, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement immediately.

An impairment loss in respect of a loan or receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 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 PAYMENTS ARRANGEMENTS

The grant date fair value of equity-settled share based payments 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 payments 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.

## BORROWINGS

Borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

When an element of bonds issued by Atrium is repurchased before maturity, the carrying amount of the bond is allocated between the element that continues to be recognised and the element that is derecognised based on the relative fair values of such elements on the date of repurchase. The difference between (a) the carrying amount allocated to the element derecognised and (b) the consideration paid is recognised as profit or loss on repurchase of bonds in the consolidated income statement.

## 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 as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

At the commencement of the lease term, the leased assets held are measured at their fair value or, if lower, at the present value of the minimum lease payments. Subsequently, such assets are measured in analogy to other assets held under the relevant caption (e.g. standing investments and developments and land – at fair value; property, plant and equipment – costs less accumulated depreciation and accumulated impairment losses). The corresponding liability is included in the statement of financial position as a finance lease obligation. The lease payments are apportioned between finance charges and the reduction of the outstanding lease liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## REVENUE RECOGNITION

Revenues are recognised in the consolidated income statement when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## RENTAL INCOME

Rental income from operating leases is recognised on a straight-line basis over the lease term.

## SERVICE CHARGES AND EXPENSES RECOVERABLE FROM TENANTS

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

## NET RESULT ON DISPOSAL OF PROPERTIES

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

Interest income, interest expenses and other financial income and expenses

## INTEREST INCOME AND EXPENSES ARE ACCOUNTED FOR USING THE EFFECTIVE INTEREST METHOD.

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

## TAXATION

### GENERAL

Expenses in respect of taxes on income include all current taxes, as well as the total change in deferred tax balances, except for deferred taxes arising from transactions or events which are applied directly to equity or to comprehensive income. The tax results deriving from a transaction or event recognised directly in equity or in other comprehensive income are also charged directly to equity or to other comprehensive income.

### CURRENT TAX

Current tax expenses (benefits) are the expected tax payable or receivable on the taxable income or loss for the year using tax rates prevailing or substantively prevailing at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax is recognised in the consolidated income statement.

The taxable profit differs from the net loss or profit as reported in the consolidated income statement 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 TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets or liabilities in the financial statements and their tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates prevailing or substantively prevailing on the reporting date. Deferred tax is computed on the total amount of the revaluation adjustment for investment properties.

Deferred tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

A deferred tax asset is recognised on unused tax losses carried forward and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets are offset against deferred tax liabilities within one entity only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

## 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.

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

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

## 2.4 STANDING INVESTMENTS

The current portfolio of standing investments consists of 63[1] properties (2014: 81[1]); which comprise 21 properties in Poland (2014: 24), 7 properties in the Czech Republic (2014: 22), 3 properties in Slovakia (2014: 3), 7 properties in Russia (2014: 7), 23 properties in Hungary (2014: 23), 1 property in Romania (2014: 1) and 1 property in Latvia (2014: 1).

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

| Standing investments | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Balance as at 1 January | 2,520,439 | 2,356,164 |
| Additions - new properties | - | 199,030 |
| Additions - technical improvements, extensions | 28,202 | 23,179 |
| Movements - financial leases | 655 | 281 |
| Transfers from developments and land | 31,036 | 113,938 |
| Transfer to assets held for sale | (117,467) | (71,020) |
| Currency translation difference | 2,778 | (2,066) |
| Revaluation of standing investments | (54,262) | (94,065) |
| Disposals | (14,430) | (5,002) |
| **Balance as at 31 December** | **2,396,951** | **2,520,439** |

The primary driver behind the €54.3 million devaluation as at 31 December 2015 across our portfolio was the current economic situation and uncertainty in Russia, which was reflected in a €98.3 million (2014: €77.2 million) devaluation of our Russian portfolio mainly due to lower rent and lower ERVs, offset by positive revaluations in our core markets of Poland, Czech Republic and Slovakia, mainly due to yield compression.

## SIGNIFICANT EVENTS AND TRANSACTIONS:

In January 2015, the Group completed the sale of a portfolio of 72 small retail assets spread throughout the Czech Republic, for a consideration of CZK1,925 million (approximately €69 million) comprising a cash payment of CZK1,670 million (approximately €60 million) with the balance satisfied through a secured vendor loan to the purchaser. The loss from the transaction amounted to €1.0 million. In addition, €10.4 million of non-cash currency translation reserve in equity, arising from past fluctuations of the Czech Koruna, was reclassified to the consolidated income statement. This has had no net impact on the Group's equity.

The sale agreement includes the ability for the buyer to call for a contribution from the Group, of 50% of the cost of the successful buyout of certain leasehold rights, up to a maximum amount of €2 million in the first two years after completion of the sale (which took place in January 2015), and up to a maximum of €1 million in the third year. The Company estimates the fair value of this liability at €0.75 million as at 31 December 2015. This amount is included in loss from disposal.

1 Excluding 10 assets in the Czech Republic and 3 in Poland classified as assets held for sale as at 31 December 2015. Excluding 72 assets in the Czech Republic classified as assets held for sale as at 31 December 2014

In March 2015, the extension of Atrium Copernicus centre in Toruń, Poland, was opened and transferred from developments and land to the standing investments portfolio.

In October 2015, the Group completed the sale of another five smaller format retail assets in the Czech Republic, for a cash consideration of CZK390 million (approximately €14.0 million). The net profit of €1.7 million resulting from this transaction includes €1.3 million of currency translation reserves classified at completion to the consolidated income statement as income.

In March 2014, the Atrium Felicity shopping centre in Lublin, Poland, was opened and transferred from developments and land to the standing investments portfolio.

In November 2014, the Group completed the acquisitions of Focus Mall in Bydgoszcz, Poland, and AFI Palác Pardubice in Pardubice, the Czech Republic, for agreed asset values of €122.0 million and €83.1 million respectively. The transactions were accounted for as asset acquisitions and, in accordance with IFRS requirements in respect of deferred taxes at initial recognition, taking into account transaction costs, the purchase prices were revised for accounting purposes to €118.3 million and €80.7 million respectively.

During 2014, the Group returned two assets in the Czech Republic to their lessor (by electing not to exercise a purchase right on expiry of the finance lease) and sold a warehouse in Hungary. The net loss resulting from these transactions amounted to €1.1 million.

The total value of land leases was €30.9 million as at 31 December 2015 (2014: €37.2 million).

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

## EPRA NET INITIAL YIELD (NIY)

| Standing investments | 2015 | 2014 |
|---|---|---|
| Poland | 6.5% | 6.7% |
| Czech Republic | 6.5% | 7.5% |
| Slovakia | 7.4% | 7.6% |
| Russia | 12.3% | 12.5% |
| Hungary | 10.5% | 9.3% |
| Romania | 7.9% | 8.2% |
| Latvia | 8.9% | 6.8% |
| **Weighted average** | **7.3%** | **7.8%** |

For information about the fair value of standing investments, see note 2.35.

## FAIR VALUE OF COLLATERAL

As at 31 December 2015, the Group had pledged a total of 4 standing investments (2014: 15) with a fair value of €378 million (2014: €1,015 million).

Certain assets have been provided as collateral against the 2005 Bonds and bank loans held by the Group. The analysis of assets pledged as collateral is as follows:

| 2015 | Book value €'000 | No. of assets charged as collateral | Fair value of collateral €'000 |
|---|---|---|---|
| Collateralised Bond issued in 2005 | 3,819 | 2 | 29,766 |
| Collateralised bank loans | 158,530 | 2 | 348,115 |
| **Total** | **162,349** | **4** | **377,881** |

Following the repurchase of €81.0 million bonds issued in 2005 which took place in 2015, the level of collateral pledged in support of the reduced outstanding principal amount of the notes was revised so that real estate assets valued at €29.8 million were provided as collateral.

| 2014 | Book value €'000 | No. of assets charged as collateral | Fair value of collateral €'000 |
|---|---|---|---|
| Collateralised Bond issued in 2005 | 114,239 | 12 | 435,991 |
| Collateralised bank loans | 260,144 | 3 | 579,282 |
| **Total** | **374,383** | **15** | **1,015,273** |

## 2.5 DEVELOPMENTS AND LAND

The current portfolio of developments and land of the Group consists of 24[2] projects (31 December 2014: 28).

| Developments and land | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Balance as at 1 January | 365,016 | 583,637 |
| Additions - cost of land and construction | 25,500 | 40,742 |
| Movements - financial leases | 163 | (3,296) |
| Transfer to standing investments | (31,036) | (113,938) |
| Transfer to prepayments | - | (3,068) |
| Transfer to assets held for sale | (1,553) | - |
| Disposals | (1,022) | (65,873) |
| Interest capitalised | 1,077 | 849 |
| Currency translation difference | 103 | (25) |
| Revaluation of developments and land | (50,403) | (74,012) |
| **Balance as at 31 December** | **307,845** | **365,016** |

Atrium Promenada, Warsaw

€45.1 million of the devaluations in 2015 were in Russia (2014: €26.6 million) and were caused by the current economic situation and uncertainty in the country. For information about the fair value of developments and land, see note 2.35.

### SIGNIFICANT EVENTS AND TRANSACTIONS:

In March 2015, the extension of Atrium Copernicus centre in Toruń, Poland, was opened and transferred from developments and land to the standing investments portfolio.

In March 2014, Atrium Felicity shopping centre in Lublin, Poland, was opened and transferred from developments and land to the standing investments portfolio.

In September 2014, the Group commenced works on stage one of the redevelopment project of our Atrium Promenada centre in Warsaw, Poland. Stage one consists of two extensions, totalling 7,800 sqm of additional GLA, a partial renovation of the existing centre, and the purchase of an adjacent land plot, to be used for the further extension of the centre. The total net incremental costs to complete stage one of the redevelopment project are approximately €32 million. Atrium Promenada centre was the Group's only active development project as at 31 December 2015.

During 2014, the Group disposed of four wholly owned subsidiaries, each owning a land plot, for a total consideration of €71.4 million. Two of the lands plots are located in Turkey, one in Bulgaria and one in Georgia. The net loss resulting from these transactions amounted to €2.7 million.

The average capitalisation rate used for the capitalisation of borrowing costs was 3.7% for the year 2015 (2014: 3.8%).

As at 31 December 2015, the Group had no encumbered developments (2014: four encumbered developments with a fair value of €4.0 million).

The total value of land leases was €3.7 million as at 31 December 2015 (2014: €9.9 million).

## 2.6 PROPERTY AND EQUIPMENT

| Property and equipment | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Office equipment | 911 | 1,011 |
| Other property and equipment | 1,594 | 2,002 |
| **Total** | **2,505** | **3,013** |

2 Excluding an asset in Poland classified as assets held for sale as at 31 December 2015

## 2.7 INTANGIBLE ASSETS

Intangible assets relate mainly to software.

| | Intangible assets €'000 |
|---|---|
| **Cost** | |
| **Balance at 1 January 2014** | **9,623** |
| Additions | 1,705 |
| Foreign exchange differences | (3) |
| **Balance at 31 December 2014** | **11,325** |
| Additions | 35 |
| Disposals | (34) |
| Foreign exchange differences | (1) |
| **Balance at 31 December 2015** | **11,325** |
| **Accumulated depreciation and impairment** | |
| **Balance at 1 January 2014** | **(2,503)** |
| Amortisation | (1,792) |
| Foreign exchange differences | 8 |
| **Balance at 31 December 2014** | **(4,287)** |
| Amortisation | (2,001) |
| Disposals | 34 |
| Foreign exchange differences | (7) |
| **Balance at 31 December 2015** | **(6,261)** |
| **Carrying amount** | **5,064** |

## 2.8 EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

The following joint ventures are indirectly owned by the Company:

| Name of the joint venture | Country of incorporation | Stake in equity of joint venture 31 December 2015 | Investment in joint venture 31 December 2015 €'000 |
|---|---|---|---|
| Pankrac Shopping Centre k.s | Czech Republic | 75% | 167,987 |
| EKZ 11 k.s. | Czech Republic | 75% | 1,421 |
| **Total** | | | **169,408** |

In January 2015, Atrium signed an agreement to acquire a 75% interest in the Arkády Pankrác shopping centre in Prague, the Czech Republic, for €162 million. Atrium agreed to acquire the stake from Unibail-Rodamco S.E., which owned 75% of the centre in a joint venture with the Otto family. The Otto family continues to own the remaining 25% of the joint venture. The Company completed the acquisition in June 2015.

The transaction was accounted for as the acquisition of an asset that does not constitute a business and, as a result, the Group did not recognise deferred taxes on temporary differences arising on initial recognition.

The Group has determined that joint control exists with the other 25% owner. 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 interests in the joint arrangement as a joint venture.

The Group's 75% share in the joint ventures is structured via two entities, namely Pankrac Shopping Centre k.s and EKZ 11 k.s.

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 2015 €'000 |
|---|---|
| Standing investment | 224,700 |
| Cash and cash equivalents | 2,634 |
| Other current assets | 1,142 |
| Non-current liabilities | (837) |
| Current liabilities | (1,762) |
| **Net assets (100%)** | **225,877** |
| **Group share of net assets (75%)** | **169,408** |
| **Carrying amount of interest in joint ventures** | **169,408** |

| | 31 December 2015 €'000 |
|---|---|
| Gross rental income | 6,527 |
| Other items including revaluation | 6,958 |
| **Profit of the Joint Ventures (100%)** | **13,485** |
| **Share of profit of equity-accounted investment in joint ventures (75%)** | **10,114** |
| **Dividends received by the Group** | **(3,784)** |

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.

## 2.9 DEFERRED TAX ASSETS

| Deferred tax assets 2015 | Balance as at 1 January 2015 €'000 | Deferred tax credit/(charge) to the income statement €'000 | Balance as at 31 December 2015 €'000 |
|---|---|---|---|
| **Deferred tax assets arise from the following temporary differences:** | | | |
| Investment properties | (747) | (3,042) | (3,789) |
| Other assets | 271 | (281) | (10) |
| Liabilities and provisions | 477 | (410) | 67 |
| Tax losses carried forward | 1,085 | 3,886 | 4,971 |
| **Total deferred tax assets** | **1,086** | **153** | **1,239** |

| Deferred tax assets 2014 | Balance as at 1 January 2014 €'000 | Deferred tax credit/(charge) to the income statement €'000 | Deferred tax recognised in other comprehensive income €'000 | Balance as at 31 December 2014 €'000 |
|---|---|---|---|---|
| **Deferred tax assets arise from the following temporary differences:** | | | | |
| Investment properties | (2,701) | 1,954 | - | (747) |
| Other assets | (184) | 455 | - | 271 |
| Liabilities and provisions | 6,634 | (2,544) | (3,613)* | 477 |
| Tax losses carried forward | 4,323 | (3,238) | - | 1,085 |
| Other | 995 | (995) | - | - |
| **Total deferred tax assets** | **9,067** | **(4,368)** | **(3,613)** | **1,086** |

* The net deferred tax position of the related entity changed from an asset to a liability as at the end of 2014 resulting in a classification of €3.6 million to the deferred tax liabilities, see also note 2.19.

## 2.10 LOANS

| Loans | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Loans to third parties | 26,615 | 17,031 |
| Impairment of loans to third parties | (13,141) | (8,885) |
| **Total** | **13,474** | **8,146** |
| Amount due within 12 months (included within current assets) | 388 | 32 |
| Amount due after more than 12 months | 13,086 | 8,114 |

An unsecured loan to a third party which had a book value of €4.0 million (2014: €8.0 million) as at 31 December 2015, and a variable interest of 3 month EURIBOR plus 150 basis points per annum continued to be impaired to reflect the recoverable amount.

A secured vendor loan in the amount of CZK255 million (approximately €9.0) was granted to the purchaser of a portfolio of 72 assets in the Czech Republic in January 2015. The loan is in Czech Koruna and bears 6% interest, see also note 2.4.

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

## 2.11 OTHER ASSETS

| Other assets | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| VAT receivables | 11,643 | 13,284 |
| Restricted cash in banks | 6,261 | 3,056 |
| Other | 633 | 64 |
| **Total** | **18,537** | **16,404** |

The Group held cash of €6.3 million (31 December 2014: €3.1 million) restricted as security for bonds, loans and tenants' deposits.

Long term VAT receivables arise primarily from the development of investment properties in Turkey.

## 2.12 RECEIVABLES FROM TENANTS

| Receivables from tenants 2015<br>Receivables aging: | Gross<br>€'000 | Allowances for impaired balances<br>€'000 | Net<br>€'000 |
|---|---|---|---|
| Due within term | 6,958 | (172) | 6,786 |
| Overdue 0-30 days | 3,402 | (528) | 2,874 |
| Overdue 31-90 days | 2,247 | (650) | 1,597 |
| Overdue 91-180 days | 2,330 | (1,253) | 1,077 |
| Overdue 181-360 days | 2,311 | (2,175) | 136 |
| Overdue 361 days and more | 9,471 | (9,442) | 29 |
| **Total** | **26,719** | **(14,220)** | **12,499** |

| Receivables from tenants 2014<br>Receivables aging: | Gross<br>€'000 | Allowances for impaired balances<br>€'000 | Net<br>€'000 |
|---|---|---|---|
| Due within term | 7,317 | (643) | 6,674 |
| Overdue 0-30 days | 4,438 | (586) | 3,852 |
| Overdue 31-90 days | 2,089 | (1,146) | 943 |
| Overdue 91-180 days | 1,384 | (1,124) | 260 |
| Overdue 181-360 days | 2,147 | (2,051) | 96 |
| Overdue 361 days and more | 8,433 | (8,376) | 57 |
| **Total** | **25,808** | **(13,926)** | **11,882** |

The description of collateral held as security in relation to tenants is provided in note 2.38 under credit risk.

Allowances for bad debts are calculated on the basis of management's knowledge of the tenants, the business and the market.

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

| Allowances for bad debts | 31 December 2015<br>€'000 | 31 December 2014<br>€'000 |
|---|---|---|
| **At 1 January** | **(13,926)** | **(12,502)** |
| Release | 2,001 | 2,226 |
| Addition | (2,295) | (2,198) |
| Addition from a company purchased during the year* | - | (1,900) |
| Classified as held for sale** | - | 448 |
| **At 31 December** | **(14,220)** | **(13,926)** |

* For additional information see note 2.4
** For additional information see note 2.15

## 2.13 PREPAYMENTS

| Prepayments | 31 December 2015<br>€'000 | 31 December 2014<br>€'000 |
|---|---|---|
| Prepaid utilities | 735 | 627 |
| Prepayments for land | 145 | 17,508 |
| Other | 2,085 | 2,023 |
| **Gross total** | **2,965** | **20,158** |
| Impairment of prepayments for land | - | (6,052) |
| **Total** | **2,965** | **14,106** |

## 2.14 OTHER RECEIVABLES

| Other receivables | 31 December 2015<br>€'000 | 31 December 2014<br>€'000 |
|---|---|---|
| Financial receivables* | 3,589 | 6,465 |
| Non-financial receivables | 2,596 | 2,504 |
| **Total** | **6,185** | **8,969** |

* Including cash held of €0.9 million (31 December 2014: €1.7 million) restricted as security for bonds, loans and tenants' deposits.

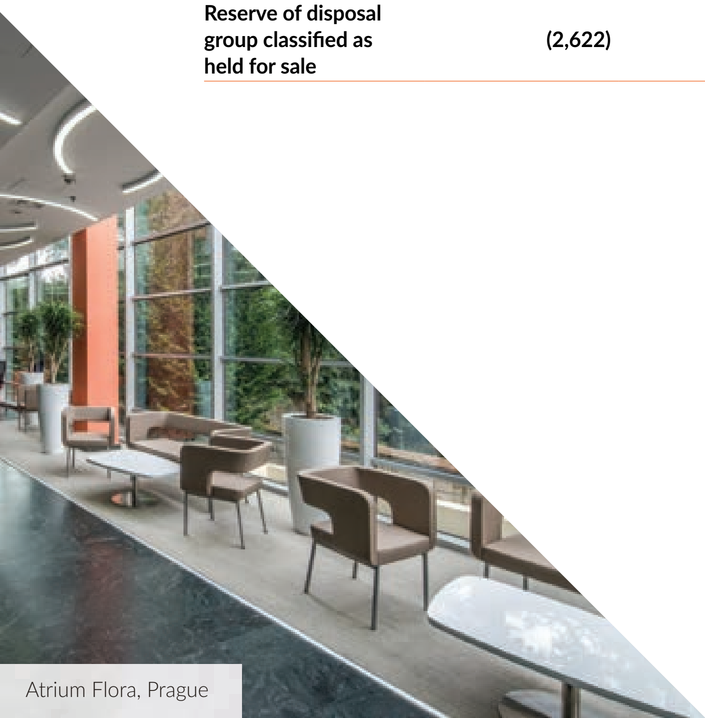
## 2.15 ASSETS AND LIABILITIES HELD FOR SALE

As at 31 December 2015, the assets and liabilities held for sale include a portfolio of ten small assets in the Czech Republic with a total lettable area of approximately 86,200 sqm, sold in February 2016 for a value of €102.6 million, and a portfolio of three smaller format retail assets in Poland, with an approximate value of €17.5 million and a total lettable area of approximately 15,600 sqm.

In December 2014, the Group signed an agreement with a third party for the sale of a portfolio of 72 small retail assets spread throughout the Czech Republic. These subsidiaries were presented as held for sale as at 31 December 2014 and the transaction was completed in January 2015 for a consideration of CZK1,925 million (approximately €69.0 million). The consideration comprised a cash payment of CZK1,670 million (approximately €60.0 million) with the balance settled through a secured vendor loan to the purchaser. The loan has a term of five years and carries interest of 6.0%.

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 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| **Non-current assets** | | |
| Standing investments | 117,467 | 71,020 |
| Developments and land | 1,553 | - |
| **Current assets** | **632** | **1,458** |
| **Assets held for sale** | **119,652** | **72,478** |
| **Non-current liabilities** | | |
| Long term liabilities from financial leases | 687 | 1,308 |
| Other non-current liabilities | 10,687 | 473 |
| **Current liabilities** | **504** | **1,165** |
| **Liabilities held for sale** | **11,878** | **2,946** |
| **Net assets directly associated with disposal group** | **107,774** | **69,532** |
| **Amounts included in accumulated other comprehensive income:** | | |
| Foreign currency translation reserve | (2,622) | (10,439) |
| **Reserve of disposal group classified as held for sale** | **(2,622)** | **(10,439)** |


Atrium Flora, Prague

## 2.16 STATED CAPITAL, SHARE BASED PAYMENTS RESERVE AND HEDGING RESERV

### STATED CAPITAL

As at 31 December 2015, Atrium's authorised and issued ordinary shares were unlimited with no par value.

As at 31 December 2015, the total number of ordinary shares issued was 376,174,317 (2014: 375,508,176 shares), of which 376,163,241 ordinary shares were registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (trading as "Euroclear"), 11,075 ordinary shares were registered in the name of individual shareholders and one ordinary share in the name of Aztec Financial Services (Jersey) Limited.

Changes in the stated capital account during the year 2015 were as follows:

- Issue of shares to satisfy the exercise of options of €3.0 million (2014: €2.1 million);
- Issue of shares as part of the CEO's and Vice Chairman's remuneration €0.2 million (2014: €0.8 million including also 4,662 shares issued in lieu of director's fees to one director);
- Dividend payments of €101.5 million (2014: €90.1 million).

For the year 2015, the Company's Board of Directors approved an annual dividend of at least €0.27 per share which was paid as a capital repayment, in equal quarterly instalments of €0.0675 per share at the end of each calendar quarter.

In November 2015, the Company's Board of Directors approved an annual dividend of €0.27 per share for 2016, which was consistent with the 2015 dividend. This will be paid as a capital repayment, in quarterly instalments of €0.0675 per share at the end of each calendar quarter, commencing at the end of March 2016 (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 authorise the Directors to issue ordinary shares in lieu of directors' remuneration by agreement with the relevant directors. The plan confers on eligible Directors the right to opt to receive ordinary shares in Atrium in lieu of their annual directors' fees. The plan further gives directors the ability to opt (on a semi-annual basis) to subscribe for additional ordinary shares, up to the value of their annual directors' fees. Directors will be 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 2015 (2014 4,662 shares to one director)

### SHARE BASED PAYMENTS RESERVE

### DETAILS OF THE COMPANY'S EMPLOYEE SHARE OPTION PLANS

- 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. The total number of options which the Board could grant under the ESOP

2009 was 8,500,000. Each option is exercised by the issue of a new ordinary share in Atrium to the option holder. The exercise price is determined by the Board, and shall be not less than Atrium's share price on the dealing day immediately preceding the date of grant, or averaged over the 30 dealing days immediately preceding the date of grant. Options are generally exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. In the event that the Company distributes a cash dividend, the exercise price of the options shall be decreased by the amount of the dividend per share. Unexercised options carry no voting rights. As from 23 May 2013, no further grants may be approved under ESOP 2009.

- On 23 May 2013, the shareholders approved and Atrium established a further Employee Share Option Plan ("ESOP 2013"), under which the Board of Directors or Compensation and Nominating Committee can grant share options to key employees, executive directors or consultants. The initial number of shares that can be issued on the exercise of options under ESOP 2013 is limited to options representing 5,000,000 shares. Options must be granted within 10 years of ESOP 2013's adoption. The exercise price on grant of options shall be the average market value over the 30 dealing days immediately preceding the date of grant unless otherwise determined by the Board of Directors. Options shall generally be exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Unexercised options carry neither rights to dividends nor voting rights.

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price € | Number of share options | Weighted average exercise price € |
| As at 1 January | 2,534,293 | 3.45 | 3,139,294 | 3.65 |
| Exercised * | (638,833) | 3.26 | (461,667) | 3.35 |
| Forfeited | (40,000) | 3.86 | (143,334) | 3.56 |
| **As at 31 December** | **1,855,460** | **3.21** | **2,534,293** | **3.45** |

* The weighted average share price of options exercised in 2015 was €4.31 as at the date of exercising the options (2014: €4.25)

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price € | Number of share options | Weighted average exercise price € |
| As at 1 January | 2,429,835 | 4.35 | 3,629,838 | 4.36 |
| Forfeited | (219,671) | 4.28 | (1,200,003) | 4.38 |
| **As at 31 December** | **2,210,164** | **4.36** | **2,429,835** | **4.35** |

**The following table shows the vesting years and weighted average exercise prices of the outstanding options under ESOP 2009 as at 31 December 2015:**

| Vesting year | Number of share options | Weighted average exercise price of share options € |
|---|---|---|
| 2011 | 16,668 | 2.74 |
| 2012 | 636,668 | 3.39 |
| 2013 | 790,006 | 3.21 |
| 2014 | 244,999 | 2.93 |
| 2015 | 167,119 | 3.04 |
| **Total** | **1,855,460** | **3.21** |

**The following table shows the vesting years and weighted average exercise prices of the outstanding options under ESOP 2013 as at 31 December 2015:**

| Vesting year | Number of share options | Weighted average exercise price of share options € |
|---|---|---|
| 2014 | 874,129 | 4.36 |
| 2015 | 607,457 | 4.35 |
| 2016 | 364,290 | 4.37 |
| 2017 | 364,288 | 4.37 |
| **Total** | **2,210,164** | **4.36** |

## DETAILS OF THE COMPANY'S DIRECTORS AND EMPLOYEES SHARE PLANS

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 entitles 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 Non-executive Director must have an aggregate value of at least €130,000.

Also in August 2015, the Compensation and Nominating Committee designed a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded with shares by reference to mid to long term performance of the Company. The participants are granted a right to the allotment of ordinary shares in the Company which vest after a three year period, subject to specific conditions.

## DETAILS OF SHARE ISSUES PURSUANT TO CONTRACTUAL ARRANGEMENTS:

- In accordance with his employment contract, Josip Kardun is entitled to an award of shares equal to €400,000. These shares will be issued without restrictions in four equal annual instalments over a four-year period. The first issue equal to €100,000 was on 14 February 2015, the second on 14 Februaury 2016 and he will receive shares on the third and fourth anniversaries of 14 February 2014, provided he is still employed by the Group at each date of issue. The share price at grant was €4.31.
- In accordance with the addendum to Rachel Lavine's employment agreement signed in July 2014, with effect from 30 November 2014, Mrs Lavine received €80,000 worth of unrestricted shares. The share price at grant date was €4.18. A consultancy agreement, effective as from 1 August 2015, replaced Mrs. Lavine's employment agreement, including the aforementioned addendum. For more details see note 2.39.

## 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 2.18.

## 2.17 BORROWINGS

| Borrowings | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Bonds | 854,251 | 807,930 |
| Bank loans | 158,530 | 260,144 |
| **Total** | **1,012,781** | **1,068,074** |

The borrowings are repayable as follows:

| Borrowings total | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Due within one year | 1,389 | 33,550 |
| Due in second year | 53,203 | 100,046 |
| Due within third to fifth year inclusive | 353,280 | 136,944 |
| Due after five years | 604,909 | 797,534 |
| **Total** | **1,012,781** | **1,068,074** |

## BONDS

In May 2015, Atrium issued a further €150.0 million 3.625% notes due in October 2022 which were consolidated and form a single series with the €350.0 million 3.625% bonds due in October 2022 and issued by Atrium in October 2014. The issue price was 106.395% of the principal amount reflecting a yield of 2.9%. The cash proceeds amounted to €159.6 million including €3.0 million accrued interest.

During the year, Atrium repurchased bonds issued in 2005 and due in 2017, with a nominal value of €81.0 million. The net loss resulting from the bond buybacks was €7.9 million. The nominal amount of the remaining notes is €3.9 million. The level of collateral pledged in support of the reduced outstanding principal amount of the notes was revised so that real estate assets valued at 31 December 2015 at €29.8 million were provided as collateral.

In August 2015, a further €31 million of the Group's 2005 Bonds reached their maturity date and were repaid.

In October 2014, Atrium issued a €350 million unsecured eight year Eurobond, carrying a 3.625% coupon. The bond is rated BBB- by both S&P and Fitch, in line with Atrium's own corporate rating. It will mature in October 2022 and had an issue price of 99.788%.

During 2014, Atrium repurchased bonds issued in 2005 and due in 2015, with a nominal value of €39.4 million. The net loss resulting from the bond buybacks was €1.9 million.

The bonds issued in 2013 to 2014 are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40% and the consolidated coverage ratio shall not be less than 1.5. The bonds issued in 2013 are also subject to a fourth covenant: the ratio of unsecured consolidated assets to unsecured consolidated debt shall not be less than 150%. All covenants were met throughout the year.

2015

| Bond/Issue year | Currency | Interest rate | Average maturity | Maturity | Book value €'000 | Fair value €'000 | Effective interest rate |
|---|---|---|---|---|---|---|---|
| Atrium European Real Estate Limited 2005 | EUR | 4.0%* | 1.6 | 2017 | 3,819 | 3,991 | 4.4% |
| Atrium European Real Estate Limited 2013 | EUR | 4.0% | 4.4 | 2020 | 347,201 | 372,405 | 4.2% |
| Atrium European Real Estate Limited 2014 | EUR | 3.625% | 6.9 | 2022 | 503,231 | 515,458 | 3.5% |
| **Total/Average** | | **3.8%** | **5.8** | | **854,251** | **891,854** | **3.8%** |

* 10Y swap rate, floor 4%

2014

| Bond/Issue year | Currency | Interest rate | Average maturity | Maturity | Book value €'000 | Fair value €'000 | Effective interest rate |
|---|---|---|---|---|---|---|---|
| Atrium European Real Estate Limited 2005 | EUR | 4.4% | 0.6 | 2015 | 5,368 | 5,475 | 4.9% |
| Atrium European Real Estate Limited 2005 | EUR | 4.0%* | 2.6 | 2017 | 83,653 | 88,464 | 4.5% |
| Atrium European Real Estate Limited 2005 | CZK | 6M pribor+120bp | 0.6 | 2015 | 25,218 | 25,114 | 2.0% |
| Atrium European Real Estate Limited 2013 | EUR | 4.0% | 5.4 | 2020 | 346,689 | 368,779 | 4.2% |
| Atrium European Real Estate Limited 2014 | EUR | 3.625% | 7.9 | 2022 | 347,002 | 356,463 | 3.7% |
| **Total/Average** | | **3.8%** | **6.0** | | **807,930** | **844,295** | **4.0%** |

* 10Y swap rate, floor 4%

| Collateral | Fair value of pledged investment properties 31 December 2015 €'000 | Fair value of pledged investment properties 31 December 2014 €'000 |
|---|---|---|
| Bond 2005 | 29,766 | 438,786 |

## LOANS

In May 2015, the Group completed the voluntary repayment of a bank loan in Poland from Berlin-Hannoversche Hypoteken AG for a total amount of €105.3 million including accrued interest, the repayment of a hedging instrument and breakage costs.

In June 2014, the Group completed early repayments of two bank loans in Slovakia, amounting to €28.0 million and €13.0 million.

The two remaining loans as at 31 December 2015 are subject to various financial covenants including Loan to Value ("LTV") and Debt Service Coverage Ratio ("DSCR"), all of which were met throughout the year.

2015

| Lender | Currency | Interest rate | Average maturity | Maturity | Book value €'000 | Fair value €'000 | Effective interest rate |
|---|---|---|---|---|---|---|---|
| Berlin-Hannoversche Hypothekenbank AG | EUR | 3.1% | 1.9 | 2017 | 48,052 | 49,546 | 3.6% |
| Berlin-Hannoversche Hypothekenbank AG | EUR | 4.1%* | 5.8 | 2021 | 110,478 | 110,071 | 4.3% |
| **Total/Average** | | **3.8%** | **4.6** | | **158,530** | **159,617** | **4.0%** |

2014

| Lender | Currency | Interest rate | Average maturity | Maturity | Book value €'000 | Fair value €'000 | Effective interest rate |
|---|---|---|---|---|---|---|---|
| Berlin-Hannoversche Hypothekenbank AG | EUR | 4.7%* | 1.4 | 2016 | 100,331 | 100,075 | 5.2% |
| Berlin-Hannoversche Hypothekenbank AG | EUR | 3.1% | 2.9 | 2017 | 48,317 | 50,190 | 3.6% |
| Berlin-Hannoversche Hypothekenbank AG | EUR | 4.1%* | 6.8 | 2021 | 111,496 | 111,126 | 4.3% |
| **Total/Average** | | **4.1%** | **4.0** | | **260,144** | **261,391** | **4.3%** |

* Hedged interest rates

| Collateral | Fair value of pledged investment properties 31 December 2015 €'000 | Fair value of pledged investment properties 31 December 2014 €'000 |
|---|---|---|
| Berlin-Hannoversche Hypothekenbank AG | 348,115 | 580,181 |
| Ceska sporitelna a.s. (mortgaged under finance lease) | 619 | 714 |
| **Total** | **348,734** | **580,895** |

## REVOLVING CREDIT FACILITY

In October 2015, the Group signed a new five-year unsecured revolving credit facility for a total of €125 million at 3 month Euribor +1.5% which comprises €100 million of new credit and an existing €25 million facility (obtained in 2014) which was extended. The facility was provided by a syndicate of ING Bank N.V., Citibank N.A. and HSBC Bank plc. Following this transaction, Atrium has undrawn revolving credit facilities of €150 million.

In October 2014, Atrium obtained two revolving credit facilities, for a period of five years each, amounting to a total of €50 million (€25 million of which was extended as referred to above). The utilised credit facility shall bear a Euribor rate (for deposits with the same duration as each drawdown) plus a 1.5% margin. The credit facilities are subject to the same financial covenants as the bonds issued in 2014.

For information about the fair value of loans and bonds, see note 2.35.

## 2.18 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") during 2011 in connection with two bank loans secured over properties acquired at that time. These swaps replaced floating interest rates with fixed interest rates. The swaps are cash flow hedges designed to reduce the Group's cash flow volatility due to variable interest rates on the bank loans. The IRSs are measured at fair value using the discounted future cash flow method.

Following the voluntary repayment of the bank loan in Poland during May 2015 (see note 2.17), the Group also repaid the related interest rate swap, amounting to €2.7 million.

The interest rate swap has quarterly coupons. The floating rate on the IRS is the three month Euribor and the fixed rate is 2.17%.

As at 31 December 2015, the remaining IRS was in a liability position and had a fair value of €6.9 million (2014: two IRSs with a €12.3 million liability).

The fair value measurement of the IRS is derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are the 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). Therefore, this IRS is classified as a Level 2 fair value measurement under IFRS 13.

For information about the fair value of the derivatives, see note 2.35.

## 2.19 DEFERRED TAX LIABILITIES

| Deferred tax liabilities 2015 | Balance as at 1 Janury 2015 €'000 | Deferred tax credit/ (charge) to the income statement €'000 | Deferred tax recognised in other comprehensive income* €'000 | Deferred tax liabilities classified as held for sale €'000 | Balance as at 31 December 2015 €'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities arise from the following temporary differences:** | | | | | |
| Investment properties | (173,944) | 85,023 | - | 10,894 | (78,027) |
| Other assets | 1,992 | 372 | - | - | 2,364 |
| Liabilities and provisions | 19,202 | (13,210) | (1,130) | (54) | 4,808 |
| Tax losses carried forward | 31,779 | (28,136) | - | (259) | 3,384 |
| Other | 16 | (56) | - | - | (40) |
| **Total deferred tax liabilities** | **(120,955)** | **43,993** | **(1,130)** | **10,581** | **(67,511)** |

* An amount of €1.1 million relates to the deferred tax charge on hedging instruments.

During 2015, the Group finalised the implementation of a new holding structure in Poland for a number of its Polish assets. Under the new structure, the income generated by these assets will be taxable at the level of a Polish closed-end investment fund, which is exempt from corporate income tax (including capital gains). Consequently, during the year, the Group released the deferred tax liability related to the assets already under the new structure, in the total amount of €59.9 million tax credit, which was partially offset by de-recognition of deferred tax assets related to certain Russian subsidiaries.

| Deferred tax liabilities 2014 | Balance as at 1 January 2014 €'000 | Deferred tax credit/(charge) to the income statement €'000 | Deferred tax recognised in other comprehensive income €'000 | Balance as at 31 December 2014 €'000 |
|---|---|---|---|---|
| **Deferred tax liabilities arise from the following temporary differences:** | | | | |
| Investment properties | (155,221) | (18,723) | - | (173,944) |
| Other assets | 743 | 1,249 | - | 1,992 |
| Liabilities and provisions | 7,527 | 7,953 | 3,722* | 19,202 |
| Tax losses carried forward | 33,661 | (1,882) | - | 31,779 |
| Other | 1,728 | (1,712) | - | 16 |
| **Total deferred tax liabilities** | **(111,562)** | **(13,115)** | **3,722** | **(120,955)** |

* An amount €3.6 million was classified from deferred tax assets (for more details see note 2.9 above) and €0.1 million relates to the deferred tax charge on hedging instruments.


Atrium Flora, Prague

## 2.20 LIABILITIES FROM FINANCIAL LEASES

The liabilities from financial leases as at 31 December 2015 consisted of liabilities related to long term land leases in Poland, the Czech Republic, Slovakia, Russia, and Latvia. Lease payments are due as follows:

| Liabilities from financial leases | 31 December 2015 Net present value €'000 | 31 December 2015 Undiscounted lease payments €'000 | 31 December 2014 Net present value €'000 | 31 December 2014 Undiscounted lease payments €'000 |
|---|---|---|---|---|
| Due within one year | 2,722 | 2,914 | 4,006 | 4,332 |
| Due within two to five years | 9,238 | 12,811 | 11,720 | 15,980 |
| Due after five years | 22,354 | 159,337 | 24,557 | 198,438 |
| **Total** | **34,314** | **175,062** | **40,283** | **218,750** |
| Amount due within 12 months | 2,722 | 2,914 | 4,006 | 4,332 |
| Amount due after more than 12 months | 31,592 | 172,148 | 36,277 | 214,418 |

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has one material lease arrangement; Atrium Promenada, in Poland, with a net present value ("NPV") of €14.1 million (2014: €14.0 million).

## 2.21 OTHER LONG TERM LIABILITIES

Other long term liabilities of €15.2 million (2014: €17.8 million) principally comprise long term deposits from tenants amounting to €15.1 million (2014: €17.7 million).

## 2.22 TRADE AND OTHER PAYABLES

| Trade and other payables | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Short term deposits from tenants | 8,832 | 7,411 |
| Payables connected with development/construction | 3,021 | 3,472 |
| Short term liabilities from leasing | 2,722 | 4,006 |
| Payables for utilities | 1,298 | 1,535 |
| Payables for repairs and maintenance | 178 | 621 |
| Payables for other services | 940 | 690 |
| Other | 3,713 | 4,658 |
| **Total other financial payables** | **20,704** | **22,393** |
| VAT payables | 2,561 | 3,657 |
| Other taxes and fees payables | 1,134 | 1,679 |
| Deferred revenue | 8,847 | 10,550 |
| **Total other non-financial payables** | **12,542** | **15,886** |
| **Total** | **33,246** | **38,279** |

## 2.23 ACCRUED EXPENDITURE

| Accrued expenditure | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Accruals for utilities | 1,506 | 1,581 |
| Accruals for consultancy and audit services | 4,130 | 2,230 |
| Accruals for construction services | 10,936 | 4,039 |
| Accruals for interest | 13,685 | 14,160 |
| Accruals for employee compensation | 4,399 | 4,224 |
| Accruals for taxes | 43 | 4,211 |
| Accruals for maintenance | 1,277 | 1,225 |
| Other | 9,384 | 6,947 |
| **Total** | **45,360** | **38,617** |

## 2.24 PROVISIONS

| Provisions | Legacy legal provision €'000 | Other legal provision €'000 | Total €'000 |
|---|---|---|---|
| Balance as at 1 January 2015 | 1,200 | 1,941 | 3,141 |
| Additional provision in the period | 20,046 | 90 | 20,136 |
| Utilized during the period | (246) | (488) | (734) |
| Foreign currency differences | - | 12 | 12 |
| **Balance as at 31 December 2015** | **21,000*** | **1,555** | **22,555** |
| Of which | | | |
| Current portion | 21,000 | 1,555 | 22,555 |
| Non-current portion | **-** | **-** | **-** |
| **Total provisions** | **21,000** | **1,555** | **22,555** |

* Legacy legal provision as at the end of the third quarter was €4.5 million. The increase is largely attributable to the compensation arrangements implemented in January 2016 as referred to in note 2.40.

## 2.25 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 2015 | | Year ended 31 December 2014 | |
|---|---|---|---|---|
| | €'000 | % of total GRI | €'000 | % of total GRI |
| Poland | 103,410 | 51.1% | 91,084 | 42.5% |
| Czech Republic | 30,195 | 14.9% | 35,435 | 16.5% |
| Slovakia | 11,297 | 5.6% | 11,175 | 5.2% |
| Russia | 42,136 | 20.8% | 61,395 | 28.6% |
| Hungary | 7,492 | 3.7% | 7,515 | 3.5% |
| Romania | 6,392 | 3.2% | 6,341 | 3.0% |
| Latvia | 1,555 | 0.7% | 1,539 | 0.7% |
| **Total** | **202,477** | **100%** | **214,484** | **100%** |

## 2.26 SERVICE CHARGE INCOME

Service charge income of €73.8 million (2014: €74.5 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.

## 2.27 NET PROPERTY EXPENSES

| Net property expenses | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | €'000 | €'000 |
| Utilities | (28,113) | (28,963) |
| Security, cleaning and other facility related costs | (10,839) | (10,835) |
| Real estate tax | (11,341) | (13,007) |
| Repairs and maintenance | (9,723) | (10,347) |
| Direct employment costs | (9,092) | (9,946) |
| Marketing and other consulting | (8,297) | (6,950) |
| Office related expenses | (525) | (523) |
| Creation of allowances and written off receivables from tenants | (2,295) | (2,198) |
| Other | (2,694) | (2,153) |
| **Total** | **(82,919)** | **(84,922)** |

## 2.28 OTHER DEPRECIATION, AMORTISATION AND IMPAIRMENTS

| Other depreciation, amortisation and impairments | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | €'000 | €'000 |
| Impairments | (496) | (8,413) |
| Other depreciation and amortisation | (3,005) | (2,678) |
| **Total** | **(3,501)** | **(11,091)** |

## 2.29 ADMINISTRATIVE EXPENSES

| Administrative expenses | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | €'000 | €'000 |
| Legal fees | (2,196) | (1,808) |
| Legacy legal matters | (25,259) | (3,399) |
| Employee costs | (11,654) | (11,251) |
| Consultancy and other advisory fees | (4,144) | (3,074) |
| Audit, audit related and review fees | (1,488) | (1,241) |
| Expenses related to directors | (801) | (510) |
| Share based payments | (865) | (1,058) |
| Other | (5,665) | (2,612) |
| **Total** | **(52,072)** | **(24,953)** |

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

## 2.30 INTEREST EXPENSES, NET

| Interest expenses, net | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | €'000 | €'000 |
| Interest income | 1,009 | 1,210 |
| Interest expense | (40,679) | (33,933) |
| **Total** | **(39,670)** | **(32,723)** |

Interest income of €1.0 million (2014: €1.2 million) derived mainly from bank deposits and interest on the loans provided to third parties which were subsequently impaired.

The Group's interest expense of €40.7 million (2014: €33.9 million) consisted of finance expense on bank loans €8.6 million (2014: €12.3 million) and on bonds €33.1 million (2014: €22.4 million). Finance expenses in the amount of €1.0 million (2014: €0.8 million) were capitalised to the development projects, see note 2.5.

## 2.31 OTHER FINANCIAL INCOME AND EXPENSES

| Other financial income and expenses | Year ended 31 December 2015 €'000 | 2014 €'000 |
|---|---|---|
| Net loss from bonds buy backs | (7,940) | (1,883) |
| Early loan repayment | (4,493) | - |
| Impairment of financial instruments | (4,256) | (307) |
| Interest on financial leases | (3,462) | (4,819) |
| Other financial income/ (expenses) | (553) | (896) |
| **Total** | **(20,704)** | **(7,905)** |

## 2.32 TAXATION CHARGE FOR THE YEAR

| Taxation charge for the year | Year ended 31 December 2015 €'000 | 2014 €'000 |
|---|---|---|
| Corporate income tax current year | (1,486) | (2,606) |
| Deferred tax credit/(charge) | 43,563 | (17,494) |
| Adjustments to corporate income tax previous years | (6,392) | (674) |
| **Income tax credited/ (charged) to the income statement** | **35,685** | **(20,774)** |
| **Income tax on hedging instruments credited/ (charged) to comprehensive income** | **(518)** | **110** |

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

During 2015, the Group finalised the implementation of a new holding structure in Poland for a number of its Polish assets. Under the new structure, the income generated by these assets will be taxable at the level of a Polish closed-end investment fund, which is exempt from corporate income tax (including capital gains). Consequently, during the period, the Group released the deferred tax liability related to the assets already under the new structure, in the total amount of €59.9 million tax credit, which was partially offset by de-recognition of deferred tax assets related to certain Russian subsidiaries.

**Effective tax rate**

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

| | 2015 €'000 | 2015 % | 2014 €'000 | 2014 % |
|---|---|---|---|---|
| Loss before taxation | (30,873) | | (36,982) | |
| Income tax credit using the weighted average applicable tax rates | 10,225 | 33.12% | 2,339 | 6.3% |
| Tax effect of non-taxable income/(non-deductible expenses) | (2,693) | | (3,589) | |
| Tax effect of losses previously not recognised | 934 | | 3,561 | |
| Deferred tax asset not recognised | (23,678) | | (20,923) | |
| Tax adjustment of previous years | (6,392) | | (674) | |
| Tax effect of the new Polish holding structure | 59,998 | | - | |
| Other | (2,709) | | (1,488) | |
| **Tax (charge)/credit** | **35,685** | | **(20,774)** | |
| **Effective tax rate** | **127.6%** | | **(56.2%)** | |

Unrecognised deferred tax assets and liabilities:

As at 31 December 2015, deferred tax liabilities of €118.7 million (2014: €99.6 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 €113.3 million (2014: €77.7 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 the de-recognition of deferred tax assets related to certain Russian subsidiaries. The deferred tax assets expire over a number of years, in accordance with local tax legislation, commencing in 2016.

**Unrecognised deferred tax assets**

| Country | 31 December 2015 €'000 | 31 December 2014 €'000 |
|---|---|---|
| Poland | 34,745 | 35,947 |
| Czech Republic | 1,192 | 2,360 |
| Russia | 62,606 | 21,738 |
| Hungary | 1,187 | 797 |
| Romania | 6,645 | 6,833 |
| Latvia | 939 | 1,469 |
| Turkey | 5,937 | 7,504 |
| Others | 71 | 1,086 |
| **Total** | **113,322** | **77,734** |

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

| Corporate income tax rates | 2015 | 2014 |
|---|---|---|
| Poland | 19.0% | 19.0% |
| Czech Republic | 19.0% | 19.0% |
| Slovakia | 22% | 22.0% |
| Russia | 20.0% | 20.0% |
| Hungary | 10.0% | 10.0% |
| Romania | 16.0% | 16.0% |
| Latvia | 15.0% | 15.0% |
| Turkey | 20.0% | 20.0% |
| Cyprus | 12.5% | 12.5% |
| Denmark | 23.5%[1] | 24.5% |
| Jersey | 0.0% | 0.0% |
| Netherlands | 25.0%[2] | 25.0%[2] |
| Sweden | 22.0% | 22.0% |
| Spain | 28.0%[3] | 25.0%[3] |
| Ukraine | 18.0% | 18.0% |

1 The rate decreased from 24.5% to 23.5 % on 1 January 2015.

2 As at 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.

3 The regular corporate income tax rate is 28% (reduced from 30% on 1 January 2015), however a 25% rate is imposed on profits up to €0.3 million if the annual turnover is less than €10 million.

## 2.33 EARNINGS PER SHARE

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

| | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Profit (loss) for the year attributable to the owners of the Company for basic and diluted earnings per share in (€'000) | 4,866 | (57,705) |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 376,005,016 | 375,179,150 |
| **Adjustments** | | |
| Dilutive options | 486,444 | 433,983 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 376,491,460 | 375,613,133 |
| **Basic earnings per share in €cents** | **1.29** | **(15.4)** |
| **Diluted earnings per share in €cents** | **1.29** | **(15.4)** |

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

| Number of shares if exercised | Year ended 31 December 2015 | 2014 |
|---|---|---|
| Options | 2,210,164 | 2,429,835 |

## 2.34 SEGMENT REPORTING

| Reportable segments in 2015<br>For the year ended 31 December 2015 | Standing investment segment<br>€'000 | Development segment<br>€'000 | Reconciling item<br>€'000 | Total<br>€'000 |
|---|---|---|---|---|
| Gross rental income | 207,372 | - | (4,895) | 202,477 |
| Service charge income | 74,989 | - | (1,206) | 73,783 |
| Net property expenses | (84,444) | - | 1,525 | (82,919) |
| **Net rental income** | **197,917** | **-** | **(4,576)** | **193,341** |
| Net result on disposals | (9,706) | 260 | - | (9,446) |
| Costs connected with developments | - | (2,601) | - | (2,601) |
| Revaluation of investment properties | (48,678) | (50,403) | (5,584) | (104,665) |
| Other depreciation, amortisation and impairments | (2,252) | (886) | (363) | (3,501) |
| Administrative expenses | (11,674) | (599) | (39,799) | (52,072) |
| Share of profit of equity-accounted investment in joint ventures | - | - | 10,114 | 10,114 |
| **Net operating profit/(loss)** | **125,607** | **(54,229)** | **(40,208)** | **31,170** |
| Interest expenses, net | (31,499) | (926) | (7,245) | (39,670) |
| Foreign currency differences | (1,295) | (1,367) | 993 | (1,669) |
| Other financial income/(expenses) | (15,570) | (140) | (4,994) | (20,704) |
| **Profit/(loss) before taxation for the year** | **77,243** | **(56,662)** | **(51,454)** | **(30,873)** |
| Taxation credit/(charge) for the year | 36,137 | 346 | (798) | 35,685 |
| **Profit/(loss) after taxation for the year** | **113,380** | **(56,316)** | **(52,252)** | **4,812** |
| Investment properties | *2,682,943 | ** 309,398 | ***(168,525) | 2,823,816 |
| Additions to investment properties | 28,857 | 26,740 | - | 55,597 |
| Segment assets | 2,735,896 | 322,824 | ****224,216 | 3,282,936 |
| Segment liabilities | 1,030,132 | 59,974 | 161,704 | 1,251,810 |

* Including €117.5 million classified as held for sale as at 31 December 2015

** Including €1.6 million classified as held for sale as at 31 December 2015

*** Elimination of our 75% share of investment property held by a joint venture

**** The amount mainly relates to cash and cash equivalents


Park House, Volgograd

| Reportable segments in 2014<br>For the year ended 31 December 2014 | Standing investment segment<br>€'000 | Development segment<br>€'000 | Reconciling item<br>€'000 | Total<br>€'000 |
|---|---|---|---|---|
| Gross rental income | 214,484 | - | - | 214,484 |
| Service charge income | 74,475 | - | - | 74,475 |
| Net properties expenses | (84,922) | - | - | (84,922) |
| **Net rental income** | **204,037** | **-** | **-** | **204,037** |
| Net result on disposals | (997) | (2,714) | - | (3,711) |
| Costs connected with developments | - | (5,065) | - | (5,065) |
| Revaluation of investment properties | (94,065) | (74,012) | - | (168,077) |
| Other depreciation, amortisation and impairments | (10,679) | - | (412) | (11,091) |
| Administrative expenses | (11,864) | 1,014 | (14,103) | (24,953) |
| **Net operating profit/(loss)** | **86,432** | **(80,777)** | **(14,515)** | **(8,860)** |
| Interest expenses, net | (23,332) | (2,265) | (7,126) | (32,723) |
| Foreign currency differences | 2,564 | 11,051 | (1,109) | 12,506 |
| Other financial income/(expenses) | (5,444) | (453) | (2,008) | (7,905) |
| **Profit/ (loss) before taxation of the year** | **60,220** | **(72,444)** | **(24,758)** | **(36,982)** |
| Taxation credit/(charge) for the year | (18,318) | (582) | (1,874) | (20,774) |
| **Profit/(loss) after taxation for the year** | **41,902** | **(73,026)** | **(26,632)** | **(57,756)** |
| Investment properties | *2,591,459 | 365,016 | - | 2,956,475 |
| Additions to investment properties | 222,209 | 40,742 | - | 262,951 |
| Segment assets | 2,637,484 | 393,801 | **419,498 | 3,450,783 |
| Segment liabilities | 904,832 | 74,807 | 360,726 | 1,340,365 |

* Including €71 million classified as held for sale as at 31 December 2014

** The amount mainly relates to cash and cash equivalents

## GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2015

| | POLAND | | | | CZECH REPUBLIC | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended 31 December 2015 | Standing investment segment | Development segment | Reconciling item | Total | Standing investment segment | Development segment | Reconciling item | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 103,410 | - | - | 103,410 | 35,090 | - | (4,895) | 30,195 |
| Service charge income | 37,161 | - | - | 37,161 | 9,821 | - | (1,206) | 8,615 |
| Net property expenses | (39,120) | - | - | (39,120) | (11,753) | - | 1,525 | (10,228) |
| **Net rental income** | **101,451** | **-** | **-** | **101,451** | **33,158** | **-** | **(4,576)** | **28,582** |
| Net result on disposals | - | - | - | - | (9,706) | - | | (9,706) |
| Costs connected with developments | - | (569) | - | (569) | - | - | | - |
| Revaluation of investment properties | 27,222 | (4,452) | - | 22,770 | 22,697 | (286) | (5,584) | 16,827 |
| Other depreciation, amortisation and impairments | (1,310) | - | - | (1,310) | 131 | - | | 131 |
| Administrative expenses | (5,960) | (368) | (1,066) | (7,394) | (2,647) | (6) | (609) | (3,262) |
| Share of profit of equity-accounted investment in joint ventures | - | - | - | - | - | - | 10,114 | 10,114 |
| **Net operating profit/(loss)** | **121,403** | **(5,389)** | **(1,066)** | **114,948** | **43,633** | **(292)** | **(655)** | **42,686** |
| Interest expenses, net | (17,430) | (147) | - | (17,577) | (13,319) | (13) | - | (13,332) |
| Foreign currency differences | (772) | 39 | 29 | (704) | (131) | - | 7 | (124) |
| Other financial income/(expenses) | (10,660) | (137) | (128) | (10,925) | (3,145) | - | - | (3,145) |
| **Profit/(loss) before taxation** | **92,541** | **(5,634)** | **(1,165)** | **85,742** | **27,038** | **(305)** | **(648)** | **26,085** |
| Taxation credit/(charge) for the year | 58,816 | 346 | (16) | 59,146 | (7,305) | - | 278 | (7,027) |
| **Profit/(loss) after taxation for the year** | **151,357** | **(5,288)** | **(1,181)** | **144,888** | **19,733** | **(305)** | **(370)** | **19,058** |
| Investment properties | 1,514,061 | 125,672 | - | 1,639,733 | 597,796 | 3,987 | (168,525) | 433,258 |
| Additions to investment properties | 17,941 | 24,846 | - | 42,787 | 4,289 | 242 | - | 4,531 |
| Segment assets | 1,535,998 | 126,934 | 2,868 | 1,665,800 | 612,394 | 3,987 | (1,095) | 615,286 |
| Segment liabilities | 522,645 | 17,863 | 52 | 540,560 | 401,800 | 377 | (1,950) | 400,227 |

| | SLOVAKIA | | | | RUSSIA | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended 31 December 2015 | Standing investment segment | Development segment | Reconciling item | Total | Standing investment segment | Development segment | Reconciling item | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 11,297 | - | - | 11,297 | 42,136 | - | - | 42,136 |
| Service charge income | 5,556 | - | - | 5,556 | 16,174 | - | - | 16,174 |
| Net property expenses | (5,581) | - | - | (5,581) | (19,566) | - | - | (19,566) |
| **Net rental income** | **11,272** | **-** | **-** | **11,272** | **38,744** | **-** | **-** | **38,744** |
| Net result on disposals | - | - | - | - | - | 193 | - | 193 |
| Costs connected with developments | - | - | - | - | - | (502) | - | (502) |
| Revaluation of investment properties | 2,315 | - | - | 2,315 | (98,314) | (45,065) | - | (143,379) |
| Other depreciation, amortisation and impairments | (121) | - | - | (121) | (821) | - | - | (821) |
| Administrative expenses | (801) | - | (1) | (802) | (1,459) | (165) | (190) | (1,814) |
| Share of profit of equity-accounted investment in joint ventures | - | - | - | - | - | - | - | - |
| **Net operating profit/(loss)** | **12,665** | **-** | **(1)** | **12,664** | **(61,850)** | **(45,539)** | **(190)** | **(107,579)** |
| Interest expenses, net | (153) | - | - | (153) | (414) | (69) | - | (483) |
| Foreign currency differences | (5) | - | (1) | (6) | (331) | 37 | 62 | (232) |
| Other financial income/(expenses) | (81) | - | (2) | (83) | (1,564) | (1) | (45) | (1,610) |
| **Profit/(loss) before taxation** | **12,426** | **-** | **(4)** | **12,422** | **(64,159)** | **(45,572)** | **(173)** | **(109,904)** |
| Taxation credit/(charge) for the year | (2,190) | - | (58) | (2,248) | (13,311) | - | 8 | (13,303) |
| **Profit/(loss) after taxation for the year** | **10,236** | **-** | **(62)** | **10,174** | **(77,470)** | **(45,572)** | **(165)** | **(123,207)** |
| Investment properties | 148,096 | - | - | 148,096 | 275,286 | 55,551 | - | 330,837 |
| Additions to investment properties | 1,281 | - | - | 1,281 | 4,254 | 1,542 | - | 5,796 |
| Segment assets | 150,169 | - | 231 | 150,400 | 285,958 | 56,063 | 3,346 | 345,367 |
| Segment liabilities | 26,302 | - | - | 26,302 | 66,012 | 21,955 | 5 | 87,972 |

| For the year ended 31 December 2015 | HUNGARY Standing investment segment | HUNGARY Development segment | HUNGARY Reconciling item | HUNGARY Total | ROMANIA Standing investment segment | ROMANIA Development segment | ROMANIA Reconciling item | ROMANIA Total |
|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 7,492 | - | - | 7,492 | 6,392 | - | - | 6,392 |
| Service charge income | 2,851 | - | - | 2,851 | 2,112 | - | - | 2,112 |
| Net property expenses | (3,949) | - | - | (3,949) | (2,678) | - | - | (2,678) |
| **Net rental income** | **6,394** | **-** | **-** | **6,394** | **5,826** | **-** | **-** | **5,826** |
| Net result on disposals | - | - | - | - | - | - | - | - |
| Costs connected with developments | - | - | - | - | - | (83) | - | (83) |
| Revaluation of investment properties | (4,620) | - | - | (4,620) | 89 | (600) | - | (511) |
| Other depreciation, amortisation and impairments | (109) | - | - | (109) | (22) | - | - | (22) |
| Administrative expenses | (306) | - | (173) | (479) | (517) | (28) | (19) | (564) |
| Share of profit of equity-accounted investment in joint ventures | - | - | - | - | - | - | - | - |
| **Net operating profit/(loss)** | **1,359** | **-** | **(173)** | **1,186** | **5,376** | **(711)** | **(19)** | **4,646** |
| Interest expenses, net | (40) | - | 4 | (36) | (101) | (186) | - | (287) |
| Foreign currency differences | (16) | - | (1) | (17) | (37) | (4) | 6 | (35) |
| Other financial income/(expenses) | (50) | - | (6) | (56) | (48) | (2) | (1) | (51) |
| **Profit/(loss) before taxation** | **1,253** | **-** | **(176)** | **1,077** | **5,190** | **(903)** | **(14)** | **4,273** |
| Taxation credit/(charge) for the year | (2) | - | (32) | (34) | 129 | - | - | 129 |
| **Profit/(loss) after taxation for the year** | **1,251** | **-** | **(208)** | **1,043** | **5,319** | **(903)** | **(14)** | **4,402** |
| Investment properties | 64,810 | - | - | 64,810 | 71,030 | 8,910 | - | 79,940 |
| Additions to investment properties | 805 | - | - | 805 | 241 | 110 | - | 351 |
| Segment assets | 66,859 | - | 465 | 67,324 | 72,285 | 9,207 | 222 | 81,714 |
| Segment liabilities | 7,909 | - | - | 7,909 | 3,799 | 5,301 | 64 | 9,164 |

| For the year ended 31 December 2015 | LATVIA Standing investment segment | Development segment | Reconciling item | Total | OTHER COUNTRIES Standing investment segment | Development segment | Reconciling item | Total |
|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 1,555 | - | - | 1,555 | - | - | - | - |
| Service charge income | 1,314 | - | - | 1,314 | - | - | - | - |
| Net property expenses | (1,797) | - | - | (1,797) | - | - | - | - |
| **Net rental income** | **1,072** | **-** | **-** | **1,072** | **-** | **-** | **-** | **-** |
| Net result on disposals | - | - | - | - | - | 67 | - | 67 |
| Costs connected with developments | - | - | - | - | - | (309) | - | (309) |
| Revaluation of investment properties | 1,933 | - | - | 1,933 | - | - | - | - |
| Other depreciation, amortisation and impairments | - | - | - | - | - | (886) | - | (886) |
| Administrative expenses | 16 | - | 1 | 17 | - | (32) | (292) | (324) |
| Share of profit of equity-accounted investment in joint ventures | - | - | - | - | - | - | - | - |
| **Net operating profit/(loss)** | **3,021** | **-** | **1** | **3,022** | **-** | **(1,160)** | **(292)** | **(1,452)** |
| Interest expenses, net | (42) | - | - | (42) | - | (511) | - | (511) |
| Foreign currency differences | (3) | - | (2) | (5) | - | (1,439) | (30) | (1,469) |
| Other financial income/ (expenses) | (22) | - | - | (22) | - | - | (9) | (9) |
| **Profit/(loss) before taxation** | **2,954** | **-** | **(1)** | **2,953** | **-** | **(3,110)** | **(331)** | **(3,441)** |
| Taxation credit/(charge) for the year | - | - | - | - | - | - | - | - |
| **Profit/(loss) after taxation for the year** | **2,954** | **-** | **(1)** | **2,953** | **-** | **(3,110)** | **(331)** | **(3,441)** |
| Investment properties | 11,864 | - | - | 11,864 | - | 115,291 | - | 115,291 |
| Additions to investment properties | 46 | - | - | 46 | - | - | - | - |
| Segment assets | 12,233 | - | 38 | 12,271 | - | 126,633 | 134 | 126,767 |
| Segment liabilities | 1,665 | - | 43 | 1,708 | - | 14,478 | 1,096 | 15,574 |

| For the year ended 31 December 2015 | Standing investment segment | Development segment | RECONCILING<br>Reconciling item | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | - | - | - | - |
| Service charge income | - | - | - | - |
| Net property expenses | - | - | - | - |
| **Net rental income** | **-** | **-** | **-** | **-** |
| Net result on disposals | - | - | - | - |
| Costs connected with developments | - | (1,138) | - | (1,138) |
| Revaluation of investment properties | - | - | - | - |
| Other depreciation, amortisation and impairments | - | - | (363) | (363) |
| Administrative expenses | - | - | (37,450) | (37,450) |
| Share of profit of equity-accounted investment in joint ventures | - | - | - | - |
| **Net operating loss** | **-** | **(1,138)** | **(37,813)** | **(38,951)** |
| Interest expense, net | - | - | (7,249) | (7,249) |
| Foreign currency differences | - | - | 923 | 923 |
| Other financial income/(expenses) | - | - | (4,803) | (4,803) |
| **Loss before taxation** | **-** | **(1,138)** | **(48,942)** | **(50,080)** |
| Taxation credit/(charge) for the year | - | - | (978) | (978) |
| **Loss after taxation for the year** | **-** | **(1,138)** | **(49,920)** | **(51,058)** |
| Investment properties | - | - | - | - |
| Additions to investment properties | - | - | - | - |
| Segment assets | - | - | 218,007 | 218,007 |
| Segment liabilities | - | - | 162,394 | 162,394 |

## GEOGRAPHICAL SEGMENTS BY BUSINESS SECTOR IN 2014

| | POLAND | | | | CZECH REPUBLIC | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended 31 December 2014 | Standing investment segment | Development segment | Reconciling item | Total | Standing investment segment | Development segment | Reconciling item | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 91,084 | - | - | 91,084 | 35,435 | - | - | 35,435 |
| Service charge income | 33,078 | - | - | 33,078 | 9,461 | - | - | 9,461 |
| Net property expenses | (32,648) | - | - | (32,648) | (12,370) | - | - | (12,370) |
| **Net rental income** | **91,514** | **-** | **-** | **91,514** | **32,526** | **-** | **-** | **32,526** |
| Net result on disposals | 44 | - | - | 44 | (833) | - | - | (833) |
| Costs connected with developments | - | (483) | - | (483) | - | - | - | - |
| Revaluation of investment properties | (11,753) | (7,750) | - | (19,503) | 596 | (158) | - | 438 |
| Other depreciation, amortisation and impairments | (4,450) | - | - | (4,450) | (1,148) | - | - | (1,148) |
| Administrative expenses | (5,670) | (224) | (467) | (6,361) | (2,722) | (6) | (512) | (3,240) |
| **Net operating profit/(loss)** | **69,684** | **(8,457)** | **(467)** | **60,760** | **28,419** | **(164)** | **(512)** | **27,743** |
| Interest expenses, net | (12,917) | (391) | 2 | (13,306) | (6,369) | (11) | - | (6,380) |
| Foreign currency differences | 474 | 136 | (303) | 307 | (30) | - | (47) | (77) |
| Other financial income/(expenses) | (1,976) | (1) | - | (1,977) | (1,088) | - | (3) | (1,091) |
| **Profit/(loss) before taxation** | **55,265** | **(8,713)** | **(768)** | **45,784** | **20,932** | **(175)** | **(562)** | **20,195** |
| Taxation credit/(charge) for the year | (5,198) | (565) | 33 | (5,730) | (9,123) | - | (119) | (9,242) |
| **Profit/(loss) after taxation for the year** | **50,067** | **(9,278)** | **(735)** | **40,054** | **11,809** | **(175)** | **(681)** | **10,953** |
| Investment properties | 1,437,862 | 136,314 | - | 1,574,176 | 490,542 | 3,928 | - | 494,470 |
| Additions to investment properties | 130,090 | 38,343 | - | 168,433 | 84,613 | 792 | - | 85,405 |
| Segment assets | 1,458,306 | 139,002 | 3,705 | 1,601,013 | 503,238 | 3,928 | 693 | 507,859 |
| Segment liabilities | 575,000 | 21,193 | 26 | 596,219 | 232,494 | 382 | 566 | 233,442 |

| For the year ended 31 December 2014 | SLOVAKIA Standing investment segment €'000 | SLOVAKIA Development segment €'000 | SLOVAKIA Reconciling item €'000 | SLOVAKIA Total €'000 | RUSSIA Standing investment segment €'000 | RUSSIA Development segment €'000 | RUSSIA Reconciling item €'000 | RUSSIA Total €'000 |
|---|---|---|---|---|---|---|---|---|
| Gross rental income | 11,175 | - | - | 11,175 | 61,395 | - | - | 61,395 |
| Service charge income | 5,677 | - | - | 5,677 | 20,043 | - | - | 20,043 |
| Net property expenses | (5,703) | - | - | (5,703) | (26,091) | - | - | (26,091) |
| **Net rental income** | **11,149** | **-** | **-** | **11,149** | **55,347** | **-** | **-** | **55,347** |
| Net result on disposals | - | - | - | - | - | - | - | - |
| Costs connected with developments | - | - | - | - | - | (1,920) | - | (1,920) |
| Revaluation of investment properties | (4,688) | - | - | (4,688) | (77,236) | (26,578) | - | (103,814) |
| Other depreciation, amortisation and impairments | (2,217) | - | - | (2,217) | (2,742) | - | - | (2,742) |
| Administrative expenses | (855) | - | (4) | (859) | (1,706) | 1,397 | (160) | (469) |
| **Net operating profit/(loss)** | **3,389** | **-** | **(4)** | **3,385** | **(26,337)** | **(27,101)** | **(160)** | **(53,598)** |
| Interest expenses, net | (1,404) | - | - | (1,404) | (1,774) | (577) | 1 | (2,350) |
| Foreign currency differences | - | - | 2 | 2 | 2,486 | 10,503 | - | 12,989 |
| Other financial income/(expenses) | (156) | - | (2) | (158) | (2,180) | (450) | (18) | (2,648) |
| **Profit/(loss) before taxation** | **1,829** | **-** | **(4)** | **1,825** | **(27,805)** | **(17,625)** | **(177)** | **(45,607)** |
| Taxation credit/(charge) for the year | (1,800) | - | (42) | (1,842) | 834 | (10) | (50) | 774 |
| **Profit/(loss) after taxation for the year** | **29** | **-** | **(46)** | **(17)** | **(26,971)** | **(17,635)** | **(227)** | **(44,833)** |
| Investment properties | 144,500 | - | - | 144,500 | 369,346 | 100,096 | - | 469,442 |
| Additions to investment properties | 1,928 | - | - | 1,928 | 2,876 | 1,149 | - | 4,025 |
| Segment assets | 146,492 | - | 344 | 146,836 | 376,645 | 101,540 | 4,224 | 482,409 |
| Segment liabilities | 24,516 | - | - | 24,516 | 59,241 | 28,603 | 21 | 87,865 |

| | HUNGARY | | | | ROMANIA | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended 31 December 2014 | Standing investment segment | Development segment | Reconciling item | Total | Standing investment segment | Development segment | Reconciling item | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 7,515 | - | - | 7,515 | 6,341 | - | - | 6,341 |
| Service charge income | 2,849 | - | - | 2,849 | 2,022 | - | - | 2,022 |
| Net property expenses | (3,635) | - | - | (3,635) | (2,546) | - | - | (2,546) |
| **Net rental income** | **6,729** | **-** | **-** | **6,729** | **5,817** | **-** | **-** | **5,817** |
| Net result on disposals | (208) | - | - | (208) | - | - | - | - |
| Costs connected with developments | - | - | - | - | - | (89) | - | (89) |
| Revaluation of investment properties | (2,648) | - | - | (2,648) | 3,303 | (1,000) | - | 2,303 |
| Other depreciation, amortisation and impairments | (66) | - | - | (66) | (56) | - | - | (56) |
| Administrative expenses | (364) | - | (150) | (514) | (492) | (11) | (20) | (523) |
| **Net operating profit/(loss)** | **3,443** | **-** | **(150)** | **3,293** | **8,572** | **(1,100)** | **(20)** | **7,452** |
| Interest expenses, net | (232) | - | 2 | (230) | (449) | (199) | - | (648) |
| Foreign currency differences | (327) | - | (31) | (358) | (39) | - | (6) | (45) |
| Other financial income/(expenses) | (34) | - | (8) | (42) | (6) | (2) | (1) | (9) |
| **Profit/(loss) before taxation** | **2,850** | **-** | **(187)** | **2,663** | **8,078** | **(1,301)** | **(27)** | **6,750** |
| Taxation credit/(charge) for the year | (2,360) | - | (2) | (2,362) | (671) | - | 8 | (663) |
| **Profit/(loss) after taxation for the year** | **490** | **-** | **(189)** | **301** | **7,407** | **(1,301)** | **(19)** | **6,087** |
| Investment properties | 68,625 | - | - | 68,625 | 70,700 | 9,401 | - | 80,101 |
| Additions to investment properties | 848 | - | - | 848 | 1,719 | 458 | - | 2,177 |
| Segment assets | 70,583 | - | 476 | 71,059 | 71,816 | 9,680 | 224 | 81,720 |
| Segment liabilities | 7,932 | - | - | 7,932 | 3,819 | 5,309 | 65 | 9,193 |

| | LATVIA | | | | OTHER COUNTRIES | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended 31 December 2014 | Standing investment segment | Development segment | Reconciling item | Total | Standing investment segment | Development segment | Reconciling item | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Gross rental income | 1,539 | - | - | 1,539 | - | - | - | - |
| Service charge income | 1,345 | - | - | 1,345 | - | - | - | - |
| Net property expenses | (1,929) | - | - | (1,929) | - | - | - | - |
| **Net rental income** | **955** | **-** | **-** | **955** | **-** | **-** | **-** | **-** |
| Net result on disposals | - | - | - | - | - | (2,714) | - | (2,714) |
| Costs connected with developments | - | - | - | - | - | (1,701) | - | (1,701) |
| Revaluation of investment properties | (1,639) | - | - | (1,639) | - | (38,526) | - | (38,526) |
| Other depreciation, amortisation and impairments | - | - | - | - | - | - | (29) | (29) |
| Administrative expenses | (54) | - | 159 | 105 | - | (142) | (374) | (516) |
| **Net operating profit/(loss)** | **(738)** | **-** | **159** | **(579)** | **-** | **(43,083)** | **(403)** | **(43,486)** |
| Interest expenses, net | (187) | - | - | (187) | - | (1,087) | - | (1,087) |
| Foreign currency differences | - | - | - | - | - | 412 | (52) | 360 |
| Other financial income/ (expenses) | (4) | - | - | (4) | - | - | (134) | (134) |
| **Profit/(loss) before taxation** | **(929)** | **-** | **159** | **(770)** | **-** | **(43,758)** | **(589)** | **(44,347)** |
| Taxation credit/(charge) for the year | - | - | - | - | - | (7) | - | (7) |
| **Profit/(loss) after taxation for the year** | **(929)** | **-** | **159** | **(770)** | **-** | **(43,765)** | **(589)** | **(44,354)** |
| Investment properties | 9,884 | - | - | 9,884 | - | 115,277 | - | 115,277 |
| Additions to investment properties | 135 | - | - | 135 | - | - | - | - |
| Segment assets | 10,404 | - | 12 | 10,416 | - | 139,651 | 380 | 140,031 |
| Segment liabilities | 1,849 | - | - | 1,849 | - | 19,301 | 396 | 19,697 |

| For the year ended 31 December 2014 | RECONCILING<br>Standing investment segment<br>€'000 | Development segment<br>€'000 | Reconciling item<br>€'000 | Total<br>€'000 |
|---|---|---|---|---|
| Gross rental income | - | - | - | - |
| Service charge income | - | - | - | - |
| Net property expenses | - | - | - | - |
| **Net rental income** | **-** | **-** | **-** | **-** |
| Net result on disposals | - | - | - | - |
| Costs connected with developments | - | (872) | - | (872) |
| Revaluation of investment properties | - | - | - | - |
| Other depreciation, amortisation and impairments | - | - | (383) | (383) |
| Administrative expenses | - | - | (12,575) | (12,575) |
| **Net operating loss** | | **(872)** | **(12,958)** | **(13,830)** |
| Interest expenses, net | - | - | (7,131) | (7,131) |
| Foreign currency differences | - | - | (672) | (672) |
| Other financial income/(expenses) | - | - | (1,842) | (1,842) |
| **Loss before taxation** | **-** | **(872)** | **(22,603)** | **(23,475)** |
| Taxation charge for the year | - | - | (1,702) | (1,702) |
| **Loss after taxation for the year** | **-** | **(872)** | **(24,305)** | **(25,177)** |
| Investment properties | - | - | - | - |
| Additions to investment properties | - | - | - | - |
| Segment assets | - | - | 409,440 | 409,440 |
| Segment liabilities | - | - | 359,652 | 359,652 |

Atrium Promenada, Warsaw

## 2.35 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 2015, including their levels in the fair value hierarchy:**

| | Note | Level 2 €'000 | Level 3 €'000 | Fair value as at 31 December 2015 €'000 |
|---|---|---|---|---|
| **Standing investments** | 2.4 | | | |
| Poland | | | 1,498,095 | 1,498,095 |
| Czech Republic | | | 327,770 | 327,770 |
| Slovakia | | | 148,096 | 148,096 |
| Russia | | | 275,286 | 275,286 |
| Hungary | | | 64,810 | 64,810 |
| Romania | | | 71,030 | 71,030 |
| Latvia | | | 11,864 | 11,864 |
| **Total standing investments** | | | **2,396,951** | **2,396,951** |
| **Developments and land** | 2.5 | | | |
| Poland | | | 124,119 | 124,119 |
| Russia | | | 55,551 | 55,551 |
| Turkey | | | 115,277 | 115,277 |
| Others | | | 12,898 | 12,898 |
| **Total developments and land** | | | **307,845** | **307,845** |
| **Assets and liabilities, net of disposal group held for sale** | 2.15 | **107,774** | **-** | **107,774** |
| **Financial liabilities measured at fair value** | | | | |
| Interest rate swaps used for hedging | 2.18 | **6,872** | - | **6,872** |

**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 2014, including their levels in the fair value hierarchy:**

| | Note | Level 2<br>€'000 | Level 3<br>€'000 | Fair value as at 31 December 2014<br>€'000 |
|---|---|---|---|---|
| **Standing investments** | 2.4 | | | |
| Poland | | | 1,437,862 | 1,437,862 |
| Czech Republic | | | 419,522 | 419,522 |
| Slovakia | | | 144,500 | 144,500 |
| Russia | | | 369,346 | 369,346 |
| Hungary | | | 68,625 | 68,625 |
| Romania | | | 70,700 | 70,700 |
| Latvia | | | 9,884 | 9,884 |
| **Total standing investments** | | | **2,520,439** | **2,520,439** |
| **Developments and land** | 2.5 | | | |
| Poland | | | 136,314 | 136,314 |
| Russia | | | 100,096 | 100,096 |
| Turkey | | | 115,277 | 115,277 |
| Others | | | 13,329 | 13,329 |
| **Total developments and land** | | | **365,016** | **365,016** |
| **Assets and liabilities, net of disposal group held for sale** | 2.15 | **69,532** | **-** | **69,532** |
| **Financial liabilities measured at fair value** | | | | |
| Interest rate swaps used for hedging | 2.18 | **12,328** | **-** | **12,328** |

**Investment properties measured at level 3 fair value:**

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Standing investments €'000 | Developments and land €'000 | Standing investments €'000 | Developments and land €'000 |
| **Balance as at 1 January** | **2,520,439** | **365,016** | **2,356,164** | **583,637** |
| **Losses included in the Income statement** | | | | |
| Revaluation of investment properties (Unrealised) | (54,262) | (50,403) | (94,065) | (74,012) |
| **Additions and Disposals** | | | | |
| New Properties | - | - | 199,030 | - |
| Construction, technical improvements and extensions | 28,202 | 25,500 | 23,179 | 40,742 |
| Disposals | (14,430) | (1,022) | (5,002) | (65,873) |
| **Other movements** | | | | |
| Movements in financial leases | 655 | 163 | 281 | (3,296) |
| Interest Capitalised | - | 1,077 | - | 849 |
| Currency translation difference | 2,778 | 103 | (2,066) | (25) |
| **Transfers from Development and land to Standing Investments** | **31,036** | **(31,036)** | **113,938** | **(113,938)** |
| Transfer to assets held for sale | (117,467) | (1,553) | (71,020) | - |
| Transfer to other assets | - | - | - | (3,068) |
| **Balance as at 31 December** | **2,396,951** | **307,845** | **2,520,439** | **365,016** |

**A description of the Investment Properties valuation processes**

The policies and procedures for standing investments and developments and land valuations, and the appointment of external independent valuation companies, 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. A rotation of the different locations among the valuation companies is performed on a periodic basis.

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 developments 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 developments and land.

At the year-end, all standing investments properties and the majority of developments and land are valued by external valuation companies.

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 values of the investment properties are determined on the basis of the valuations received from the external valuation companies and the internal valuations.

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.

**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 2015:**

**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 2015 | Range | Weighted average |
|---|---|---|
| Estimated rental value[3] ("ERV") | €1-€178 per sqm per month | €13 per sqm, per month |
| Equivalent yield | 5.6%-14.4% | 7.4% |

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

| 2015 | Estimated change<br>€ in millions | Estimated total fair value following the change<br>€ in millions |
|---|---|---|
| Increase of 5% in ERV[1] | 119.1 | 2,532.3 |
| Decrease of 5% in ERV[1] | (119.1) | 2,294.1 |
| Increase of 25bp in equivalent yield[2] | (82.0) | 2,331.2 |
| Decrease of 25bp in equivalent yield[3] | 88.3 | 2,501.5 |

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

[2] The distribution of the estimated decrease (in € millions): Poland-55.4, Czech Republic-12.7, Slovakia-4.8, Russia-5.2, Hungary-1.6, Romania-2.0 and Latvia-0.3

[3] The distribution of the estimated increase (in € millions): Poland-59.8, Czech Republic-13.8, Slovakia-5.2, Russia-5.4, Hungary-1.7, Romania-2.1 and Latvia-0.3

| Significant unobservable inputs 2014 | Range | Weighted average |
|---|---|---|
| Estimated rental value[3] ("ERV") | €1-€155 per sqm per month | €13 per sqm, per month |
| Equivalent yield | 6.0%-14.4% | 8.0% |

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

| 2014 | Estimated change<br>€ in millions | Estimated total fair value following the change<br>€ in millions |
|---|---|---|
| Increase of 5% in ERV[1] | 124.2 | 2,644.7 |
| Decrease of 5% in ERV[1] | (124.2) | 2,396.2 |
| Increase of 25bp in equivalent yield[2] | (80.3) | 2,440.2 |
| Decrease of 25bp in equivalent yield[3] | 86.0 | 2,606.5 |

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

[2] The distribution of the estimated decrease (in € millions): Poland-50.6, Czech Republic-14.3, Slovakia-4.6, Russia-6.9, Hungary-1.7, Romania-2.0 and Latvia-0.2

[3] The distribution of the estimated increase (in € millions): Poland-54.5, Czech Republic-15.4, Slovakia-4.9, Russia-7.1, Hungary-1.8, Romania-2.1 and Latvia-0.3

The prevailing situation in Russia, and its impact on the valuation of the Group's Russian properties, was an area of significant judgement in the 2015 financial statements with high levels of estimation uncertainty in the yield development and expected levels of rental income going forward.

**Development and land:**

The fair value of 29% of developments and land (31 December 2014: 39%) 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.

3 The amount at which a property could be leased on the valuation date by a willing lessor to a willing lessee on appropriate lease terms in an arm's length transaction.

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

| Significant unobservable input 2015 | Range | Weighted average |
|---|---|---|
| Price[1] | €20-€224 per sqm | €53 per sqm |

[1] An outlier price of €615 per sqm of land is excluded from the range.

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

| 2015 | Estimated change<br>€ in millions | Estimated total fair value following the change<br>€ in millions |
|---|---|---|
| Increase of 5% in price[1] | 4.4 | 93.8 |
| Decrease of 5% in price[1] | (4.4) | 85.1 |

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

| Significant unobservable input 2014 | Range | Weighted average |
|---|---|---|
| Price[1] | €27-€91 per sqm | €77 per sqm |

[1] An outlier price of €605 per sqm of land is excluded from the range.

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

| 2014 | Estimated change<br>€ in millions | Estimated total fair value following the change<br>€ in millions |
|---|---|---|
| Increase of 5% in price[1] | 6.4 | 149.3 |
| Decrease of 5% in price[1] | (6.4) | 136.5 |

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

The fair value of the remaining 71% of developments and land (31 December 2014: 61%) 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. 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 developments and land for the Residual valuation method:

| Significant unobservable inputs 2015 | Range | Weighted average |
|---|---|---|
| ERV | €3.8-€17.8 per sqm, per month | €15.7 per sqm, per month |
| Equivalent yield | 6.5%-9.4% | 7.4% |
| Construction costs | €352-€1,655 per sqm GLA | €1,455 per sqm GLA |

Inter relationship between key unobservable inputs and fair value measurements:

| 2015 | Estimated change<br>€ in millions | Estimated total fair value following the change<br>€ in millions |
|---|---|---|
| Increase of 5% in ERV[1] | 28.4 | 248.4 |
| Decrease of 5% in ERV[1] | (27.2) | 192.7 |
| Increase of 25bp in equivalent yield[2] | (17.0) | 203.0 |
| Decrease of 25bp in equivalent yield[3] | 19.4 | 239.3 |
| Increase of 5% in expected construction costs [4] | (24.7) | 195.3 |
| Decrease of 5% in expected construction costs [5] | 25.9 | 245.9 |

[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-10.2, Turkey-4.6, Others-2.2

[3] The distribution of the estimated increase (in € million): Poland -12.2, Turkey -4.9, Others -2.3

[4] The distribution of the estimated increase (in € million): Poland-12.9, Turkey-5.6, Others-6.2

[5] The distribution of the estimated decrease (in € million): Poland-14.1, Turkey-5.6, Others-6.2

| Significant unobservable inputs 2014 | Range | Weighted average |
|---|---|---|
| ERV | €4.4-€17.6 per sqm, per month | €13.2 per sqm, per month |
| Equivalent yield | 6.9%-9.8% | 7.8% |
| Construction costs | €461-€2,238 per sqm GLA | €1,290 per sqm GLA |

Inter relationship between key unobservable inputs and fair value measurements:

| 2014 | Estimated change<br>€ in millions | Estimated total fair value following the change<br>€ in millions |
|---|---|---|
| Increase of 5% in ERV [1] | 24.3 | 246.5 |
| Decrease of 5% in ERV [1] | (24.3) | 197.8 |
| Increase of 25bp in equivalent yield [2] | (15.3) | 206.8 |
| Decrease of 25bp in equivalent yield [3] | 16.3 | 238.5 |
| Increase of 5% in expected construction costs [4] | (22.9) | 199.2 |
| Decrease of 5% in expected construction costs [4] | 22.9 | 245.0 |

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-8.6, Turkey-4.5, Others-2.1

3 The distribution of the estimated increase (in € million): Poland-9.2, Turkey-4.9, Others-3.8

4 The distribution of the estimated increase (decrease) (in € million): Poland-9.7, Turkey-9.5, Others-3.8

**Assets and liabilities, net of disposal group held for sale**

At 31 December 2015, 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 2.15.

**Interest rate swaps used for hedging**

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

**The following table shows the assets and liabilities of the Group which are not presented at fair value in the statement of financial position as at 31 December 2015, including their levels in the fair value hierarchy:**

| | Level | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|---|
| | | Net book value<br>€'000 | Fair value<br>€'000 | Net book value<br>€'000 | Fair value<br>€'000 |
| **Financial liabilities** | | | | | |
| Bonds | 2 | 854,251 | 891,854 | 807,930 | 844,295 |
| Bank loans | 2 | 158,530 | 159,617 | 260,144 | 261,391 |
| **Total** | | **1,012,781** | **1,051,471** | **1,068,074** | **1,105,686** |

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

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

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

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

## 2.36 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

| 2015 | Carrying amount €'000 | Loans and receivables €'000 | Financial liabilities at amortised cost €'000 | Financial liabilities at fair value €'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Long term loans | 13,086 | 13,086 | - | - |
| Other assets | 6,261 | 6,261 | | |
| Receivables from tenants | 12,499 | 12,499 | - | - |
| Other receivables | 3,589 | 3,589 | - | - |
| Cash and cash equivalents | 224,368 | 224,368 | - | - |
| Assets held for sale | 617 | 617 | | |
| **Total financial assets** | **260,420** | **260,420** | | |
| **Financial liabilities** | | | | |
| Long term borrowings | 1,011,392 | | 1,011,392 | - |
| Derivatives | 6,872 | | - | 6,872 |
| Long term liabilities from leases | 31,592 | | 31,592 | - |
| Other long term liabilities | 15,163 | | 15,163 | - |
| Trade and other payables | 20,704 | | 20,704 | - |
| Accrued expenditure | 45,360 | | 45,360 | - |
| Short term borrowings | 1,389 | | 1,389 | |
| Liabilities held for sale | 919 | | - | 919 |
| **Total financial liabilities** | **1,133,391** | | **1,125,600** | **7,791** |

| 2014 | Carrying amount €'000 | Loans and receivables €'000 | Financial liabilities at amortised cost €'000 | Financial liabilities at fair value €'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Long term loans | 8,114 | 8,114 | - | - |
| Other assets | 3,056 | 3,056 | | |
| Receivables from tenants | 11,882 | 11,882 | - | - |
| Other receivables | 6,465 | 6,465 | - | - |
| Cash and cash equivalents | 420,544 | 420,544 | - | - |
| Assets held for sale | 1,458 | 1,458 | | |
| **Total financial assets** | **451,519** | **451,519** | | |
| **Financial liabilities** | | | | |
| Long term borrowings | 1,034,524 | - | 1,034,524 | - |
| Derivatives | 12,328 | - | - | 12,328 |
| Long term liabilities from leases | 36,277 | - | 36,277 | - |
| Other long term liabilities | 17,802 | - | 17,802 | - |
| Trade and other payables | 22,393 | - | 22,393 | - |
| Accrued expenditure | 39,132 | - | 39,132 | - |
| Short term borrowings | 33,550 | - | 33,550 | - |
| Liabilities held for sale | 2,946 | - | - | 2,946 |
| **Total financial liabilities** | **1,198,952** | | **1,183,678** | **15,274** |

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 2.17 and 2.35. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The fair values of the financial assets are deemed to equal their book values. The Group has pledged some cash as collateral, for more information see note 2.17.


Atrium Azur, Rīga

## 2.37 CAPITAL MANAGEMENT

The Group manages its capital to provide stability and reduce risk while generating a solid return over the long term to shareholders through improving the capital structure and efficiency of the Group's balance sheet. The Group's capital strategy remains unchanged from 2014.

The capital structure of the Group consists of borrowings (as detailed in note 2.17), cash and cash equivalents and the equity.

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

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

For information about loans and bond covenants see note 2.17 and for information about the capital structure of the Group see note 2.16.

## 2.38 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 conservative funding strategy.

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

**Development risk**

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

Development risks relate to the construction of investment properties. The main risks are commercial, financial, technical and procedural. Examples of commercial and financial risks are letting risks and risks connected with foreign exchange rate fluctuations. To mitigate commercial and financial risks, before any project is started a detailed analysis of the market conditions is performed and the situation is monitored during the whole construction process. Technical risks include, for example, design risks, construction risks and environmental risks. Procedural and technical risks are also mitigated by a primary detailed analysis. Furthermore, the Group uses external professionals to deal with procedural actions, project design, project management, construction and other associated matters. Although controls have been implemented to mitigate the development risks, the turbulence on the global real estate markets has necessitated the redesign and reconsideration of many of the projects.

**Credit risk**

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

The credit worthiness 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 2015, the Group had secured long term deposits from tenants amounting to €15.1 million (2014: €17.9 million) and short term deposits amounting to €8.8 million (2014: €7.4 million) and secured bank guarantees.

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

The credit exposure of the Group arising from the financial assets, as disclosed in note 2.36, represents the maximum credit exposure due to financial assets.

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

**Liquidity risk**

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

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

Liquid funds, comprising cash and cash equivalents amounted to €224.4 million as at 31 December 2015 (2014: €420.5 million). The total net liquid funds calculated as cash and cash equivalents less short term borrowings amounted to €223.0 million (2014: €387.0 million).

The following tables analyse the Group's financial liabilities, including interest payments, based on maturity: The amounts disclosed in the table are the contractual undiscounted cash flows.

| 2015 | Carrying amount €'000 | Total contractual cash flows €'000 | One year or less €'000 | One to two years €'000 | Two to five years €'000 | More than five years €'000 |
|---|---|---|---|---|---|---|
| Borrowings and derivatives* | 1,033,338 | 1,238,973 | 40,181 | 91,736 | 465,908 | 641,148 |
| Other liabilities** | 100,053 | 240,801 | 53,490 | 6,400 | 19,083 | 161,828 |
| **Total** | **1,133,391** | **1,479,774** | **93,671** | **98,136** | **484,991** | **802,976** |

| 2014 | Carrying amount €'000 | Total contractual cash flows €'000 | One year or less €'000 | One to two years €'000 | Two to five years €'000 | More than five years €'000 |
|---|---|---|---|---|---|---|
| Borrowings and derivatives* | 1,094,562 | 1,314,589 | 89,852 | 138,241 | 235,500 | 850,996 |
| Other liabilities** | 104,390 | 282,857 | 50,693 | 7,627 | 23,803 | 200,734 |
| **Total** | **1,198,952** | **1,597,446** | **140,545** | **145,868** | **259,303** | **1,051,730** |

* Borrowings include accrued interest.

** Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables, liabilities held for sale and accrued expenditure.

**Market risk**

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

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

The Group's overall market positions are monitored on a monthly basis.

Information about the key unobservable inputs used in fair value measurement is disclosed in note 2.35.

### 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 2.35. 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 EUR. The rents payable to the Group under the various lease agreements with tenants are mainly denominated in EUR. 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:

| 2015 | Financial assets €'000 | Financial liabilities €'000 | Net exposure €'000 |
|---|---|---|---|
| CZK | 13,227 | (4,443) | 8,784 |
| HUF | 1,681 | (1,456) | 225 |
| PLN | 18,037 | (50,504) | (32,467) |
| RON | 1,068 | (448) | 620 |
| RUB | 6,693 | (8,376) | (1,683) |
| TRY | 8 | (6) | 2 |
| Other | 436 | (411) | 25 |

| 2014 | Financial assets €'000 | Financial liabilities €'000 | Net exposure €'000 |
|---|---|---|---|
| CZK | 3,189 | (33,036) | (29,847) |
| HUF | 1,515 | (1,211) | 304 |
| PLN | 15,275 | (44,986) | (29,711) |
| RON | 1,044 | (426) | 618 |
| RUB | 3,598 | (12,958) | (9,360) |
| TRY | 5 | (3,675) | (3,670) |
| Other | 406 | (1,350) | (944) |

### Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2015 and 31 December 2014 would have increased/(decreased) the profit in the income statement. This analysis assumes that all other variables 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.

| | 2015 Gain/(Loss) €'000 | 2014 Gain/(Loss) €'000 |
|---|---|---|
| CZK | 878 | (2,985) |
| HUF | 23 | 30 |
| PLN | (3,247) | (2,971) |
| RON | 62 | 62 |
| RUB | (168) | (936) |
| TRY | - | (367) |
| Other | - | (94) |

### 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 2.35. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2015, there were no value movements due to interest rate risk fluctuations in 2015. The interest rate risk was, therefore, reduced to the impact on the income statement of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates was €3.8 million as at 31 December 2015 (2014: €108.9 million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2015, almost all of the Group's borrowings were at a fixed interest rate (2014: 89.8%). 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.

**Risks related to emerging and developing markets**

The Group operates in emerging and developing markets in the CEE and Russia. The majority of the countries which the Group operates in are rated above investment grade, whilst Russia and Hungary have a sub investment grade rating. The latter two markets are subject to greater legal, economic, fiscal and political risks than the former and are subject to rapid and sometimes unpredictable changes although Hungary should be evaluated in the context of its EU membership obligations.

The legal systems of emerging and developing countries are still evolving, which may result in the passing of new laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. In some cases laws may be enacted with retrospective effects and the application of international legal frameworks and treaties reinterpreted.

Furthermore, 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.

In addition, these markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic, and social status quo of the Group's markets. For example, the Group has been exposed to risks arising from tensions in Ukraine and the resulting imposition of sanctions and counter sanctions between the Russian Federation and certain other nations.

Changes in economic, political and fiscal situations in one emerging or developing market country may have a negative related or unrelated consequential impact on the economic, political and fiscal situation in other emerging or developing market countries.

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

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

## 2.39 TRANSACTIONS WITH RELATED PARTIES

- In January 2015, through its intermediate holding company, Gazit-Globe purchased 52,069,622 additional ordinary shares in Atrium from Apollo. Consequently, Gazit-Globe holds 206,681,552 ordinary shares in Atrium, comprising 54.9% of the issued and outstanding shares and voting rights in Atrium as at 31 December 2015. Apollo no longer holds ordinary shares in Atrium.

  Following the change in the holding, Gazit-Globe is the parent company of Atrium and Norstar Holdings Inc. is the ultimate parent company.

- Transactions between Atrium and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

A In January 2015, following the transfer of the 52,069,622 ordinary shares from Apollo to Gazit-Globe as mentioned above, the two Atrium Directors nominated by Apollo, Joseph Azrack and Roger Orf resigned from the Board of Directors.

B In June 2015, Atrium announced the appointment of Ms Karine Ohana M.Sc to the Board of Directors as an independent Non-executive Director, with her appointment as Director becoming effective on 24 June 2015. Ms Ohana was also appointed to the Audit Committee with effect from 13 August 2015.

C Aharon Soffer resigned from the Board of Directors effective as of 31 August 2015.

D Chaim Katzman, Director and Chairman of the Board of Directors, together with family members held directly 255,000 shares in Atrium as at 31 December 2015 and as at 31 December 2014. In total, Mr. Katzman, together with family members, through his holdings in Norstar Holdings Inc and Gazit-Globe, held directly and indirectly approximately 9.6% (2014: 7.4%) of Atrium's total shares as at 31 December 2015.

Based on a consultancy agreement with the Group, Mr. Katzman, Chairman of the Board, was entitled to consultancy fees of €550,000 in 2015 (2014: €550,000) and expenses as permitted under the agreement.

Atrium has paid flight and travel expenses of €0.3 million (2014: €0.2 million) to MGN Icarus Inc, a subsidiary of Gazit-Globe. Such travel expenses were at arm's length and were incurred by the Chairman of the Board and other members of staff for property tours and other business activities.

E Rachel Lavine, Director and Vice Chairman of the Board, held 484,308 shares in Atrium as at 31 December 2015 and 472,329 shares as at 31 December 2014.

In March 2015, the Compensation and Nominating Committee determined employee annual bonus payments for 2014. Mrs. Lavine, Group Chief Executive Officer until 30 November 2014 and Vice-Chairman thereafter, was awarded a total bonus of €623,750 (which included a minimum guaranteed bonus of €343,750) for the period whilst she was Group Chief Executive Officer.

In July 2015, the Compensation and Nominating Committee approved a consultancy agreement with Paragon Management Company Limited under which Mrs Lavine provides management services to the Group including oversight of Group strategy. Mrs. Lavine will receive an annual consultancy fee of €475,000 per annum. The consultancy arrangement is for a period of 16 months, until 30 November 2016, and will thereafter be renewable for further periods of 12 months unless terminated by either party. Mrs. Lavine continues in her role as vice chairman, in a non-executive capacity, and as a member of the Board of Directors as a Gazit-Globe nominated director. This arrangement became effective on 1 August 2015, and replaced Mrs. Lavine's employment terms which came into effect on 1 December 2014, when Mrs. Lavine resigned as Group Chief Executive Officer and took on the role of Vice Chairman. Consequently, on termination of her employment agreement, Mrs Lavine received in August 2015 a pro rata grant of 3,036 shares for the period from 1 June to 31 July, on a net of tax basis. Mrs Lavine is not entitled to any further share grant under the previous arrangements.

In addition, Mrs. Lavine holds one million options granted pursuant to 2009 ESOP in March 2010 and 533,333 options granted pursuant to 2013 ESOP in November 2013. As part of the arrangements referred to above, the period for exercise of these options was extended to the date seven months or, in the case of the 2013 ESOP grant, 18 months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, but in either case with a maximum period of ten years from the options' original grant date.

Mrs. Lavine was appointed to the Audit Committee effective as of 1 September 2015.

F As at 31 December 2015 and 31 December 2014, the following directors' shareholding in Atrium was: Thomas Wernink 10,000 shares, Peter Linneman 31,291 shares and Simon Radford 11,065 shares.

G In 2015, Noam Ben-Ozer, Director, acquired 29,000 shares in Atrium and held them as at 31 December 2015.

H Following a review of Non-executive Director compensation including recommendations from external consultants, in August 2015 the Compensation and Nominating Committee approved revisions to the remuneration of the Non-executive Directors, effective as of 1 July 2015. The Non-executive Directors, other than those Directors nominated by Gazit-Globe, are entitled to receive a cash remuneration of €65,000 per annum and an allocation of ordinary shares in the Company in the value of €65,000 per annum which vests after two years, meeting attendance fees of €1,500 per meeting and telephonic meeting fees of €1,000 per call. 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 Non-executive Director must have an aggregate value of at least €130,000. Any Director who acts as Chairman of the Audit Committee or the Compensation and Nominating Committee, other than a Director nominated by Gazit-Globe, will also be entitled to receive additional remuneration of €25,000 per annum and any member of either such committee, other than a Director nominated by Gazit-Globe, will be entitled to receive additional remuneration of €10,000 per annum. The Chairman of the Operations Committee is entitled to additional remuneration of €20,000 per annum and any member of the Operations Committee, additional remuneration of €15,000 per annum

I The aggregate annual remuneration paid or payable to the Directors for the year ended 31 December 2015, was €1.6 million (2014: €2.8 million), of which total remuneration of the Non-executive Directors arising from their directors' contracts amounted to €0.6 million for the year 2015 (2014: €0.4 million). Please see the breakdown on page 40.

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

A In January 2015, Atrium announced the appointment of Ryan Lee as its new Group Chief Financial Officer. Ryan joined the Group on 2 February 2015, with his appointment as Group CFO becoming effective on 1 April 2015.

B Liad Barzilai resigned his position as Group Chief Investment Officer on 14 November 2015 to take the position as Chief Investment Officer with Gazit-Globe Ltd. He will continue to provide acquisition and disposal services to the Group.

C The aggregate annual remuneration paid or payable to the Group Executive Team for the year ended 31 December 2015, including base salaries, annual guaranteed bonuses, allowances and benefits was €3.3 million (2014: €4.8 million). In addition, the share based payment expenses for the Group Executive Team amounted to €0.3 million (2014: €0.9 million).

D In August 2015, the Compensation and Nominating Committee approved a long term incentive plan designed as a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded by shares with reference to performance of the Company and continued employment in the Group at vesting. As at 31 December 2015, four key senior executives were granted an allotment of ordinary shares in the Company in an aggregate monetary value of €1.6 million. The shares will be issued after a three year period, subject to specific conditions. For more details see note 2.16

- Gazit-Globe reimbursed Atrium for audit and SOX expenses of €0.6 million which were paid by Atrium (2014: €0.2 million for audit costs).

- 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 €0.03 million in 2015 (2014: €0.2 million). Amounts were billed on the basis of arm's length rates for such services.

- Atrium has a contract with Aztec Financial Services (Jersey) Limited for the provision of administration and company secretarial services under which it paid fees amounting to €0.06 million in 2015 (2014: €0.2 million). Aztec Financial Services (Jersey) Limited is part of Aztec Group where Simon Radford is a director and shareholder.

## 2.40 CONTINGENCIES

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

Atrium is, however, involved in certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 8 March 2016, the latest practicable date prior to authorisation of this report, the aggregate amount claimed in proceedings to which Atrium was then a party in this regard was approximately €27.0 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 resolution of a declaratory lawsuit which was filed against the Company in the Netherlands in October 2015, involving the same subject matter as the claims currently the subject of the proceedings in Austria, and 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. Under the arrangement, qualifying investors may obtain compensation in accordance with a standard methodology taking into account factors such as dividends received, current holdings, timing of investment and total amounts invested. The total maximum amount that has been committed by the Company to the compensation fund and related process (including costs) is approximately €32 million.

The Company believes it is important to support reasonable efforts to help bring final resolution to these longstanding issues and has joined as a participant in the arrangement as a means to put legacy issues behind it and so address a source of significant demands on management time and associated legal fees and costs, which are detrimental to its shareholders. Preliminary indications demonstrate an encouraging level of interest in resolution through the compensation arrangement although 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 methodology adopted in the compensation arrangement and the expected cost and implications of implementing that arrangement, a total provision of €21 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 are 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, in particular Russia, and to changes or threatened changes in the legal, regulatory and fiscal frameworks and approach to enforcement which includes actions affecting title to the Group's property or land.

Certain Russian subsidiaries within the Atrium Group are involved in legal and administrative proceedings involving the Russian tax authorities. These proceedings create an uncertainty around tax policies in matters previously regarded as established but which are now subject to revised interpretation by the Russian tax authorities. During tax audits there have been disagreements over aspects of expenses deductions, the overall impact of which could be significant. The Company cannot reliably estimate the potential amount of any additional taxation and associated costs.

## 2.41 SUBSEQUENT EVENTS

In February 2016, the Group completed the sale of a further portfolio of smaller format retail assets in the Czech Republic to a private client account managed by Palmer Capital for a value of approximately €102.6 million; the portfolio comprised ten assets with a total lettable area of approximately 86,200 sqm.

In January 2016, Atrium announced the resolution of the Dutch litigation case brought by the "Stichting Atrium claim" and the establishment of an arrangement to create a compensation fund through which to resolve disputes currently being litigated in the Austrian civil courts, as well as submissions by individuals to join pending criminal proceedings. For further details see note 2.40.


Atrium Flora, Prague


# 03

# ATRIUM'S STANDALONE FINANCIAL REPORT

Atrium Biala in Bialystok, Poland

# ATRIUM'S STANDALONE FINANCIAL REPORT

## 3.1 BASIS OF ATRIUM'S STANDALONE FINANCIAL REPORT

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

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

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

Financial investments represent Atrium's investment in subsidiaries and are, therefore eliminated in the consolidated financial statements. These financial investments are classified as available for sale financial assets stated at cost less impairment, which approximate their fair value, as they are not quoted in an active market. They are recognised and derecognised on the date of the transaction with any resulting gain or loss recognised in the income statement.

All financial assets presented by Atrium are tested for impairment. The testing is performed annually or whenever there is an indication that an asset may be impaired. The recoverable amounts of financial investments and amounts due from subsidiary undertakings were assessed on the basis of the net assets of subsidiaries included in the consolidated financial statements of the Group.


Galeria Dominikanska, Wroclaw

**Statement of Financial Position of Atrium European Real Estate Limited as at 31 December 2015**

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | Note | €'000 | €'000 | €'000 | €'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Financial investments | 3.2 | 4,000 | | 4,745 | |
| Loans and receivables | 3.3 | 3,005,006 | | 3,059,811 | |
| Other assets | | 4,626 | | - | |
| | | | **3,013,632** | | **3,064,556** |
| **Current assets** | | | | | |
| Other receivables* | | 1,911 | | 1,023 | |
| Cash and cash equivalents* | | 196,497 | | 395,723 | |
| | | | **198,408** | | **396,746** |
| **Total assets** | | | **3,212,040** | | **3,461,302** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Stated capital | | 2,574,837 | | 2,673,166 | |
| Other reserves | | 4,154 | | 4,357 | |
| Retained Earnings | 3.4 | (262,703) | | (42,647) | |
| **Total equity** | | | **2,316,288** | | **2,634,876** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 3.5 | 854,251 | | 777,341 | |
| Provisions | 3.7 | - | | 1,200 | |
| | | | **854,251** | | **778,541** |
| **Current liabilities** | | | | | |
| Borrowings | 3.5 | - | | 30,589 | |
| Other payables | | 991 | | 1,252 | |
| Accrued expenditure | 3.6 | 19,510 | | 16,044 | |
| Provisions | 3.7 | 21,000 | | - | |
| | | | **41,501** | | **47,885** |
| **Total liabilities** | | | **895,752** | | **826,426** |
| **Total equity and liabilities** | | | **3,212,040** | | **3,461,302** |

*31/12/2014 balances have been reclassified, see note 2.2

**Income Statement of Atrium European Real Estate Limited for the year ended 31 December 2015**

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | Note | €'000 | €'000 | €'000 | €'000 |
| Administrative expenses | 3.8 | (32,518) | | (6,705) | |
| Impairment of assets | 3.9 | (519,171) | | (39,393) | |
| **Net operating loss** | | | **(551,689)** | | **(46,098)** |
| Interest income | 3.10 | 269,367 | | 233,763 | |
| Interest expense | 3.10 | (33,113) | | (22,406) | |
| Other financial income/(expense) | 3.11 | 95,379 | | (161,599) | |
| **Total net financial income** | | | **331,633** | | **49,758** |
| **(Loss)/Profit before and after taxation for the year** | | | **(220,056)** | | **3,660** |

## 3.2 FINANCIAL INVESTMENTS

| Name of subsidiary | Place of incorporation and operation | Principal activity | Ownership 2015 % | Ownership 2014 % | Carrying Amount 2015 €'000 | Carrying Amount 2014 €'000 |
|---|---|---|---|---|---|---|
| Broadvale Holdings Limited | Cyprus | Holding company | 100% | 100% | 3 | 3 |
| Mall Gallery I Limited | Cyprus | Holding company | 63% | 63% | 46,515 | 46,515 |
| Mall Gallery II Limited | Cyprus | Holding company | 100% | 100% | 30,228 | 30,228 |
| Atrium European Cooperatief U.A. | Netherlands | Holding company | 6.82% | 6.82% | 9,054 | 8,525 |
| Manhattan Real Estate Management, s.r.o. | Czech Republic | Management company | 100% | 100% | 1,756 | 1,756 |
| Manhattan Real Estate Management Kft.[4] | Hungary | Management company | 100% | 100% | 911 | 860 |
| Atrium Treasury Services Ltd. | Jersey | Holding company | 100% | 100% | 4,000 | 4,000 |
| SIA Manhattan Real Estate Management | Latvia | Management company | 100% | 100% | 3 | 3 |
| Atrium Poland Real Estate Management Sp. z o.o. | Poland | Management company | 100% | 100% | 4,423 | 4,423 |
| Atrium Romania Real Estate Management SRL[5] | Romania | Management company | 100% | 100% | 255 | 6 |
| OOO Manhattan Real Estate Management[6] | Russia | Management company | 100% | 100% | 1,320 | - |
| Manhattan Real Estate Management SK s.r.o. | Slovakia | Management company | 100% | 100% | 211 | 211 |
| Manhattan Gayrimenkul Yönetimi Limited Şirketi | Turkey | Management company | 100% | 100% | 4 | 4 |
| **Total gross value** | | | | | **98,683** | **96,534** |
| Accumulated impairment loss | | | | | (94,683) | (91,789) |
| **Total net value** | | | | | **4,000** | **4,745** |

[4] The Manhattan Real Estate Management Kft equity has been increased by €51 thousand.

[5] The Atrium Romania Real Estate Management SRL equity has been increased by €249 thousand.

[6] The OOO Manhattan Real Estate Management equity has been increased by €1,320 thousand.

## 3.3 LOANS AND RECEIVABLES

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Loans to third parties | 17,133 | 16,879 |
| Impairment of amounts due from third parties | (13,133) | (8,879) |
| Amounts due from subsidiary undertakings | 3,955,125 | 3,493,153 |
| Impairment of amounts due from subsidiary undertakings | (954,119) | (441,342) |
| **Total** | **3,005,006** | **3,059,811** |

The impairment of loans and receivables as at 31 December 2015 amounted to €954.1 million (2014: €441.3 million). The 2015 impairment was primarily triggered by the current economic situation and uncertainty in Russia and internal loans restructuring.

## 3.4 RETAINED EARNINGS

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Opening balance | (42,647) | (46,307) |
| Net result for the year | (220,056) | 3,660 |
| **Closing balance** | **(262,703)** | **(42,647)** |

## 3.5 BORROWINGS

Outstanding bonds net of transaction costs as at year end totalled €854.3 million (2014: €807.9 million). The whole amount is due in more than 12 months.

In May 2015, Atrium issued a further €150.0 million 3.625% notes due in October 2022 which were consolidated and form a single series with the €350.0 million 3.625% bonds due in October 2022 and issued by Atrium in October 2014. The issue price was 106.395 of the principal amount reflecting a yield of 2.9%. The cash proceeds amounted to €159.6 million including €3.0 million accrued interest.

During the year, Atrium repurchased bonds issued in 2005 and due in 2017, with a nominal value of €81.0 million. The net loss resulting from the bond buybacks was €7.9 million (see also note 3.11). The principal amount of the remaining notes is €3.9 million. The level of collateral pledged in support of the reduced outstanding principal amount has been revised so that the real estate assets value of €29.8 million as at 31 December 2015, was provided as collateral.

In August 2015, a further €30.6 million of the 2005 bonds reached their maturity date and were repaid.

In October 2014, Atrium issued a €350 million unsecured eight year Eurobond, carrying a 3.625% coupon. The bond is rated BBB- by both S&P and Fitch, in line with Atrium's own corporate rating. It will mature in October 2022 and had an issue price of 99.788%.

During 2014, Atrium repurchased bonds issued in 2005 and due in 2015, with a nominal value of €39.4 million. The net loss resulting from the bond buybacks was €1.9 million.

The bonds issued in 2013 to 2015 are subject to the following financial covenants: the solvency ratio shall not exceed 60%, the secured solvency ratio shall not exceed 40%; and the consolidated coverage ratio shall not be less than 1.5. The bonds issued in 2013 are also subject to a fourth covenant: the ratio of unsecured consolidated assets to unsecured consolidated debt shall not be less than 150%. All convenants were met throughout the year. Further information about the above mentioned bonds is disclosed in note 3.10.

In October 2015, Atrium signed a new five-year unsecured revolving credit facility for a total of €125 million at 3m Euribor +1.5% which comprises €100 million of new credit and an existing €25 million facility which has been extended. The facility was provided by a syndicate of ING Bank N.V., Citibank N.A. and HSBC Bank plc. Following this transaction, Atrium has undrawn revolving credit facilities of €150 million.

In October 2014, Atrium obtained two revolving credit facilities, for a period of five years each, amounting to a total of €50 million (€25 million of which was extended as referred to above). The utilised credit facility shall bear a Euribor rate for deposits with same duration as each drawdown plus a 1.5% margin. The credit facilities are subject to the same financial covenants as the bonds issued in 2014.

## 3.6 ACCRUED EXPENDITURE

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Accrued interest | 13,685 | 14,160 |
| Accrued directors' fees | 601 | 368 |
| Accrued consultancy and audit fees | 5,224 | 1,516 |
| **Total** | **19,510** | **16,044** |

## 3.7 PROVISIONS

| Provisions | €'000 |
|---|---|
| Balance as at 1 January 2015 | 1,200 |
| Additional provision in the period | 20,046 |
| Utilized during the period | (246) |
| Foreign currency differences | - |
| **Balance as at 31 December 2015** | **21,000*** |
| Of which<br>Current portion | 21,000 |
| Non-current portion | - |
| **Total provisions** | **21,000** |

* Legacy legal provision as at the end of the third quarter was €4.5 million. The increase is largely attributable to the compensation arrangements implemented in January 2016 as referred to in note 2.40.

## 3.8 ADMINISTRATIVE EXPENSES

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Consultancy and other fees | (3,241) | (582) |
| Directors' fees and expenses | (775) | (510) |
| Legal fees | (1,094) | (698) |
| Legacy legal matters | (5,459) | (3,399) |
| Legacy legal - provision | (19,800) | (200) |
| Audit fees | (755) | (727) |
| Other expenses | (1,394) | (589) |
| **Total** | **(32,518)** | **(6,705)** |

## 3.9 IMPAIRMENT OF ASSETS

The impairment of assets for the year 2015 amounted to €519.2 million (2014: €39.4 million) and comprised of the net impairment loss on amounts due from subsidiaries undertakings of €516.3 million (2014: net impairment loss €28.0 million) and the net impairment loss on financial investments of €2.9 million (2014: net impairment loss €11.4 million).

## 3.10 INTEREST INCOME AND INTEREST EXPENSE

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| **Interest income** | | |
| From loans to subsidiaries | 269,011 | 232,652 |
| From deposits, loans to third parties and other | 356 | 1,111 |
| **Total** | **269,367** | **233,763** |
| **Interest expense** | | |
| Interest on bonds | (32,356) | (21,282) |
| Amortization of 'bonds' premiums and discounts | (757) | (1,124) |
| **Total** | **(33,113)** | **(22,406)** |

Atrium's interest expense in 2015 and 2014 is mainly the interest related to Atrium's issued bonds:

| 2015<br>Bond/Issue year | Currency | Interest rate | Average maturity | Maturity | Book value<br>€'000 | Fair value<br>€'000 | Effective interest rate |
|---|---|---|---|---|---|---|---|
| Atrium European Real Estate Limited 2005 | EUR | 4.0%* | 1.6 | 2017 | 3,819 | 3,991 | 4.4% |
| Atrium European Real Estate Limited 2013 | EUR | 4.0% | 4.4 | 2020 | 347,201 | 372,405 | 4.2% |
| Atrium European Real Estate Limited 2014 | EUR | 3.625% | 6.9 | 2022 | 503,231 | 515,458 | 3.5% |
| **Total/Average** | | **3.8%** | **5.8** | | **854,251** | **891,854** | **3.8%** |

* 10Y swap rate, floor 4%

| 2014<br>Bond/Issue year | Currency | Interest rate | Average maturity | Maturity | Book value<br>€'000 | Fair value<br>€'000 | Effective interest rate |
|---|---|---|---|---|---|---|---|
| Atrium European Real Estate Limited 2005 | EUR | 4.4% | 0.6 | 2015 | 5,368 | 5,475 | 4.9% |
| Atrium European Real Estate Limited 2005 | EUR | 4.0%* | 2.6 | 2017 | 83,653 | 88,464 | 4.5% |
| Atrium European Real Estate Limited 2005 | CZK | 6M pribor+120bp | 0.6 | 2015 | 25,218 | 25,114 | 2.0% |
| Atrium European Real Estate Limited 2013 | EUR | 4.0% | 5.4 | 2020 | 346,689 | 368,779 | 4.2% |
| Atrium European Real Estate Limited 2014 | EUR | 3.625% | 7.9 | 2022 | 347,002 | 356,463 | 3.7% |
| **Total/Average** | | **3.8%** | **6.0** | | **807,930** | **844,295** | **4.0%** |

* 10Y swap rate, floor 4%

| Collateral | Fair value of pledged investment properties 31 December 2015 €'000 | Fair value of pledged investment properties 31 December 2014 €'000 |
|---|---|---|
| Bond 2005 | 29,766 | 438,786 |

In December 2015, the level of collateral pledged in support of the outstanding principal amount of the bond 2005 was revised so that real estate assets with an aggregate value of €29.8 million as at 31 December 2015 are provided as collateral.

## 3.11 OTHER FINANCIAL EXPENSES

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Loss from financial transactions | (4,867) | (1,005) |
| Bond buy back costs | (7,940) | (1,883) |
| Foreign exchange gains (losses) | 108,186 | (158,711) |
| **Total** | **95,379** | **(161,599)** |

Foreign currency exchange losses and gains arise largely from foreign currency loans provided to subsidiaries. The foreign exchange gain in 2015 is primarily derived from the loans to subsidiaries denominated in Rouble €56.2 million (2014: foreign exchange loss €199 million), and in US Dollar €52.4 million (2014: foreign exchange gain €53 million). The foreign exchange loss in other currencies is €0.4 million (2014: foreign exchange loss €12.7 million). Loss from financial transactions includes €4.3 million impairment (2014: €0.3 million) on a third party loan.

## 3.12 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%.

## 3.13 CATEGORIES OF FINANCIAL INSTRUMENTS

Atrium distinguishes the following categories of financial instruments

| 2015 | Carrying amount €'000 | Loans and receivables €'000 | Available for sale financial assets €'000 | Financial liabilities at amortized cost €'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial investments | 4,000 | - | 4,000 | - |
| Long term loans and receivables | 3,005,006 | 3,005,006 | - | - |
| Other assets | 4,626 | 4,626 | - | - |
| Other receivables | 1,911 | 1,911 | - | - |
| Cash and cash equivalents | 196,497 | 196,497 | - | - |
| **Total financial assets** | **3,212,040** | **3,208,040** | **4,000** | **-** |
| **Financial liabilities** | | | | |
| Long term borrowings | 854,251 | - | - | 854,251 |
| Other payables | 991 | - | - | 991 |
| Accrued expenditure | 19,510 | - | - | 19,510 |
| **Total financial liabilities** | **874,752** | **-** | **-** | **874,752** |

| 2014 | Carrying amount €'000 | Loans and receivables €'000 | Available for sale financial assets €'000 | Financial liabilities at amortised cost €'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial investments | 4,745 | - | 4,745 | - |
| Long term loans and receivables | 3,059,811 | 3,059,811 | - | - |
| Other receivables | 786 | 786 | - | - |
| Cash and cash equivalents | 395,960 | 395,960 | - | - |
| **Total financial assets** | **3,461,302** | **3,456,557** | **4,745** | **-** |
| **Financial liabilities** | | | | |
| Long term borrowings | 777,341 | - | - | 777,341 |
| Short term borrowings | 30,589 | - | - | 30,589 |
| Other payables | 1,252 | - | - | 1,252 |
| Accrued expenditure | 16,044 | - | - | 16,044 |
| **Total financial liabilities** | **825,226** | **-** | **-** | **825,226** |

The fair values of bonds presented under long term and short term borrowings are stated in note 3.10. The fair values of financial assets and remaining financial liabilities approximate their book values. Financial liabilities are stated at amortised cost.

## 3.14 RISK MANAGEMENT

The risk management processes of Atrium are the same as those of the Group, described in note 2.38, except as stated below.

### Credit risk

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

Atrium's principal financial assets are cash and cash equivalents, other receivables, loans and receivables and financial investments. The maximum exposure of Atrium to credit risk is the carrying amount of each class of financial assets. See also note 3.13.

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

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

In 2015, the carry value of invetments decreased mainly due to impairments relating to subsidiary undertakings as a result of a decrease in the fair value of those companies. The amounts due from subsidiary undertakings were impaired as disclosed in note 3.9. As intercompany transactions and balances are eliminated in the consolidated financial statements, they only represent a credit risk exposure on Atrium's level. To mitigate the other credit risk arising from financial instruments - loans to third parties, historical data of counterparties from the business relationship are used, in particular data in relation to payment behaviour. Allowances for receivables are recorded in respect of the level of recognised risks, are individually tailored to each borrower and are calculated on the basis of management knowledge of the business and the market.

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

**Liquidity risk**

Liquid funds comprise cash and cash equivalents at the amount of €196 million (2014: €396 million).

The table below analyses Atrium's financial liabilities including accrued interest payments based on maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

| 2015 | 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 accrued interest | 867,936 | 1,051,033 | 32,279 | 36,129 | 446,375 | 536,250 |
| Other liabilities | 6,816 | 6,816 | 6,816 | - | - | - |
| **Total** | **874,752** | **1,057,849** | **39,095** | **36,129** | **446,375** | **536,250** |

| 2014 | 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 accrued interest | 822,091 | 1,011,888 | 61,437 | 30,082 | 168,307 | 752,062 |
| Other liabilities | 3,135 | 3,135 | 3,135 | - | - | - |
| **Total** | **825,226** | **1,015,023** | **64,572** | **30,082** | **168,307** | **752,062** |

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

**Currency risk**

Atrium is financed in Euros. Atrium's main exposure to currency risk arises from financial instruments representing intercompany transactions within the Group. Atrium currently has 63% of net financial instruments denominated in EUR (2014: 62%), 3% in USD (2014: 5%), 20% in PLN (2014: 12%), 0% in RUB (2014: 12%) and 14% in other currencies (2014: 9%). Intercompany loans denominated in RUB currency were converted to EUR in 2015.

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:

| 2015 | Financial assets | Financial liabilities | Net exposure |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| CZK | 276,072 | - | 276,072 |
| HUF | 49,850 | - | 49,850 |
| PLN | 457,431 | - | 457,431 |
| RUB | - | - | - |
| USD | 81,058 | - | 81,058 |

| 2014 | Financial assets | Financial liabilities | Net exposure |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| CZK | 178,351 | (25,311) | 153,040 |
| HUF | 50,873 | - | 50,873 |
| PLN | 325,541 | - | 325,541 |
| RUB | 316,700 | - | 316,700 |
| USD | 142,894 | - | 142,894 |

Sensitivity analysis

A 10 percentage point strengthening of the Euro against the following currencies at 31 December 2015 and 31 December 2014 would have changed profit in the income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

**Atrium's sensitivity analysis of strengthening Euro against foreign currency**

| | 2015 (Loss) €'000 | 2014 (Loss) €'000 |
|---|---|---|
| CZK | (27,607) | (15,304) |
| HUF | (4,985) | (5,087) |
| PLN | (45,743) | (32,554) |
| RUB | - | (31,670) |
| USD | (8,106) | (14,289) |

A 10 percentage point weakening of the Euro against the following currencies at 31 December 2015 and 31 December 2014 would have changed profit in the income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

**Atrium's sensitivity analysis of weakening Euro against foreign currency**

| | 2015 Gain €'000 | 2014 Gain €'000 |
|---|---|---|
| CZK | 27,607 | 15,304 |
| HUF | 4,985 | 5,087 |
| PLN | 45,743 | 32,554 |
| RUB | - | 31,670 |
| USD | 8,106 | 14,289 |

**Interest rate risk**

A large share of financial instruments i.e. 99.6% of financial liabilities (2014: 87%) and 76% of financial assets (2014: 76%) incurred interest on a fixed interest basis in 2015. Therefore, interest rate risk is reduced to the income statement impact from interest paid and received on variable interest rate of financial instruments. The carrying amounts of these instruments are stated in the table below:

**Financial instruments bearing variable interest rates**

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Financial assets | 782,429 | 772,847 |
| Financial liabilities | (3,819) | (108,873) |
| **Total** | **778,610** | **663,974** |

Sensitivity Analysis

At 31 December 2015, it was estimated that a general decrease of one percentage point (100 basis points) in interest rates would decrease Atrium's interest income and profit by approximately €7.8 million (2014: €6.6 million). As Atrium does not hedge this risk, the same would be true for a one percentage point (100 basis points) increase, which would increase the profit by approximately the same amounts.

## 3.15 CONTINGENCIES AND SUBSEQUENT EVENTS

Contingencies and subsequent events are the same as those of the Group and are disclosed in notes 2.40 and 2.41.


# 04

# INDEPENDENT AUDITOR'S REPORT

Atrium Reduta, Warsaw

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

We have audited the Group and Parent Company financial statements (the 'Annual Financial Statements') of Atrium European Real Estate Limited for the year ended 31 December 2015 which comprise the Consolidated and Parent Company Statements of Financial Positions, the Consolidated and Parent Company Income Statements, the Consolidated Statement of Comprehensive Income /(Loss), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as endorsed by the EU.

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the directors are responsible for the preparation of the Annual Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Annual Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

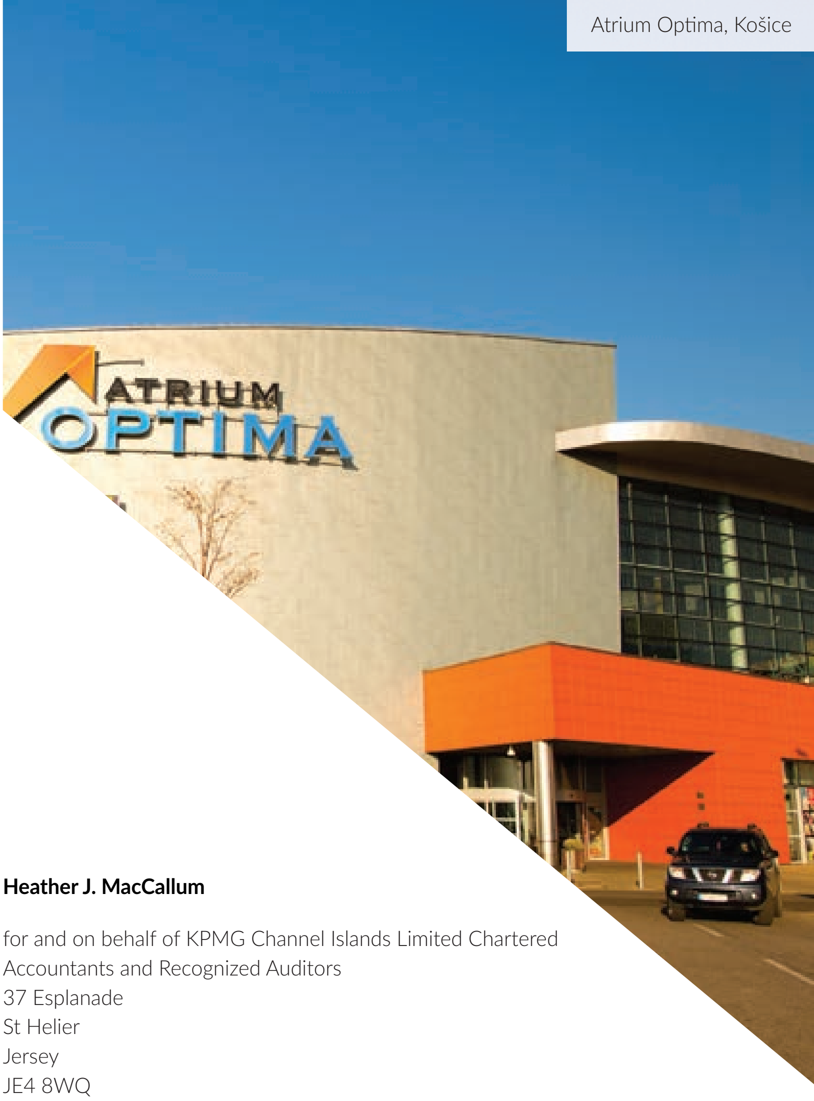
## SCOPE OF THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Annual Financial Statements sufficient to give reasonable assurance that the Annual Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Annual Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON ANNUAL FINANCIAL STATEMENTS

In our opinion:

- The Annual Financial Statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2015 and of the Group's profit and the Parent Company's loss for the year then ended;
- the Group Annual Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU;
- the Parent Company Statement of Financial Position, Income Statement and related notes have been properly prepared in accordance with International Financial Reporting Standards as endorsed by the EU as applied in accordance with the provisions of the Companies (Jersey) Law 1991; and
- the Annual Financial Statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.




## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS: GROUP MANAGEMENT REPORT AND COMMENT ON THE DECLARATION OF THE PARENT COMPANY'S MANAGEMENT ACCORDING TO PARA 82 BORSEG

Pursuant to statutory provisions, the Group Management Report is to be audited as to whether it is consistent with the Group Annual Financial Statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the Group Management Report is consistent with the Group Annual Financial Statements.

In our opinion, the Group Management Report is consistent with the Group Annual Financial Statements.

The Group Management Report for the year ended 31 December 2015 includes the declaration of the Parent Company's management according to para 82 (4) fig 3 BorseG.

**Heather J. MacCallum**

for and on behalf of KPMG Channel Islands Limited Chartered Accountants and Recognized Auditors
37 Esplanade
St Helier
Jersey
JE4 8WQ

*9 March 2016*

**Notes:**

- The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 9 March 2016. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 9 March 2016 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.


# 05

## DIRECTORS, GROUP EXECUTIVE TEAM, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS


Atrium Targówek, Warszawa

## DIRECTORS

Chaim Katzman
Rachel Lavine
Noam Ben-Ozer
Peter Linneman
Simon Radford
Thomas Wernink
Andrew Wignall
Karine Ohana (appointed 24 June 2015)

## GROUP EXECUTIVE TEAM

Josip Kardun
Group CEO

Rolf Rüdiger Dany
Group COO

Ryan Lee
Group CFO (from 01/04/2015)

Soňa Hýbnerová
Group CFO (until 31/03/2015)

Thomas Schoutens
Group CDO

Geraldine Copeland-Wright
Group GC

Liad Barzilai
Group CIO (until 14/11/2015)

Ljudmila Popova
Group Head of Asset Management & Investor Relations

## ADMINISTRATOR AND REGISTRAR

Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH

## INDEPENDENT AUDITORS

KPMG Channel Islands Limited
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE4 8WQ

## MEDIA RELATIONS ADVISOR

FTI Consulting
200 Aldersgate, Aldersgate Street
London, EC1A 4HD, UK

## REGISTERED OFFICE

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St Helier
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## BUSINESS ADDRESS

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Jersey
JE2 3QQ

## PRINCIPAL LOCATIONS

Czech Republic
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1077 XX Amsterdam

Poland
Atrium Poland Real Estate Management Sp. z o.o.
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Warsaw

Romania
Atrium Romania Real Estate Management SRL
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Bucharest

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OOO Manhattan Real Estate Management
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