INTERIM FINANCIAL REPORT 30 JUNE 2019

LEADER IN CENTRAL EUROPEAN SHOPPING CENTRES

ABOUT ATRIUM

Atrium is a leading owner and manager of high quality retail and leisure shopping destinations in growing urban locations in Central Europe and a hallmark of a high quality retail experience for consumers and retailers.

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

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

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

OUR PROFILE

Atrium Group owns a €2.7 billion[1] portfolio of 32[1] retail properties which produced €96.5[2] million of rental income during the first six months of 2019. These properties are located predominantly in Poland and the Czech Republic, and, as of today, with the exception of one, are all managed by Atrium's internal team of retail real estate professionals.

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

OUR FOCUS FOR 2019

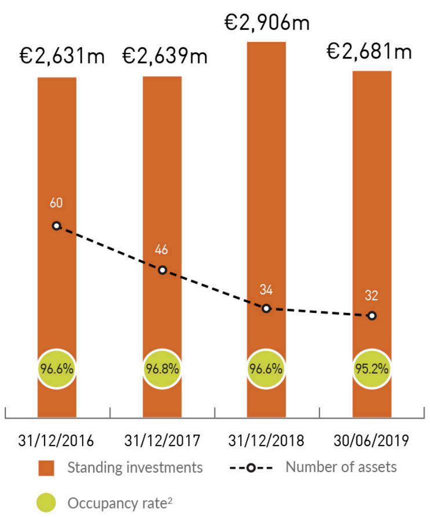
- In a changing retail environment, to continue to improve the quality of our portfolio through further selective rotation, driving the operational and financial performance of our assets and increasing the offer to retailers and consumers through the relevant extension and renovation of our already stable and successful investments and redevelopments;
- Strengthen our relationships with tenants and support new market entrants;
- Increase the resilience of the portfolio by meeting the every-day needs of consumers whilst at the same time be positioned as an attractive destination location;
- Maintain financing flexibility and appropriate liquidity;
- Innovation - anticipating and reacting to increased competition, Omni channel penetration, digitalisation and creating a click and brick synergy.

1 Including a 75% stake in assets held in Joint Ventures and excluding €295.8 million representing two assets in Poland classified as held for sale as at 30 June 2019

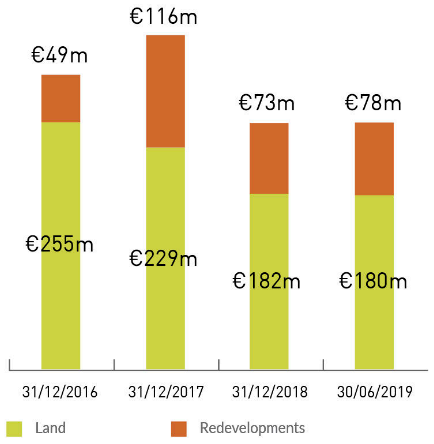
2 Including a 75% stake in assets held in Joint Ventures (Arkady Pankrac is managed externally)

KEY HIGHLIGHTS

STANDING INVESTMENTS[1]

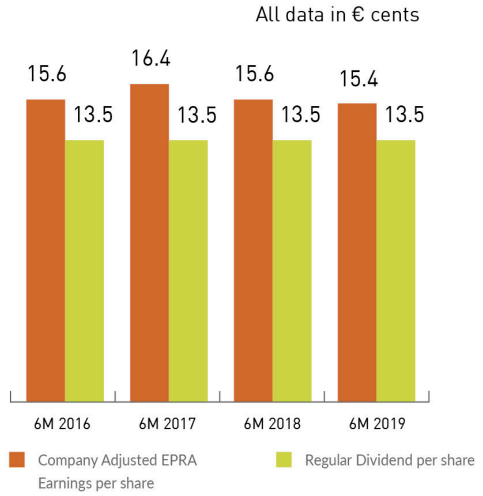


REDEVELOPMENTS AND LAND[3]



NET RENTAL INCOME[4]

COMPANY ADJUSTED EPRA EARNINGS AND REGULAR DIVIDEND PER SHARE



1 Including a 75% stake in assets held in Joint Ventures and excluding €295.8 million representing two assets in Poland classified as held for sale as at 30 June 2019
2 The Occupancy rate, shown above, is defined as 100% less EPRA vacancy
3 Excluding €29.1 million classified as held for sale as at 31 December 2018
4 Including a 75% stake in assets held in Joint Ventures

KEY PERFORMANCE INDICATORS

KEY FINANCIAL FIGURES OF THE GROUP	Unit	6M 2019	6M 2018	Change %	FY 2018
Net rental income excl. Russia	€'000	74,584	71,717	4.0%	139,805
EPRA like-for-like net rental income excl.Russia	€'000	40,505	39,924	1.5%	79,024
Net rental income	€'000	92,412	91,839	0.6%	178,947
EPRA like-for-like net rental income	€'000	51,503	51,230	0.5%	118,166
Operating margin	%	95.8	97.3	(1.5%)	96.4
EBITDA[1]	€'000	80,987	80,861	0.2%	149,511
Company adjusted EPRA earnings	€'000	58,159	58,848	(1.2%)	110,751
Regular dividend pay-out ratio	%	87.7	86.5		92.2
Revaluation of standing investments	€'000	7,265	7,309		17,895
Revaluation of redevelopments and land	€'000	(4,903)	(2,125)		(19,244)
Profit after taxation	€'000	56,910	48,500	17.3%	60,627
Net cash generated from operating activities	€'000	42,533	18,292	132.5%	57,773
IFRS Earnings per share	€cents	15.1	12.8	18.0%	16.1
Company adjusted EPRA earnings per share	€cents	15.4	15.6	(1.2%)	29.3

1 Excluding revaluation, disposals, impairments

FINANCIAL POSITION	Unit	30-6-2019	31-12-2018	Change %
Standing investments at fair value	€'000	2,680,946	2,905,858	(7.7%)
Redevelopments and land at fair value	€'000	257,984	255,429	1.0%
Cash and cash equivalents	€'000	27,563	38,493	(28.4%)
Equity	€'000	1,786,285	1,793,049	(0.4%)
Borrowings	€'000	1,298,378	1,249,038	4.0%
LTV (net)	%	39.3	37.9	1.4%
IFRS NAV per share	€	4.73	4.75	(0.4%)
EPRA NAV per share	€	5.05	5.03	0.4%

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

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GROUP MANAGEMENT REPORT


RESERVED

GROUP MANAGEMENT REPORT

BUSINESS REVIEW

OPERATIONAL AND FINANCIAL PERFORMANCE

During the first half of 2019, the Group continued to see the benefits of our ongoing strategy to reposition our portfolio towards large, high quality assets, in strong urban locations and capital cities, that deliver a more robust and sustainable income.

The repositioning continued with the sale of the two Polish shopping centres, Atrium Koszalin, located in Koszalin, and Atrium Felicity in Lublin, for a total of €298 million (completed in July 2019). This transaction, which was completed at approximately 3% above book value, followed the disposal of a land plot in Gdansk in January 2019 for €28 million and the purchase of the c. 7,000 sqm King Cross Shopping Centre in Warsaw for €43 million in June 2019.

In July 2019, Atrium entered into agreement to sell Atrium Duben shopping centre in Zilina, Slovakia for approximately €37 million, representing its book value as of 30 June 2019, with expected closing by end of the year.

The Group NRI grew to €92.4 million. When Russia is excluded, Group NRI increased by 4.0%, or €2.9 million, as higher quality cash flow generated from our acquisitions and the successful opening of our three extensions in Warsaw at the end of 2018 offset reduced cashflow as a result of our strategic disposal plan, including our exit from Hungary and Romania. As anticipated, the Russian performance was adversely impacted by the decisions of MediaMarkt and Castorama to withdraw from the country, although our on the ground team continues to actively manage our assets and wider occupier relationships. Occupancy in our Russian portfolio remains high at 92.4%.

EBITDA remained stable at €81.0 million, with an 88% EBITDA margin. Company adjusted EPRA earnings per share was €cents 15.4, compared to €cents 15.6 in the first six months of 2018.

Profit after tax was 17% higher versus the same period last year, at €56.9 million.

Net cash generated from operating activities was €42.5 million compared to €18.3 million for the first six months of 2018. The increase was primarily due to the cash payments of €27 million, related to the Austrian legacy legal compensation arrangement, that were paid in the first six months of 2018.

Net LTV was 39.3% as at 30 June 2019 and is expected to decrease to approximately 34% following the disposal of the two Polish assets.

DIVIDEND

In November 2018, the Company's Board of Directors approved an annual dividend of €cents 27 per share for 2019, subject to a quarterly review, to be paid as a capital repayment, in quarterly instalments of €cents 6.75 per share at the end of each calendar quarter, commencing at the end of March 2019 (subject to any legal and regulatory requirements and restrictions of commercial viability). Accordingly, on 29 March 2019 and 28 June 2019 respectively, Atrium completed the first and the second dividend payments of €cents 6.75 each per ordinary share (paid as a capital repayment), which amounted to a total of €51.0 million (6 Months 2018: €51.0 million[3]).

As announced on 23 July 2019, in connection with the recommended cash acquisition of the entire issued and to be issued ordinary share capital of the Company, the Independent Committee of the Board of Directors has agreed to stop dividend payments by the Company, as Gazit's offer assumes that no further regular dividends will be paid until the completion of the transaction which is scheduled for 2 January 2020. The Company's shareholders are compensated for this through the offer price. The announcement (and other reference materials) can be found on the Company's website at www.aere.com/investors-lobby.aspx .

3 Excluding special dividend of €14 cents paid on 29 March 2018, which amounted to a total of €52.8 million.

OUR MARKETS

BUSINESS ENVIRONMENT	Poland	Czech Republic	Russia	Slovakia	EU	France	Germany
2018 real GDP growth	5.1%	2.9%	2.3%	4.1%	1.5%	1.5%	1.5%
2019f real GDP growth	3.8%	2.9%	1.6%	3.7%	1.5%	1.3%	0.8%
2019f unemployment	3.6%	3.1%	4.8%	6.1%	7.3%	8.8%	3.4%
2019f inflation	2.3%	2.1%	4.8%	2.2%	1.2%	1.2%	1.6%
2019f Retail sales growth	4.7%	4.5%	5.6%	4.7%	1.5%	(0.1%)	0.9%

In the first quarter of 2019, GDP growth in our markets continued to hold up well against previous forecasts. In Poland, our primary market where 64.4% of our portfolio by value is located, GDP growth was better than forecast at 4.7%, while GDP in the Czech Republic grew by 2.6%. Only in Russia did growth slow and was at 0.5% year on year. Despite Russia's slowdown in growth, the economy continues to defy the negative impact of sanctions.

Uncertainty in Europe, arising from both economic performance and political issues, is something we remain mindful of. On the economic front, the ECB has outlined its intention to cut interest rates and relaunch its asset purchase programme if inflation rates and market expectations continue to weaken. Politically, the Brexit process has no clear resolution in sight, despite fervent promises from UK politicians that they can deliver a solution.

Against this, growth within the CEE is expected to continue in 2019, albeit at a slower pace. Whilst a large part of the positive performance in these markets is home-grown, the slower and slowing EU economies will have an impact that can only be partially offset by CEE economic stimulus measures, such as maintaining low interest rates and government infrastructure investment. Poland's performance was underpinned by a 3% quarter on quarter uplift in production, while in the Czech Republic production contracted by 0.5%.

The retail sales performance in Poland, the Czech Republic and Russia exceeded GDP figures, driven by low unemployment, inflation and high real wage growth. Polish retail spending in the first quarter was, on average, up 4.5% year on year, jumping to 11.9% in April, while wages grew by 7.1% year on year. Over the same period, Czech retail sales were up on average by 4.8% year on year, with 6.0% real wage growth. In Russia, indications are that the slowdown in household spending growth may be behind us; the manufacturing Purchasing Managers' Index has bounced back since the 2018 trough and, recently, construction confidence has risen as new orders have increased.

Stronger purchasing power in CEE has led to increased dwelling times at shopping centres and at the same time consumer demand for both "retailtainment" and convenience is increasing; visitors want to be able to shop for basics quickly and efficiently, leaving time for entertainment. Recent research in Poland has shown that shoppers are inclined towards allocating the greater share of their salaries on culture and entertainment. Shopping centres are therefore having to adjust to changing customer patterns, providing space for restaurants and entertainment, such as cinemas, in addition to retail outlets.

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

OUTLOOK

The outlook for the second half of the year remains positive with continued strong growth in the CEE retail sector, arising from above inflation GDP increases and low unemployment, which, combined with the continued lower long term interest rate outlook, is underpinning the supportive investment market.

OPERATING ACTIVITIES

THE GROUP'S STANDING INVESTMENT PORTFOLIO PRODUCED THE FOLLOWING RESULTS IN TERMS OF GROSS AND NET RENTAL INCOME, AND EPRA LIKE-FOR-LIKE RENTAL INCOME DURING THE REPORTING PERIOD:

Country	Gross rental income 6M 2019 €'000	Gross rental income 6M 2018 €'000	Change %	Net rental income 6M 2019 €'000	Net rental income 6M 2018 €'000	Change %
Poland	57,414	49,609	15.7%	55,166	47,513	16.1%
Czech Republic	9,794	9,729	0.7%	9,730	9,560	1.8%
Slovakia	5,597	5,348	4.7%	5,505	5,169	6.5%
Russia	18,804	19,392	(3.0%)	17,828	20,122	(11.4%)
Hungary	-	1,028	(100.0%)	-	827	(100.0%)
Romania	-	4,069	(100.0%)	-	3,829	(100.0%)
Total	**91,609**	**89,175**	**2.7%**	**88,229**	**87,020**	**1.4%**
Investment in Joint Ventures (75%)	4,845	5,160	(6.1%)	4,183	4,819	(13.2%)
Total rental income	**96,454**	**94,335**	**2.2%**	**92,412**	**91,839**	**0.6%**

Country	EPRA like-for-like gross rental income 6M 2019 €'000	EPRA like-for-like gross rental income 6M 2018 €'000	Change %	EPRA like-for-like net rental income 6M 2019 €'000	EPRA like-for-like net rental income 6M 2018 €'000	Change %
Poland	30,962	31,052	(0.3%)	30,774	30,481	1.0%
Czech Republic	9,794	9,565	2.4%	9,731	9,443	3.1%
Subtotal	**40,756**	**40,617**	**0.3%**	**40,505**	**39,924**	**1.5%**
Russia	11,794	11,197	5.3%	10,998	11,306	(2.7%)
Like-for-like rental income	**52,550**	**51,814**	**1.4%**	**51,503**	**51,230**	**0.5%**
Remaining rental income	43,904	42,365	3.6%	40,909	40,606	0.7%
Exchange rate effect[1]	-	156			3	
Total rental income	**96,454**	**94,335**	**2.2%**	**92,412**	**91,839**	**0.6%**

[1] To enhance comparability of GRI/NRI, prior period values for like-for-like properties have been recalculated using the 2019 exchange rates as per EPRA best practice recommendations

The Group's portfolio produced €96.5 million of GRI during the period, a 2.2% increase compared to the same period last year, with notable gains made in both Poland and Slovakia. Poland delivered a 15.7% increase in GRI, mainly due to the increase in high quality income from the Wars Sawa Junior acquisition and the redevelopment extensions opened in Warsaw at the end of 2018, while in Slovakia GRI increased by 4.7% due to the positive impact of the Hypermarket restructuring in 2018. These gains were offset by the strategic disposal, and associated loss of income, of non-core assets to exit the Hungarian and Romanian markets in 2018, as well as a temporary decrease in rent at Pankrac in the Czech Republic due to redevelopment. GRI in Russia has been impacted by the exit of MediaMarkt and Castorama from the Russian market and the subsequent retenanting required.

Group NRI followed a similar trend to GRI, with the exception of Russia where the results were affected by a market wide increase in service provider costs.

On a like-for-like basis there were also increases in both Group GRI and NRI, with EPRA like-for-like NRI increasing by 1.5%, excluding Russia. In our individual primary markets, we achieved a 3.1% like-for-like NRI increase in the Czech Republic and a 1.0% uplift in Poland, where the process of repositioning our portfolio, so that it comprises fewer, higher quality assets in tier one and capital cities, continues.

Overall, the income figures reflect the continued progress being made in our strategy of focussing on higher quality assets in prime urban locations, that can deliver stronger and more sustainable income in the long term.

Our operating margin, whilst remaining above our 95% target, decreased by 1.5% to 95.8% (30 June 2018: 97.3%) mainly due to the higher service provider costs in Russia in 2019 as mentioned above, and the impact of the redevelopment project at Pankrac in the Czech Republic.

As at 30 June 2019, EPRA[4] occupancy was 95.2% (31 December 2018: 96.6%).

THE COUNTRY DIVERSIFICATION OF THE GROUP'S INCOME PRODUCING PORTFOLIO AS AT 30 JUNE 2019 IS PRESENTED BELOW:

Standing investments[1] Country	No. of properties	Gross lettable area sqm	Portfolio %	Market value €'000	Portfolio %
Poland	20	474,500	54.4%	1,727,466	64.4%
Czech Republic	2	61,100	7.0%	338,112	12.6%
Slovakia	2	68,400	7.8%	161,007	6.0%
Russia	7	237,500	27.3%	280,275	10.5%
Total	**31**	**841,500**	**96.6%**	**2,506,860**	**93.5%**
Investment in Joint Ventures (75%)	1	30,000	3.4%	174,086	6.5%
Total standing investments	**32**	**871,500**	**100.0%**	**2,680,946**	**100.0%**

1 Excluding €295.8 million representing two assets in Poland classified as held for sale as at 30 June 2019

The overall market value of the Group's standing investments decreased from €2,906 million at the 2018 year end to €2,681[5] million as at 30 June 2019, largely due to the disposals of Atrium Koszalin and Atrium Felicity in July 2019 (which were classified as held for sale as at 30 June 2019), offset by our acquisition of King Cross Shopping Centre. The market value of the Group's standing investments in Russia represented 10.5% (31 December 2018: 9.6%) of the total market value of the standing investments.

Details of the key transactions completed by the Group during and after the period are listed below:

AQUISITIONS

In June 2019, the Group completed the acquisition of King Cross Shopping Centre in Warsaw, a well-connected and established retail destination that offers future redevelopment opportunities, for a consideration of €43 million.

DISPOSALS

In July 2019, the Group completed the sale of two Polish shopping centres, Atrium Koszalin, in Koszalin and Atrium Felicity, in Lublin, with a total lettable area of approximately 111,100 sqm for €298 million, approximately 3% above the book value.

THE YIELD DIVERSIFICATION OF THE GROUP'S INCOME PRODUCING PORTFOLIO AND EPRA OCCUPANCY ARE PRESENTED BELOW:

Standing investments[1] Country	Net equivalent yield[2] (weighted average) %	EPRA Net initial yield (NIY)[4] %	Occupancy rate[3] %
Poland	5.8%	5.4%	95.5%
Czech Republic	5.3%	5.5%	95.5%
Slovakia	6.8%	6.9%	99.0%
Russia	12.7%	11.3%	92.4%
Average	**6.5%**	**6.1%**	**95.2%**

1 The table excludes two assets in Poland classified as held for sale as at 30 June 2019

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

3 The Occupancy rate is defined as 100% less EPRA vacancy

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

At 30 June 2019, the portfolio's net equivalent yield increased to 6.5%, the EPRA net initial yield remained at 6.1% (31 December 2018: 6.4% and 6.1%) and the alternative EPRA "topped up" NIY decreased to 6.5% (31 December 2018: 6.6%) as a result of both the disposal of non-core assets and the acquisitions within the portfolio.

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

5 Excluding €295.8 million representing two assets in Poland classified as held for sale as at 30 June 2019

REDEVELOPMENTS AND LAND PORTFOLIO

One of the Group's major strategic focus is to upgrade and extend proven assets, which are already cash generating and where there is retailer and consumer demand resulting in a lower execution risk.

As at 30 June 2019, Atrium's redevelopments and land portfolio were valued at €258 million compared to €285[6] million as at 31 December 2018. Of this €180 million is land (31 December 2018: €212[6] million), which Atrium continues to seek to monetise, mainly through sales, and €78 million is incurred costs, year-to-date, for the future phases of the Promenada and other redevelopments (31 December 2018: €73 million).

STRATEGIC AND OPERATIONAL RISK FACTORS

The process which the Group follows in order to identify and mitigate its key risks is set out on pages 27 to 28 of the Annual Report and Financial Statements for the year ended 31 December 2018 (the "Annual Report"). The Directors have reviewed the key risks and have confirmed that the list as set out in the Annual Report remains appropriate.

6 Including €29.1 million land in Poland classified as held for sale as at 31 December 2018

EPRA PERFORMANCE MEASURES

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

A. EPRA EARNINGS

	6M 2019 €'000	6M 2018 €'000
Earnings attributed to equity holders of the parent company	**56,910**	**48,500**
Changes in value of investment properties	(2,362)	(5,184)
Net result on disposals of investment properties	523	(2,732)
Amortisation of intangible assets	618	1,102
Deferred tax in respect of EPRA adjustments	509	1,705
Joint venture interest in respect of the above adjustments	-	(308)
EPRA Earnings	**56,198**	**43,083**
Weighted average number of shares	377,865,774	377,362,043
EPRA Earnings per share (in €cents)	**14.9**	**11.4**
Company adjustments[1]		
Foreign exchange differences	108	(257)
Deferred tax not related to revaluations	1,323	21,351
Non-recurring tax charges	-	(5,329)
Corporate fees and other costs	530	-
Company adjusted EPRA earnings	**58,159**	**58,848**
Company adjusted EPRA earnings per share (in €cents)	**15.4**	**15.6**

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

B. EPRA NET ASSET VALUE ("NAV")

	30 June 2019		31 December 2018	
	€'000	in € per ordinary share	€'000	in € per ordinary share
NAV per the financial statements	**1,786,285**	**4.73**	**1,793,049**	**4.75**
Effect of exercise of options	7,429		8,715	
Diluted NAV, after the exercise of options	**1,793,714**	**4.72**	**1,801,764**	**4.74**
Fair value of financial instruments	19,700		5,097	
Deferred tax	104,738		104,530	
EPRA NAV	**1,918,151**	**5.05**	**1,911,391**	**5.03**

C. EPRA TRIPLE NAV ("NNNAV")

	30 June 2019		31 December 2018	
	€'000	in € per ordinary share	€'000	in € per ordinary share
EPRA NAV	**1,918,151**		**1,911,391**	
Fair value of financial instruments	(19,700)		(5,097)	
Impact of debt fair value	(62,928)		(45,818)	
Deferred tax	(104,737)		(104,530)	
EPRA NNNAV	**1,730,786**	**4.56**	**1,755,946**	**4.62**
Number of outstanding shares	377,912,324		377,787,123	
Number of outstanding shares and options	379,870,902		380,005,341	

D. EPRA NIY AND "TOPPED UP" NIY

	30 June 2019 €'000	31 December 2018 €'000
Investment property – wholly owned	2,764,844	3,016,530
Investment in Joint Venture (75%)	174,086	173,820
Less redevelopments and land	(257,984)	(284,492)
Completed property portfolio	**2,680,946**	**2,905,858**
Allowance for estimated purchasers' costs	48,339	52,859
Gross up completed property portfolio valuation (B)	**2,729,285**	**2,958,717**
Annualised cash passing rental income	176,891	190,693
Property outgoings	(9,114)	(9,418)
Annualised net rents (A)	**167,777**	**181,275**
Add: notional rent expiration of rent free periods or other lease incentives	10,960	13,720
Topped-up net annualised rent (C)	**178,737**	**194,995**
EPRA NIY A/B	**6.1%**	**6.1%**
EPRA "topped up" NIY C/B	**6.5%**	**6.6%**

E. EPRA VACANCY RATE

	30 June 2019 €'000	31 December 2018 €'000
Estimated rental value of vacant space	8,313	6,446
Estimated rental value of the whole portfolio	171,692	187,233
EPRA vacancy rate	**4.8%**	**3.4%**

F. EPRA COST RATIO

	6M 2019 €'000	6M 2018 €'000
Administrative expenses	10,835	10,385
Exclude non-recurring legacy legal and business restructuring costs	(530)	-
Other depreciation and amortisation	1,423	1,442
Costs connected with development	394	475
Net property expenses net of service charge income	3,380	2,155
Share of Joint Venture's expenses	662	339
EPRA Costs (including direct vacancy costs) (A)	**16,164**	**14,796**
Direct vacancy cost	(2,026)	(1,169)
EPRA Costs (excluding direct vacancy costs) (B)	**14,138**	**13,627**
Share of Joint Venture's income	4,845	5,160
Gross rental income	91,609	89,175
Total income (C)	**96,454**	**94,335**
EPRA Costs ratio (including direct vacancy costs) (A/C)	**16.8%**	**15.7%**
EPRA Costs ratio (excluding direct vacancy costs) (B/C)	**14.7%**	**14.4%**

STATEMENT IN ACCORDANCE WITH § 125 OF THE AUSTRIAN STOCK EXCHANGE ACT 2018 (BörseG 2018)

With respect to paragraph 125 of the Austrian Stock Exchange Act 2018 (§ 125 BörseG 2018), the directors confirm that to the best of their knowledge the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development including important events and performance of the business and the position of the Group during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

THE BOARD OF DIRECTORS

CHAIM KATZMAN
Chairman of the Board

MICHAEL ERRICHETTI
Director

NEIL FLANZRAICH
Director

SIMON RADFORD
Director

ANDREW WIGNALL
Director

LUCY LILLEY
Director

STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Interim Financial Report includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, “should”, “could”, “assumes”, “plans”, “seeks” or “approximately” or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Interim 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 Interim Financial Report is up to date only as of the date of this Interim 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 Interim Financial Report, and particularly the forward looking statements, are qualified by these cautionary statements.

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


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INTERIM FINANCIAL STATEMENTS


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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019		31 December 2018	
	Note	€'000	€'000	€'000	€'000
		(Unaudited)	(Unaudited)	(Audited)	(Audited)
ASSETS					
Non-current assets					
Standing investments	2.4	2,506,860		2,732,038	
Redevelopments and land	2.5	257,984		255,429	
Equity-accounted investment in joint ventures		178,667		177,909	
Other non-current assets		17,822		13,675	
			2,961,333		**3,179,051**
Current assets					
Cash and cash equivalents		27,563		38,493	
Other current assets		48,629		33,304	
Financial assets at FVOCI		12,976		13,425	
Assets held for sale	2.6	301,122		29,063	
			390,290		**114,285**
TOTAL ASSETS			**3,351,623**		**3,293,336**
EQUITY AND LIABILITIES					
Equity	2.7		**1,786,285**		**1,793,049**
Non-current liabilities					
Long term borrowings	2.8	1,052,808		1,186,060	
Derivatives	2.9	19,700		5,097	
Other non-current liabilities	2.10	139,281		152,426	
			1,211,789		**1,343,583**
Current liabilities					
Short term borrowings	2.8	245,570		62,978	
Other current liabilities	2.11	82,304		85,809	
Liabilities held for sale	2.6	19,201		1,165	
Provisions	2.12	6,474		6,752	
			353,549		**156,704**
TOTAL EQUITY AND LIABILITIES			**3,351,623**		**3,293,336**

The Group management report and the condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 30 July 2019 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, Neil Flanzraich, Chairman of the Audit Committee and Liad Barzilai, Group Chief Executive Officer.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June 2019		Six months ended 30 June 2018	
(Unaudited)	Note	€'000	€'000	€'000	€'000
Gross rental income		91,609		89,175	
Service charge income		33,267		34,040	
Net property expenses		(36,647)		(36,195)	
Net rental income			**88,229**		**87,020**
Net result on disposals		(523)		2,732	
Costs connected with developments		(394)		(475)	
Revaluation of standing investments, net		7,265		7,309	
Revaluation of redevelopments and land, net		(4,903)		(2,125)	
Other depreciation, amortisation and impairments		(1,423)		(1,442)	
Administrative expenses		(10,835)		(10,385)	
Share of profit of equity-accounted investment in joint ventures		3,987		5,006	
Net operating profit			**81,403**		**87,640**
Interest expenses, net		(19,304)		(16,704)	
Foreign currency differences		(108)		257	
Other financial expenses, net		(2,006)		(1,956)	
Profit before taxation			**59,985**		**69,237**
Taxation credit/(charge) for the period	2.13	(3,075)		(20,737)	
Profit after taxation for the period			**56,910**		**48,500**
Basic and diluted earnings per share in €cents attributable to shareholders			15.1		12.8

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2019		Six months ended 30 June 2018	
(Unaudited)	€'000	€'000	€'000	€'000
Profit for the period	**56,910**		**48,500**	
Items that will not be reclassified to the statement of profit or loss:				
Movement in financial assets at FVOCI reserve	(449)		(3,430)	
Items that are or may be reclassified to the statement of profit or loss:				
Exchange differences arising on translation of foreign operations	5		(53)	
Movements in hedging reserves (net of deferred tax)	(12,667)		(529)	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the period	-		(2,776)	
Total comprehensive income for the period		**43,799**		**41,712**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)	Six months ended 30 June 2019 €'000	Six months ended 30 June 2018 €'000
Cash flows from operating activities		
Profit before taxation	59,985	69,237
Adjustments for:		
Other depreciation, amortisation and impairments	1,423	1,442
Results from listed equity securities, net	(547)	(392)
Revaluation of standing investments, net	(7,265)	(7,309)
Revaluation of redevelopments and land, net	4,903	2,125
Foreign exchange differences	108	(257)
Change in legal provisions, net of amounts paid	(278)	(27,540)
Share based payment expenses	163	253
Share of profit of equity-accounted investments in joint ventures	(3,987)	(5,006)
Net result on disposals	523	(2,732)
Finance lease interest expense	1,772	1,393
Interest expense	19,355	16,820
Interest income	(51)	(116)
Operating cash flows before working capital changes	**76,104**	**47,918**
Increase in trade, other receivables and prepayments	(19,869)	(4,554)
Decrease in trade, other payables and accrued expenditure, net	(7,040)	(6,056)
Cash generated from operations	**49,195**	**37,308**
Decrease in restricted cash related to legacy legal claims arrangement	3,755	112
Interest paid	(11,987)	(17,287)
Interest received	52	183
Dividend received (mainly dividend from Joint Ventures)	3,710	392
Corporation taxes paid, net	(2,192)	(2,416)
Net cash generated from operating activities	**42,533**	**18,292**
Cash flows from investing activities		
Payments related to investment properties and other assets	(76,137)	(38,846)
Proceeds from the disposal of investment properties	27,303	65,173
Proceeds from loans granted	-	1,087
Net cash generated from/(used in) investing activities	**(48,834)**	**27,414**
Net cash flow before financing activities	**(6,301)**	**45,706**
Cash flows from financing activities		
Proceeds from issuance of share capital	-	579
Repayment of long term borrowings	(2,088)	(680)
Utilisation of a revolving credit facility	51,000	15,845
Repayments of lease liabilities	(435)	(101)
Dividends paid	(51,000)	(103,803)
Net cash used in financing activities	**(2,523)**	**(88,160)**
Net decrease in cash and cash equivalents	**(8,824)**	**(42,454)**
Cash and cash equivalents at the beginning of period	**38,493**	**71,920**
Cash and cash equivalents classified as held for sale	(2,583)	(88)
Effect of exchange rate fluctuations on cash held	477	(1,022)
Cash and cash equivalents at the end of period	**27,563**	**28,356**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

(Unaudited)	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings/ (deficit) €'000	Currency translation reserve €'000	Currency translation reserve for disposal group held for sale €'000	Equity attributable to the owners of the Company €'000
Balance as at 1 January 2019		**2,117,380**	**1,211**	**(4,454)**	**(8,503)**	**(236,370)**	**(76,215)**	**-**	**1,793,049**
Profit for the period		-	-	-	-	56,910	-	-	56,910
Other comprehensive income (expense)		-	-	(12,667)	(449)	-	5		(13,111)
Total comprehensive income (expense)		**-**	**-**	**(12,667)**	**(449)**	**56,910**	**5**	**-**	**43,799**
Transaction with owners of the Company									
Share based payment			163	-	-	-	-	-	163
Issue of no par value shares		412	(138)	-	-	-	-	-	274
Dividends	2.7	(51,000)	-	-	-	-	-	-	(51,000)
Disposal group held for sale		-	-	-	-	-	(282)	282	-
Balance as at 30 June 2019		**2,066,792**	**1,236**	**(17,121)**	**(8,952)**	**(179,460)**	**(76,492)**	**282**	**1,786,285**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

(Unaudited)	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings/ (deficit) €'000	Currency translation reserve €'000	Currency translation reserve for disposal group held for sale €'000	Equity attributable to the owners of the Company €'000
Balance as at 1 January 2018		**2,269,199**	**3,267**	**(1,030)**	**(1,967)**	**(296,997)**	**(81,588)**	**2,776**	**1,893,660**
Profit for the period		-	-	-	-	48,500	-	-	48,500
Other comprehensive income (expense)		-	-	(529)	(3,430)	-	(53)	(2,776)	(6,788)
Total comprehensive income (expense)		**-**	**-**	**(529)**	**(3,430)**	**48,500**	**(53)**	**(2,776)**	**41,712**
Transaction with owners of the Company									
Share based payment			253	-	-	-	-	-	253
Issue of no par value shares		2,799	(2,220)	-	-	-	-	-	579
Dividends	2.7	(103,803)	-	-	-	-	-	-	(103,803)
Disposal group held for sale		-	-	-	-	-	3,528	(3,528)	-
Balance as at 30 June 2018		**2,168,195**	**1,300**	**(1,559)**	**(5,397)**	**(248,497)**	**(78,113)**	**(3,528)**	**1,832,401**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[UNAUDITED]

2.1 REPORTING ENTITY

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

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

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

2.2 BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2018. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to accounting policies are described in Note 2.3.

The financial statements are presented in thousands of Euros ("€'000"), rounded off to the nearest thousand, unless stated otherwise.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

2.3 CHANGES IN ACCOUNTING POLICIES

New standards that are effective and have been adopted by the Group as of 1 January 2019

In January 2016, the IASB published a new standard, IFRS 16 ***Leases*** which is also endorsed by EU. 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. As explained below, the Group has adopted IFRS 16 ***Leases*** with a date of initial application of 1 January 2019.

The requirements of IFRS 16 represent a significant change from IAS 17 ***Leases***. The application of the standard results in changes to the accounting treatment of the operating leases where the Group acts as a lessee such as office rentals, car leases and office equipment, however the impact of the new standard on the Group results and balances is not material.

As permitted by the transitional provisions of IFRS 16, the Group has elected a simplified approach and the comparative figures have not been restated. The cumulative effect of initially applying IFRS 16 as an adjustment to the carrying amounts of lease assets are recognized against the carrying amounts of lease liabilities as at 1 January 2019.

The Group applies the recognition exemptions permitted by the standard and, hence, does not apply the standard to leases of a low value, such as leases applicable to specific office equipment.

Lessor's accounting

According to the new standard, the guidance for the lessor, the owner of an asset that is leased under an agreement to a lessee, remains substantially unchanged compared to the prior lease standard (IAS 17).

Lessors continue to account for the leases as operating or finance lease under the new standard which is in-line with its predecessor, IAS 17.

Lessee's accounting

IFRS 16 removes the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating lease. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees are permitted to make an accounting policy election not to recognize lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases). Lessees also are permitted to make an election, on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value (i.e. low-value assets).

Initial measurement

The Group recognizes a right-of-use asset and a lease liability at the initial application date. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Subsequent measurement

The right-of-use asset is depreciated in accordance with the depreciation requirements of ***IAS 16 Property, Plant and Equipment*** or subsequently measured in accordance with IAS 40 ***Investment Property***. Right-of-use asset which depreciated on a straight-line basis, the aggregate of interest expense on the lease liability and depreciation of the right-of-use asset generally results in higher total periodic expense in the earlier periods of a lease. The Group applies the fair value model to any right-of-use assets that are investment properties.

The Group accretes the lease liability to reflect interest and reduce the liability to reflect lease payments made. The Group remeasures the lease liability upon the occurrence of certain events (e.g., change in the lease term, change in variable rents based on an index or rate), which is generally recognised as an adjustment to the right-of-use asset. The Group applies alternative subsequent measurement bases for the right-of-use asset under certain circumstances in accordance with IAS 16 ***Property, Plant and Equipment*** and IAS 40 ***Investment Property.*** Right-of-use assets are subject to impairment testing under IAS 36 ***Impairment of Assets***.

Transition

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 ***Leases***. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

At the initial application date, the Group recognises in the opening balances of financial year 2019 a tangible assets and a lease liability of €3.0 million as a transition adjustment.

The following table summarizes the impact of transition on the lease liabilities in the consolidated balance sheet at 1 January 2019:

Lease liabilities	Impact of adopting IFRS 16 as at 1 January 2019 €'000
Current lease liabilities	877
Non-current lease liabilities	2,118
Opening balance under IFRS 16	2,995

The following table presents the total lease liabilities including the finance lease liabilities recognised as at 31 December 2018 as at 1 January 2019:

Lease liabilities	1 January 2019 €'000
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	2,995
Add: finance lease liabilities recognised as at 31 December 2018	47,567
Lease liabilities recognised as at 1 January 2019	50,562
Current lease liabilities	3,876
Non-current lease liabilities	46,686

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

Right of-use- assets	Impact of adopting IFRS 16 at 1 January 2019 €'000
Investment properties	637
Office rentals	1,686
Car rentals	246
Other property rentals	426
Total	**2,995**

Presentation of IFRS 16 in the condensed consolidated interim financial statements

The right-of-use assets that are investment properties are classified to standing investments and the other right-of-use assets are part of the other non-current assets. Long-term lease liabilities are part of the other non-current liabilities and short-term lease liabilities are part of the other current liabilities in the consolidated balance-sheet.

Other new standards, interpretations and amendments effective, and endorsed by the EU, as of 1 January 2019, did not have a material impact on the Group's condensed consolidated interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

2.4 STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 31[7] properties (31 December 2018: 33).

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

Standing investments	30 June 2019 €'000	31 December 2018 €'000
Balance as at 1 January	2,732,038	2,408,992
Additions - new properties	50,938	283,324
Additions - technical improvements, extensions	11,134	29,808
Movements - financial leases	835	9,214
Transfers from redevelopments and land	1,023	129,035
Transfer to redevelopments and land	-	(27,672)
Transfer to assets held for sale	(295,750)	-
Revaluation of standing investments	7,265	17,224
Disposals	(623)	(117,887)
Balance at the end of the period	**2,506,860**	**2,732,038**

AQUISITIONS AND DISPOSALS DURING THE PERIOD

In May 2019, the Group entered into an agreement to sell two Polish shopping centres, Atrium Koszalin, in Koszalin and Atrium Felicity, in Lublin, with a total lettable area of approximately 111,100 sqm for €298 million. The sale was completed in July 2019.

In June 2019, the Group completed the acquisition of King Cross shopping centre in Warsaw for a consideration of €43 million.

2.5 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group comprises €78 million (31 December 2018: €73.2 million) redevelopments and €180 million land (31 December 2018: €182.2 million) .

Redevelopments and land	30 June 2019 €'000	31 December 2018 €'000
Balance as at 1 January	255,429	345,331
Additions - cost of land and construction	5,371	58,018
Additions - new properties	2,155	-
Movements - financial leases	(135)	1,280
Transfer from standing investments	-	27,672
Transfer to standing investments	(1,023)	(129,035)
Transfer (to)/from assets held for sale	28,988	(29,063)
Disposals	(27,898)	-
Interest capitalised	-	470
Revaluation of redevelopments and land	(4,903)	(19,244)
Balance at the end of the period	**257,984**	**255,429**

In January 2019, the Group Completed the disposal of a land plot in Gdansk for €27.9 million.

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

In November 2018, a 2,700 sqm cinema and a 1,500 sqm fitness area were opened to the visitors in Reduta and transferred the value of that extension from redevelopments and land to standing investment portfolio.

7 Excluding two assets in Poland classified as held for sale as at 30 June 2019

2.6 ASSETS AND LIABILITIES HELD FOR SALE

As at 30 June 2019, the assets and liabilities held for sale included two assets in Poland, Atrium Koszalin and Atrium Felicity with a lettable area of 111,100 sqm and a total value of €296 million, which were sold in July 2019.

As at 31 December 2018, the assets and liabilities held for sale included Gdansk land plot in Poland with a total value of €29.1 million. The land was sold in January 2019.

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:

	30 June 2019 €'000	31 December 2018 €'000
Non-current assets		
Standing investments	295,750	-
Redevelopments and land	-	29,063
Other assets	110	-
Current assets	**5,262**	**-**
Assets held for sale	**301,122**	**29,063**
Non-current liabilities		
Deferred tax liabilities	15,399	-
Other non-current liabilities	977	1,083
Current liabilities	**2,825**	**82**
Liabilities held for sale	**19,201**	**1,165**
Net assets directly associated with disposal groups	**281,921**	**27,898**
Amounts included in accumulated other comprehensive income:		
Foreign currency translation reserve	282	
Reserve of disposal groups classified as held for sale	**282**	

2.7 EQUITY

As at 30 June 2019, the total number of shares issued was 377,912,324 (31 December 2018: 377,787,123 shares). During the six-month period ended 30 June 2019, Atrium paid a dividend of €cents 13.5 (6M 2018: €cents 27.5) per share as a capital repayment, which amounted to a total of €51.0 million (6M 2018: €103.8 million). The dividend paid in the six months of 2018 included recurring dividends of €cents 13.5 and a special dividend of €cents 14 per share.

2.8 BORROWINGS

Borrowings	30 June 2019		31 December 2018	
	Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Bonds	886,597	949,693	886,246	931,901
Bank loan	300,781	300,909	302,792	302,951
Short term credit	111,000	111,000	60,000	60,000
Total	**1,298,378**	**1,361,602**	**1,249,038**	**1,294,852**

The borrowings are repayable as follows:

Borrowings total	30 June 2019 Net book value €'000	31 December 2018 Net book value €'000
Short term credit	111,000	60,000
Current maturities of long term borrowings	134,570	2,978
Due within one year	245,570	62,978
Due in second year	1,694	134,023
Due within third to fifth year inclusive	466,812	466,235
Due after five years	584,302	585,802
Total	**1,298,378**	**1,249,038**

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

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

- Quoted EUR yield curve;

- Volatility of EUR swap rates;

- Fair values of effected market transactions.

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

REVOLVING CREDIT FACILITY

In May 2018, the Group signed a net increase of €75 million and extended its revolving credit facility to 2023. The total value of the revolving credit facilities is €300 million with an expiry date in 2023. As at 30 June 2019, the Group utilised €111 million of this facility.

2.9 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") in connection with secured bank loans (see note 2.8). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSs is the three month Euribor and the fixed rate is 0.826% on the loan obtained in November 2017 and 0.701% on the loan obtained in November 2018. The swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount and are included in cash flow hedges to reduce the Group's cash flow volatility due to variable interest rates on the bank loans. An economic relationship between the hedging instrument and the hedged item exists; the hedging instrument and the hedged item have values that move in the opposite direction and offsets each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The IRSs are measured at fair value using the discounted future cash flow method.

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

Interest rate swaps	30 June 2019 €'000	31 December 2018 €'000
Carrying amount (liability)	19,700	5,097
Notional amount	302,345	303,875
Change in fair value of outstanding hedging instruments since 1 January	14,603	4,067

The fair value loss during the six month period ended 30 June 2019 is mainly due to a decrease in forward interest rates of the Euribor.

2.10 OTHER NON-CURRENT LIABILITIES

	30 June 2019 €'000	31 December 2018 €'000
Deferred tax liabilities	80,148	93,679
Long term lease liabilities	46,750	44,569
Other long term liabilities	12,383	14,178
Total	**139,281**	**152,426**

2.11 OTHER CURRENT LIABILITIES

	30 June 2019 €'000	31 December 2018 €'000
Trade and other payables	21,509	26,559
Accrued expenditure	48,687	48,284
Short term lease liabilities	3,971	2,998
Income tax payable	5,824	5,317
VAT payables	2,313	2,651
Total	**82,304**	**85,809**

2.12 PROVISIONS

Provisions	Legacy legal provision €'000	Other legal provision €'000	Total €'000
Balance as at 1 January 2019	5,453	1,299	6,752
Additions to/(releases of) provision in the period, net	(228)	446	218
Amounts paid during the period	(496)	-	(496)
Balance as at 30 June 2019	**4,729**	**1,745**	**6,474**
Of which			
Current portion	4,729	1,745	6,474
Non-current portion	-	-	-
Total provisions	**4,729**	**1,745**	**6,474**

2.13 TAXATION CHARGE FOR THE PERIOD

Taxation charge for the year	Six months ended 30 June	
	2019 €'000	2018 €'000
Current period corporate income tax expense	(3,031)	(2,856)
Deferred tax credit/ (charge)	(1,832)	(23,056)
Adjustments to corporate income tax prior periods	1,788	5,175
Tax credit/(charge)	**(3,075)**	**(20,737)**

The main driver of the deferred tax charge in the first half of 2018 is the impact of the foreign currencies on the tax base of investment properties.

AMENDMENT TO THE POLISH CORPORATE INCOME TAX LAW

In November 2017, an amendment to the Polish corporate income tax law, effective from 1 January 2018, was published. The amendment includes, among others things, the introduction of an alternative minimum tax, resulting in a minimum levy on investment properties owners at the level of 0.42% per year on the tax value of the property.

On 4 July 2018, the Alternative minimum tax act was published in the official state gazette ("Dziennik Ustaw"). Subject to certain tax controls, the act allows tax payers to apply to the tax authority for a refund of any excess minimum tax paid over the statutory corporate income tax. Before the refund is granted, intercompany transactions are subject to a tax control. On the basis of the formally published legislation, Atrium has classified minimum tax paid in excess of the corporate income tax as financial receivables pending a refund from the Polish tax authorities in the amount of €6.6 million.

Income generated by non-tax residents from a transfer of shares in a company, with assets comprising at least directly or indirectly 50% (rights to) real estate located in Poland, shall be deemed Polish income and therefore subject to 19% capital gains tax in Poland, unless otherwise provided in the respective double tax treaty between Poland and the country of the seller of shares .

2.14 SEGMENT REPORTING

Reportable segments For the period ended 30 June 2019	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	96,454	-	(4,845)	91,609
Service charge income	34,353	-	(1,086)	33,267
Net property expenses	(38,395)	-	1,748	(36,647)
Net rental income	**92,412**	**-**	**(4,183)**	**88,229**
Net result on disposals	-	(523)	-	(523)
Costs connected with developments	-	(394)	-	(394)
Revaluation of investment properties	7,265	(4,903)	-	2,362
Other depreciation, amortisation and impairments	(914)	-	(509)	(1,423)
Administrative expenses	(6,735)	(301)	(3,799)	(10,835)
Share of profit of equity-accounted investment in joint ventures	-	-	3,987	3,987
Net operating profit/(loss)	**92,028**	**(6,121)**	**(4,504)**	**81,403**
Interest expenses, net	(17,984)	(1,013)	(307)	(19,304)
Foreign currency differences	(274)	(106)	272	(108)
Other financial expenses	(1,732)	(52)	(222)	(2,006)
Profit/(loss) before taxation for the period	**72,038**	**(7,292)**	**(4,761)**	**59,985**
Taxation credit/(charge) for the period	(1,793)	11	(1,293)	(3,075)
Profit/(loss) after taxation for the period	**70,245**	**(7,281)**	**(6,054)**	**56,910**
Investment properties	2,976,696[1]	258,059	(174,086)[2]	3,060,669
Additions to investment properties	62,906	7,391	-	70,297
Segment assets	3,048,669	258,284	44,670	3,351,623
Segment liabilities	1,405,174	68,479	91,685	1,565,338

1 Including €295.8 million classified as held for sale as at 30 June 2019

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

Reportable segments For the period ended 30 June 2018	Standing investment segment €'000	Development segment €'000	Reconciling item €'000	Total €'000
Gross rental income	94,334	-	(5,159)	89,175
Service charge income	35,012	-	(972)	34,040
Net property expenses	(37,521)	-	1,326	(36,195)
Net rental income	**91,825**	**-**	**(4,805)**	**87,020**
Net result on disposals	2,732	-	-	2,732
Costs connected with developments	-	(475)	-	(475)
Revaluation of investment properties	7,618	(2,126)	(308)	5,184
Other depreciation, amortisation and impairments	(1,404)	-	(38)	(1,442)
Administrative expenses	(6,828)	(513)	(3,044)	(10,385)
Share of profit of equity-accounted investment in joint ventures	-	-	5,006	5,006
Net operating profit/(loss)	**93,943**	**(3,114)**	**(3,189)**	**87,640**
Interest expenses, net	(14,662)	(1,828)	(214)	(16,704)
Foreign currency differences	1,943	1,409	(3,095)	257
Other financial expenses	(1,375)	(104)	(477)	(1,956)
Profit/(loss) before taxation for the period	**79,849**	**(3,637)**	**(6,975)**	**69,237**
Taxation credit/(charge) for the period	(19,914)	144	(967)	(20,737)
Profit/(loss) after taxation for the period	**59,935**	**(3,493)**	**(7,942)**	**48,500**
Investment properties	2,592,262[1]	372,435	(172,598)[2]	2,792,099
Additions to investment properties	13,922	27,385	-	41,307
Segment assets	2,631,319	375,427	50,205	3,056,951
Segment liabilities	1,089,045	96,379	39,126	1,224,550

1 Including €106.6 million classified as held for sale as at 30 June 2018

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

2.15 TRANSACTIONS WITH RELATED PARTIES

In January 2019, the Company issued 17,016 shares to its directors, Andrew Wignall (8,508 shares) and Simon Radford (8,508 shares).

In March 2019, the Company issued 81,945 shares to Key Employees in accordance with an Employee Share Participation Plan and 169,667 shares will be issued to Group Executive Management and other Key Employees at a later stage.

In April 2019, the Company issued 17,493 and 8,747 shares to its Group CEO and Group CFO, respectively, as part of their annual remuneration.

2.16 CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of Atrium announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria. In 2012, following an investigation, the Jersey Financial Services Commission reconfirmed its conclusions that the ADC Purchases involved no breach of the Companies (Jersey) Law 1991 and that its investigation had concluded without any finding of wrong doing.

With regard to the Austrian proceedings and investigations, Atrium continues to be subject to certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims. As at 30 June 2019 the aggregate amount claimed in 3 separate proceedings to which Atrium was then a party in this regard was approximately €192.4 thousand. The number of claims and amounts claimed are expected to fluctuate over time as proceedings develop, are dismissed, withdrawn, settled or otherwise resolved. The claims are at varying stages of development and are expected to be resolved over a number of years.

In January 2016, the Company announced the establishment of an arrangement to create a compensation fund through which to resolve the Austrian proceedings as well as submissions by individuals to join pending criminal proceedings referred to below. The period for participation in the arrangement expired on 15 October 2016. Final submissions were processed and the arrangement concluded earlier this year.

Because the Company believes it is important to support reasonable efforts to help bring final resolution to these longstanding issues, in addition to the 2016 arrangement, the Company has continued to explore other possible settlements as a means to put legacy issues behind it and so address a source of significant demands on management time and associated legal fees and costs, which are detrimental to its shareholders. To that end, in March 2017, the Company also announced it had reached an agreement with AdvoFin Prozessfinanzierung AG and Salburg Rechtsanwalts GmbH which establishes a mechanism by which AdvoFin and Salburg clients who are ADC investors who brought claims or made submissions to join pending criminal proceedings referred to below can resolve their claims and potential claims against the Company. The maximum payment by Atrium under the Agreement with AdvoFin and Salburg in the event that all eligible AdvoFin and Salburg clients opt to participate would be €44 million, of which the Company has paid approximately €42.6 million as at 30 June 2019. 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's assessment in respect of the actual outcome of claims to date in the Austrian proceedings, the terms of and methodologies adopted in the compensation arrangements in 2016, and with AdvoFin and Salburg in March 2017, the expected cost and implications of implementing those arrangements, a total provision of €4.7 million has been estimated by the Company. Certain further information ordinarily required by IAS 37, ***'Provisions, contingent liabilities and contingent assets***', has not been disclosed on the grounds that to do so could be expected to seriously prejudice the resolution of these issues, in particular certain details of the calculation of the total provision and the related assumptions. The criminal investigations pending against Mr. Julius Meinl and others relating to events that occurred in 2007 and earlier remain ongoing. In connection with this, law firms representing various Atrium investors, who had invested at the time of these events, have alleged that Atrium is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor directed Atrium to reply to the allegations and started criminal investigation proceedings against Atrium based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into force in 2006, is applicable to Atrium. In any event, Atrium believes a finding of liability on its part would be inappropriate and, accordingly, intends to actively defend itself.

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

From 2015 onwards, the Polish Ministry of Finance and Polish regulatory authorities have published several draft bills and have implemented several legislative changes that signify the government's intent to realize significant changes to the regulatory and fiscal environment in which the Group operates including regulation of trading hours, imposition of an industry specific retail tax and changes in the interpretation of rules around sales and transfer taxes applicable on the purchase and sale of assets. For more information on the amendment to the Polish corporate income tax law refer to note 2.13.

Certain Russian and Polish subsidiaries within the Atrium Group are, or have been, involved in legal and/or administrative proceedings involving the tax authorities. These past and present proceedings create uncertainty around tax policies in matters previously regarded as established but which are now subject to revised interpretation by the tax authorities. The Company can currently not reliably estimate the potential amount of any additional taxation and associated costs, but the impact may be significant.

2.17 EVENTS AFTER THE PERIOD

In May 2019, Atrium entered into agreement to sell two assets in Poland, Atrium Koszalin, in Koszalin and Atrium Felicity, in Lublin, with a total lettabale area of approximately 111,100 sqm for €298 million. The transaction was subject to the fulfilment of certain conditions precedent which were completed in July 2019.

Rachel Lavine, Vice-Chariman and Director, did not stand for re-election and retired from the Board of Directors with effect from 24 July 2019.

In July 2019, Atrium entered into agreement to sell Atrium Duben shopping centre in Zilina, Slovakia for approximately €37 million, representing its book value as of 30 June 2019, with expected closing by end of the year.

RECOMMENDED CASH ACQUISITION BY GAZIT-GLOBE LTD. ('GAZIT') ON 23 JULY 2019

The Independent Committee of the Board of Directors of the Company and the Board of Directors of Nb (2019) B.V. (“Bidco”), which is an indirect wholly-owned subsidiary of Gazit, on 23 July 2019 announced that they have reached an agreement on the terms and conditions of a recommended cash acquisition (the “Acquisition”) of the entire issued and to be issued ordinary share capital of the Company that is not already owned directly or indirectly by Gazit or its affiliates (including, in particular, Gazit Gaia Limited (“Gaia”) or Gazit Midas Limited (“Midas”)). It is intended that the Acquisition will be implemented by means of a court-sanctioned scheme of arrangement under Article 125 of the Jersey Companies Law. At the date of the Announcement, Gazit and its affiliates Gaia and Midas together owned approximately 60.1% of the Company's issued share capital. The announcement (and other reference materials) can be found on the Company’s website at www.aere.com/investors-lobby.aspx .

INDEPENDENT REVIEW REPORT TO ATRIUM EUROPEAN REAL ESTATE LIMITED

OUR CONCLUSION

We have reviewed the accompanying condensed consolidated interim financial information of Atrium European Real Estate Limited (the "Company") and its subsidiaries (together the "Group") as of 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

WHAT WE HAVE REVIEWED

The accompanying condensed consolidated interim financial information comprise:

- the condensed consolidated statement of financial position as of 30 June 2019;
- the condensed consolidated statement of profit or loss for the six-month period then ended;
- the condensed consolidated statement of other comprehensive income for the six-month period then ended;
- the consolidated statement of changes in equity for the six-month period then ended;
- the condensed consolidated cash flow statement for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the terms of our engagement and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

OTHER MATTERS – STATEMENT ON THE GROUP MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 AND ON THE DIRECTOR'S STATEMENT IN ACCORDANCE WITH §125 BÖRSEGESETZ

We have read the Group management report and evaluated whether it contains any apparent inconsistencies with the condensed consolidated interim financial information. Based on our review, we have nothing to report.

The Interim Financial Report contains the statement by directors in accordance with section 125 par. 1 subpar. 3 of the Austrian Stock Exchange Act 2018.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
30 July 2019

- The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS

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