ATLAS ESTATES LIMITED
CONDENSED CONSOLIDATED QUARTERLY REPORT
FIRST QUARTER 2017

Atlas Estates Limited
Martello Court
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Guernsey GY1 3HB
Company number: 44284

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Financial Highlights

Selected Consolidated Financial Items	Three months ended 31 March 2017 (unaudited) €'000	Year ended 31 December 2016 (audited)	Three months ended 31 March 2016 (unaudited) €'000
Revenues	6,849	32,671	8,305
Gross profit	2,520	13,288	3,285
Decrease in value of investment properties	-	3,317	-
Profit from operations	890	10,094	1,612
Other gains/(losses) – foreign exchange	2,953	(2,983)	(121)
Profit/ (Loss) before tax	3,259	3,131	(444)
Profit/ (Loss) for the period	3,448	2,296	(348)
Profit/ (Loss) attributable to owners of the parent	3,448	2,296	(348)
Cash flow from operating activities	1,873	5,882	(2,625)
Cash flow from investing activities	197	670	1,276
Cash flow from financing activities	(1,642)	(17,509)	(2,656)
Net increase/ (decrease) in cash	751	(11,498)	(3,883)
Non-current assets	192,238	185,020	184,517
Current assets	35,419	31,500	37,407
Total assets	227,657	216,520	222,532
Current liabilities	(80,961)	(78,717)	(88,565)
Non-current liabilities	(71,706)	(69,564)	(68,497)
Total liabilities	(152,667)	(148,281)	(157,062)
Basic net assets (1)	74,990	68,239	65,470
Number of shares outstanding	46,852,014	46,852,014	46,852,014
Profit/ (Loss) per share (eurocents)	7.4	4.9	(0.7)
Basic net asset value per share (€)	1.6	1.5	1.4

(1) "Basic net assets" represent net assets value as per the consolidated balance sheet

ATLAS ESTATES LIMITED

Chairman's Statement

Dear Shareholders,

I am pleased to announce the unaudited condensed consolidated quarterly report of Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings (together "the Group") for the quarter ended 31 March 2017.

In the current financial market conditions key priorities are enhancing liquidity, gaining access to capital as well as acquisition of new land banks. All of these objectives are vital for operations as they will underpin our drive to progress the projects we currently have under development through to completion, whilst at the same time supporting growth of the operations.

Despite the challenging environment the Group was able to achieve several key objectives:

- in the fourth quarter of 2015 the Group commenced construction of the second stage of *Apartamenty przy Krasińskiego* development project in Warsaw. In Q1 2016 the Group secured bank financing for this new project and started pre sales;
- the residential projects that the Group is currently developing in Warsaw (*Capital Art Apartments III & IV, Apartamenty przy Krasińskiego* and *Concept House*) were successful and their sales are nearly complete;
- on 14 September 2016 the Group concluded the agreement with Erste Group Bank AG defining the terms of an acquisition of the outstanding loan facility extended to *Millennium Plaza* (amounting to €58.9 million as of the date of this agreement and €43.0 million as of 31 March 2017), for further details please refer to page 9.

Reported Results

As of 31 March 2017 the Group has reported basic net assets of €75.0 million.

The increase of basic net asset value by €6.8 million from €68.2 million as at 31 December 2016 is primarily a result of:
- Polish local currency appreciation against Euro which resulted in €3.6 million foreign exchange gains on investment properties and €3.3 million foreign exchange gains on property, plant and equipment recorded in the first quarter 2017; offset by:
- €0.6 million annual depreciation charge on property, plant and equipment recorded in the first quarter 2017.

Profit after tax amounts to €3.4 million for the three months period ended 31 March 2017 as compared to loss after tax of €0.3 million for the three months period ended 31 March 2016. The significant change of the noted results was mainly a joint effect of:
- movements in the foreign currency exchange differences from loss of €0.1 million for the first quarter 2016 to gain of €2.9 million for the first quarter 2017 mainly as a result of the fairly stable level of the local currencies in the first quarter 2016 as compared to appreciation of PLN by 5% in the first quarter 2017,
- decrease of finance costs from €2.0 million in the first quarter of 2016 to €0.7 million in the first quarter of 2017 mainly due to favourable movements on the derivative instrument associated with Hilton bank loan facility.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in which the Group operates.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and mitigating factors. These forecasts incorporate management's best estimate of future trading performance, potential sales of properties and the future financing requirements of the Group.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and to manage its loan facilities for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial information for the three months ended 31 March 2017, as set out in accounting policies to the condensed consolidated financial information.

ATLAS ESTATES LIMITED

Investing Policy

Atlas mainly invests in Poland in a portfolio of real estate assets across a range of property types, where approximately 86% of its assets are located. We actively target Poland, where the economy is believed to be the most attractive amongst CEE economies. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

We invest both on our own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects.

We may employ leverage to enhance returns on equity. Wherever possible, the Directors intend to seek financing on a non-recourse, asset by asset basis. The Company has no set limit on its overall level of gearing. However, it is anticipated that the Company shall employ a gearing ratio of up to 80% of the total value of its interest in income-generating properties within its property portfolio.

Net Asset Value ("NAV") and Adjusted Net Asset Value ("Adjusted NAV")

In the three months to 31 March 2017, NAV per share, as reported in the interim condensed consolidated financial information, which has been prepared in accordance with International Financial Reporting Standards ("IFRS"), increased slightly from €1.5 per share as at 31 December 2016 to €1.6 per share as at 31 March 2017.

As in the previously reported quarterly results, the Adjusted NAV per share, which includes valuation gains net of deferred tax on development properties held in inventory and land held under operating lease, has not been included. The Adjusted NAV per share is calculated on an annual basis when the market valuation of the Group's assets portfolio takes place.

Prospects

With the ongoing economic recovery in Poland we also focus on driving our sales activities in several residential projects in Warsaw as presented in the Review of the Property Manager.

Mark Chasey
CHAIRMAN
22 May 2017

ATLAS ESTATES LIMITED

Review of the Property Manager

In this review we present the financial and operating results for the three months ended 31 March 2017. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advise on new investment opportunities. At 31 March 2017, the Company held a portfolio of seventeen properties comprising seven investment properties of which five are income yielding properties, two are held for capital appreciation, two hotels and eight development properties.

It could be a long road to recovery for the real estate market in Central & Eastern Europe (CEE). As a result of these uncertainties and changing conditions, management has taken measures to mitigate risks across the portfolio. This has included reducing costs and staffing levels and putting on hold higher risk investment activity. Nevertheless, key development projects have been completed on time and several new developments have commenced.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 86% (by value) of the Group's portfolio located there. The Polish economy has been one of most resilient economies in Europe with GDP growth of 2.8% in 2016 (3.4% expected in 2017).

Hilton Hotel, Warsaw

The *Hilton* hotel in the Wola district of Warsaw is the Group's flagship asset. The hotel is continuously performing at an outstanding level.

Millennium Plaza, Warsaw

The *Millennium Plaza* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 83% as of 31 March 2017 (80% as of 31 December 2016).

Sadowa, Gdańsk

The *Sadowa* office building is a 6,872 sqm office building in Gdańsk. During the last 12 months its occupancy ratio increased from 68% as of 31 December 2016 to 73% as of 31 March 2017. The Company is actively looking for new tenants.

Platinum Towers and Atlas Estates Tower

Platinum Towers **-** with its construction finished, all apartments and penthouses have been sold. This residential development alongside the Hilton hotel provides a unique development in the city. The plan is also to build a mixed use (residential and office) Atlas Estates Tower, on the neighbouring plot, which will further enhance the attractiveness of this site.

Apartamenty przy Krasińskiego (the first stage) and **Apartamenty przy Krasińskiego II** (the second stage)

Apartamenty przy Krasińskiego project is a development in the Żoliborz district of Warsaw.

The first stage of this development includes 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 31 March 2017 all apartments were sold and only 2 retail units were available for sale.

Apartamenty przy Krasińskiego II is the second stage of this successful development project. This stage will release approximately 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and is still in progress. 67 apartments and 2 retail units were presold as of 31 March 2017.

Capital Art Apartments

The *Capital Art Apartments* project in Warsaw is another development in Warsaw close to the city centre. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 31 March 2017 only 2 apartments and 7 retail units were available for sale.

Concept House

The *Concept House* project is a development in the Mokotów district of Warsaw. It consists of 160 apartments in the city with parking and amenities, including retail facilities.

The construction of the development was completed in 2013 and as of 31 March 2017 all apartments were sold and 1 retail unit is unsold.

Nakielska Apartment Project

Nakielska Apartment Project is a residential development that will consist of two stages which will release around 240 apartments as well as parking and retail facilities.

Hungary

In Hungary, the Group's portfolio is comprised of two properties, all of which are located in Budapest. One of them is income producing asset.

The Hungarian economy has suffered from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and has experienced client losses and pricing pressures affecting its income yielding assets. In 2016 GDP increase of 1.9% was noted (in 2017 an increase in GDP of 2.9% is expected).

Romania

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks. The Romanian GDP increased by 4.8% in 2016 (in 2017 an increase in GDP of 4.2% is expected). Despite the difficult trading conditions, occupancy rates at the Golden Tulip decreased only slightly from 56% for the three months ended 31 March 2016 to 55% for the three months ended 31 March 2017.

Bulgaria

The Group holds one property in Bulgaria, which is a ca. 3,500 sqm office building in Sofia.

Financial Review

The on-going analysis of the economics of the region and the key measures of the sectors in which the Group operates are vital to ensure it does not become over exposed to, or reliant on, any one particular area. AMC evaluates the risks and rewards associated with a particular country, sector or asset class, in order to optimise the Company's return on investment and therefore the return that the Company is able to deliver to Shareholders over the longer term.

Portfolio valuation and valuation methods

The latest independent valuation was performed on 31 December 2016 and has been used in the interim condensed consolidated financial information at 31 March 2017.

A valuation of the entire property portfolio is carried out on an annual basis by external and internal experts. The internal valuations calculated by the Property Manager concerned only completed development projects in Warsaw. The results of this internal valuation was not reflected in net assets as presented in the consolidated statement of financial position since these projects are classified as inventory and there was no need to impair these balances.

As of 31 December 2016 the following external independent qualified experts were engaged:
- Jones Lang LaSalle responsible for the valuation of properties located in Poland and Romania,
- FHB Ingatlan Zrt responsible for the valuation of properties located in Hungary.

Loans and valuations

As at 31 March 2017, the Company's share of bank debt associated with the portfolio of the Group was €117 million (31 December 2016: €120 million; 31 March 2016: €134 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken (please note that the most recent valuation was performed as of 31 December 2016):

	Loans	**Valuation**	**LTV Ratio***	**Loans**	**Valuation**	**LTV Ratio***	**Loans**	**Valuation**	**LTV Ratio***
	31 March 2017			**31 December 2016**			**31 March 2016**		
	€ millions	€ millions	%	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	64	82	78%	69	82	84%	82	81	101%
Hotels	51	87	59%	49	87	56%	52	87	60%
Development property in construction	2	10	20%	2	10	20%	-	-	-
Total	**117**	**179**	**65%**	**120**	**179**	**67%**	**134**	**168**	**80%**

**LTV Ratio- Loan to Value Ratio*

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 March 2017, 31 December 2016 and 31 March 2016 due to the treatment under IFRS of land held under operating leases and development property.

LTV ratio of investment property decreased from 101% as of 31 March 2016 to 78% as of March 2017 mainly due to the settlement reached with Erste Group Bank AG (as disclosed on page 9) based on which the Group has partially repaid Millennium loan facility in September and November 2016 as well as in March 2017.

LTV ratio of hotels slightly decreased from 60% as of 31 March 2016 to 59% as of 31 March 2017 mainly due to partial repayments of the loans.

The gearing ratio is 59% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio improved as compared to 31 December 2016 (62%) and decreased as compared to 31 March 2016 (64%) mainly due to the significant loan repayments in 2016 and in 2017.

Debt financing

Portfolio of cross collateralised banking facilities extended by Erste Group Bank AG

In June 2015 the Group reached a settlement with the bank financing its two projects in Romania (*part of portfolio of cross collateralised banking facilities*) based on which the Group received €22.2m discount on the repayment of the outstanding loan facility. The Group could be obliged to pay an additional amount to the bank in connection with this transaction upon closing of disposal of *Millennium Plaza*. The additional amount ("Price Adjustment") is calculated as follows:

1. the amount by which net proceeds from the disposal of *Millennium Plaza* exceed the outstanding debt facility at the time of disposal constitute "Excess Disposal Proceeds";
2. the additional amount shall be the sum of:

- 100% of Excess Disposal Proceeds not exceeding €10.0 million,
- 50% of Excess Disposal Proceeds exceeding €10.0 million.

Currently this additional amount is expected to be €nil.

In November 2015 the Group sold Ligetvaros office building in Hungary (*part of portfolio of cross collateralised banking facilities*) and consequently settled the outstanding loan facility extended to this project.

As of 31 March 2017, after the above described repayment of two Romanian and one Hungarian facility, the Group has one facility extended to Atlas Estates Millennium Sp. z o.o. ("Millennium") by Erste Group Bank AG that had been cross collateralised totalling €43.0million. On 14 September 2016 the Group signed with Erste bank the agreement based on which by 29 September 2017 the bank will sell/ transfer to Atlas Projects B.V. (subsidiary of Atlas Estates Limited) its outstanding facility due from Millennium at the price of €1 subject mainly to the following conditions:

1) repayment by or on behalf of Millennium and receipt by the bank of principal in the aggregate amount of € 39,500,000 with interests indicated in this agreement in the following four instalments:

a) € 8,075,000 to be paid by 10 business days after the signing of this agreement - this amount was paid by Millennium in September 2016;
b) € 3,950,000 by 30 November 2016 - this amount was paid by Millennium in November 2016;
c) € 3,950,000 by 31 March 2017 - this amount was paid by Millennium in March 2017;
d) € 23,525,000 by 29 September 2017;

2) payment by Atlas Projects B.V. the transfer price in amount of € 1;

Upon completion (which has not yet taken place and is scheduled to take place until 29 September 2017) of the transfer of this facility to Atlas Project BV:

- the bank shall relinquish any mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by Millennium and/or third party for the benefit of the bank to secure the claims of the bank against Millennium. Moreover, upon the completion of this transfer no Price Adjustment as defined above shall be due to the bank.
- Atlas Estates Limited in its consolidated financial statements will record a finance income of €19.4 million representing bank debt discount resulting from this transaction.

New loan

In February 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. was granted a loan for the construction of the second stage of *Apartamenty przy Krasińskiego* project in Warsaw.
Under the agreement the bank will grant a loan in a total amount of PLN 42.9 million in the following tranches:
-a construction loan in an amount of PLN 41.4 million, and
-a VAT loan (i.e. revolving loan to finance Polish VAT) in an amount of PLN 1.5 million.
The final repayment date of the construction part of the loan will fall on 31 March 2019 and the final repayment date of VAT part of the loan will fall on 30 September 2018. The first draw down of the loan took place in the third quarter of 2016. The outstanding loan facility as of 31 March 2017 amounted to €2.2 million.

Other loans

In the preparation of the interim condensed consolidated financial statements as of 31 March 2017, the directors have classified the loan facility extended to a Hungarian subsidiary totalling €13.5 million as current since covenant breaches arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan.

Review of the operational performance and key items on the Income Statement

The financial analysis of the income statement set out below reflects the monitoring of operational performance by segment as used by management.

	Property Rental € millions	Development Properties € millions	Hotel Operations € millions	Other € millions	Three months ended 31 March 2017 € millions	Three months ended 31 March 2016 € millions
Revenue	2.5	0.3	4.0	-	6.8	8.3
Cost of operations	(1.2)	(0.3)	(2.8)	-	(4.3)	(5.0)
Gross profit	1.3	-	1.2	-	2.5	3.3
Administrative expenses	(0.2)	(0.1)	(0.7)	(0.6)	(1.6)	(1.6)
Gross profit less administrative expenses	1.1	(0.1)	0.5	(0.6)	0.9	1.7
Gross profit %	52%	0%	30%	0%	37%	40%
Gross profit less administrative expenses %	44%	-33%	13%	0%	13%	20%

Revenues and cost of operations

Total revenues for the first three months ended 31 March 2017 were €6.8 million compared to €8.3 million for the three months ended 31 March 2016. The Group's principal revenue streams are from its hotel operations, property rental income and income from the sale of the residential apartments. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicality of yielded income or results is also highly diversified.

Cost of operations as at 31 March 2017 were €4.3 million compared to €5.0 million as at 31 March 2016.

Development Properties

	Three months ended 31 March 2017 € millions	Three months ended 31 March 2016 € millions	**Total change 2017 v 2016 € millions**	Translation foreign exchange effect € millions	Operational change 2017 v 2016 € millions
Revenue	0.3	1.0	**(0.7)**	-	(0.7)
Cost of operations	(0.3)	(0.9)	**0.6**	-	0.6
Gross profit	-	0.1	**(0.1)**	-	(0.1)
Administrative expenses	(0.1)	(0.1)	**-**	-	-
Gross profit less administrative expenses	(0.1)	-	**(0.1)**	-	(0.1)

Proceeds from the sale of residential units (i.e. apartments, retail units, parking places, storages) developed by the Group are only recognised when residential units have been handed over to new owners with notarial deed signed. At this moment the economic risks and rewards are transferred to the new owner and in accordance with the Group's accounting policy, the revenue and associated costs of these residential units are recognised in the income statement. Please note that:
- *Apartamenty przy Krasińskiego stage 1* project construction was finalized in 2013 and the Group has been recognizing the sales and associated costs in the consolidated income statement starting from the fourth quarter of 2013 as the above mentioned criteria have been met;
- *Apartamenty przy Krasińskiego stage 2* project construction is in progress and no sales and associated costs have been recognized in the consolidated income statement as the above mentioned criteria have not been met;
- *Capital Art Apartments* project (all stages) construction was finalized and the Group has been recognizing the sales and associated costs in the consolidated income statement starting as the above mentioned criteria have been met;
- *Concept House* is a joint venture project and therefore differently accounted as compared to other development projects. The revenues and associated costs of this development are netted and disclosed separately as a single line item as "total investment in equity accounted joint ventures" on the consolidated statement of financial position.

The gross profit realised by the development segment in 2017 is mainly due to sale of 2 apartments (in *Capital Art Apartments I* & *II* projects) whereas as of 31 March 2016 the Group managed to complete the sale of 10 apartments (in *Capital Art Apartments III&IV* projects).

Apartment sales in developments in Warsaw

	CAA stage 1	**CAA stage 2**	**CAA stage 3&4**	**Apartamenty przy Krasińskiego**	**Apartamenty przy Krasińskiego II**	**Concept House***
Total apartments for sale	219	300	265	303	123	160
Sales completions in 2008-2015	218	297	249	302	-	156
Sales completions in 2016	-	-	16	1	-	3
Sales completions in 2017	1	1	-	-	-	1
Total sales completions	219	298	265	303	-	160
Sales not completed as of 31 March 2017 (only preliminary agreements concluded)	-	-	-	-	67	-
Apartments available for sale as of 31 March 2017	-	2	-	-	56	-

**Joint venture project*

<u>Property Rental</u>

	Three months ended 31 March 2017 € millions	Three months ended 31 March 2016 € millions	**Total change 2017 v 2016 € millions**	Translation foreign exchange effect € millions	Operational change 2017 v 2016 € millions
Revenue	2.5	2.7	**(0.2)**	-	(0.2)
Cost of operations	(1.2)	(1.2)	**-**	-	-
Gross profit	1.3	1.5	**(0.2)**	-	(0.2)
Administrative expenses	(0.2)	(0.2)	**-**	-	-
Gross profit less administrative expenses	1.1	1.3	**(0.2)**	-	(0.2)

In the first quarter 2017 the gross margin realized by the Property Rental segment decreased as compared to the first quarter 2016 mainly due to lower rental income earned by properties in Warsaw.

<u>Hotel operations</u>

	Three months ended 31 March 2017 € millions	Three months ended 31 March 2016 € millions	**Total change 2017 v 2016 € millions**	Translation foreign exchange effect € millions	Operational change 2017 v 2016 € millions
Revenue	4.0	4.6	**(0.6)**	-	(0.6)
Cost of operations	(2.8)	(2.9)	**0.1**	-	0.1
Gross profit	1.2	1.7	**(0.5)**	-	(0.5)
Administrative expenses	(0.7)	(0.7)	**-**	-	-
Gross profit less administrative expenses	0.5	1.0	**(0.5)**	-	(0.5)

In the first quarter of 2017 the hotel operations declined as compared to the first quarter of 2016 mainly due to temporary decrease of occupancy ratios of both *Hilton* and *Golden Tulip* hotels in Warsaw and Bucharest, which is expected to increase in the following quarters.

Foreign exchange

The fluctuations in exchange rates in the underlying currencies in the countries in which the Group operates and owns assets have resulted in significant foreign exchange differences.

The results for the first quarter 2016 have not been significantly impacted by the effects of the change in value of the currencies in the Central and Eastern European markets. This is mainly due to fairly stable PLN/EUR, HUF/EUR and RON/EUR rates noted in the first quarter of 2016. In the first quarter of 2017 Polish functional currency appreciated significantly by 5% as compared to 2016. The movements in value of the functional currencies resulted in foreign exchange gain of €2.9 million in the consolidated income statement for the first quarter 2017 (Q1 2016: €0.1 million loss) and €3.6 million gain in other comprehensive income for the first quarter 2017 (Q1 2016: €0.1 million loss).

A summary of exchange rates by country for average and closing rates against the reporting currency as applied in the interim condensed consolidated financial information are set out below.

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 March 2017	4.2198	308.70	4.5511	1.9558
31 December 2016	4.4240	311.02	4.5411	1.9558
% Change	-5%	-1%	0%	0%
31 March 2016	4.2684	314.16	4.4737	1.9558
31 December 2015	4.2615	313.12	4.5245	1.9558
% Change	0%	0%	-1%	0%
Average rates				
1st quarter 2017	4.3246	309.11	4.5482	1.9558
Year 2016	4.3625	311.46	4.5173	1.95583
% Change	-1%	-1%	1%	0%
1st quarter 2016	4.3602	312.02	4.4657	1.9558

Net Asset Value

The Group's property assets are categorised into three classes, when accounted for in accordance with International Financial Reporting Standards. The recognition of changes in value from each category is subject to different treatment as follows:

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;

- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets (PPE) – revaluation movements are taken directly to reserves, net of deferred tax; and

- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements unless where an increase represents the reversal of previously recognized deficit below cost.

The Property Manager's basic and performance fees are determined by the adjusted NAV. For the three months to 31 March 2017 the fee payable to AMC was €0.4 million (€0.4 million in the first quarter of 2016). More details are presented in note 15.

Ongoing activities

During the first three months of 2017, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

The property portfolio is constantly reviewed to ensure it remains in line with the Company's stated strategy of creating a balanced portfolio that will provide future capital growth, the potential to enhance investment value through active and innovative asset management programmes and the ability to deliver strong development margins.

A key management objective is to control and reduce construction costs at its development projects, particularly in the light of global variations in commodity prices. Another key objective is the refinancing of the portfolio, the securing of construction loans and the evaluation of various fund raising opportunities.

Financial management, operational management and material risks

In continuing to fulfil its obligations to its Shareholders and the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Experienced operational teams are in place in each country, where there is significant activity, otherwise a central operational team and investment committee monitor and control investments and major operational matters. As such, the management team continually reviews its operating structures to optimise the efficiency and effectiveness of its network, which is particularly important given the current environment.

We continue to enhance our internal control and reporting procedures and IT systems in order to generate appropriate and timely management information for the ongoing assessment of the Group's performance. There is in operation a financial reporting system which provides the Group with the required reporting framework, financial management and internal control.

Global economic conditions

The Board and the Property Manager closely monitor the effects that the current global economic conditions have on the business and will continue to take steps to mitigate, as far as possible, any adverse impact that may affect the business.

An impact of the economic uncertainty is the fluctuations in exchange rates of countries in the region. AMC has been advising the Board on a regular basis with respect to financial performance and the effect of external factors on the business.

Financing and liquidity

Management has experienced strict requirements of lenders for financing in the CEE region which has been reflected in the covenants that are applied to facilities, such as a reduction of loan to value ratio, increasing margins and an increase in levels of required pre-sales on development projects. The management team see this as a potential risk to the ongoing development of the Company and as a result are devoting significant resource to the management of banking relationships and the monitoring of risk in this area.

Cash is managed both at local and head office levels, ensuring that rent collection is prompt, surplus cash is suitably invested or distributed to other parts of the Group, as necessary, and balances are held in the appropriate currency. The allocation of capital and investment decisions are reviewed and approved by local operational management, the executive team, the central finance and operational teams, by the investment committee of AMC and, finally, by Atlas' Board. This approach provides the Company with a rigorous risk management framework. Where possible, the Company will use debt facilities to finance its projects, which the Company will look to secure at appropriate times and when available, depending on the nature of the asset – yielding or development.

Currency and foreign exchange

Currency and foreign exchange rates exposures are continually monitored. Foreign exchange risk is largely managed at a local level by matching the currency in which income and expenses are transacted and also the currencies of the underlying assets and liabilities.

Most of the income from the Company's investment properties is denominated in Euro and our policy is to arrange debt to fund these assets in the same currency. Where possible, the Company looks to match the currency of the flow of income and outgoings. Some expenses are still incurred in local currency and these are planned for in advance. Development of residential projects has created receipts largely denominated in local currencies and funding facilities are arranged accordingly. "Free cash" available for distribution within the Company is identified and appropriate translation mechanisms put in place.

Conclusions

AMC's key strategic objective is the maximisation of value for the Company's Shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with local market knowledge and expertise. In the first quarter of 2016 the new financing for the second stage of the very successful development project in Warsaw- *Apartamenty przy Krasińskiego II* was secured. The construction of this project is still in progress. Additionally in September 2016 the Group managed to conclude an agreement with Erste Group Bank AG (as disclosed on page 9) which should result in €19.4 million bank debt write back upon the completion of this agreement in 2017.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
22 May 2017

Ziv Zviel
Chief Financial and Operations Officer
Atlas Management Company Limited

ATLAS ESTATES LIMITED

Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large convention centre, fitness club and spa Holmes Place Premium, casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Atlas Estates Tower *(former name: Platinum Towers – offices)*	Land with zoning for an office/residential tower planned over 42 floors.	100%
Galeria Platinum Towers	Commercial area on the ground and first floors Platinum Towers with 1,842 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Capital Art Apartments	784 apartments, four stage development, with Stage 1 completed in 2008, Stage 2 in 2009, Stage 3 in January 2015 and Stage 4 in February 2015. Location close to the central business district in Wola area of Warsaw. As of 31 March 2017 only 2 apartments and 7 retail units were available for sale.	100%
Nakielska Apartment Project	*Nakielska Apartment Project* is a residential development in the Wola district of Warsaw. It will be a two stage development which will release 240 apartments with parking and amenities, including retail facilities. This project is an early planning phase.	100%
Apartamenty przy Krasińskiego, stage I	Residential project in Warsaw. The construction was completed in July 2013. The project released 303 apartments. As of 31 March 2016 all apartments were sold and only 2 retail units were available for sale.	100%
Apartamenty przy Krasińskiego, stage II	The second stage of the successful development project in Warsaw. It is estimated that it will release approximately 123 apartments with underground parking and retail facilities. The construction commenced in November 2015. 67 apartments and 2 retails were presold as of 31 March 2017.	100%
Millennium Tower	39,138 square meters of office and retail space in the central business district of Warsaw.	100%
Concept House	The construction of this residential project was completed in April 2013. Location in Mokotow district close to the central business district of Warsaw. As of 31 March 2017 all apartments out of 160 apartments were sold.	50%
Sadowa office building	6,872 square meters office building close to the city centre of Gdansk.	100%

ATLAS ESTATES LIMITED

Location/Property	Description	Company's ownership
Hungary		
Ikarus Business Park	283,000 square meters plot with 110,000 square meters of built business space and 70,000 of currently lettable, located in the 16th district, a suburban area of Budapest	100%
Atrium Homes	Development land of 8,165 square meters which building rights are subject to concept design and different construction parameters which apply in the 13th district in central Budapest, where the property is located.	100%
Romania		
Voluntari	86,861 square meters of land in three adjacent plots at the pre-zoning stage, in the north eastern suburbs of the city, known as Pipera.	100%
Solaris Project	32,000 square meters plot for re-zoning to mixed-use development in a central district of Bucharest.	100%
Golden Tulip Hotel	4 star 83 room hotel in central Bucharest in the city centre of Bucharest.	100%
Bulgaria		
The Atlas House	Office building in Sofia's city centre with 3,472 square meters of lettable area.	100%

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENT
For the three months ended 31 March 2017

		Three months ended 31 March 2017 (unaudited) €'000		Three months ended 31 March 2016 (unaudited) €'000	Note
Revenues		6,849		8,305	3
Cost of operations		(4,329)		(5,020)	4.1
Gross profit		**2,520**		**3,285**	
Property manager fee	*(411)*		*(379)*		
Central administrative expenses	*(183)*		*(196)*		
Property related expenses	*(997)*		*(1,009)*		
Administrative expenses		(1,591)		(1,584)	4.2
Other operating income		13		8	
Other operating expense		(52)		(97)	
Profit from operations		**890**		**1,612**	
Finance income		110		42	
Finance costs		(689)		(1,966)	
Other gains/(losses) – foreign exchange		2,953		(121)	
Share of losses from equity accounted joint ventures		(5)		(11)	
Profit/ (Loss) before taxation		**3,259**		**(444)**	
Tax charge		189		96	5
Profit/ (Loss) for the period		**3,448**		**(348)**	
Attributable to:					
Owners of the parent		3,448		(348)	
Non-controlling interests		-		-	
		3,448		**(348)**	
Profit/ (Loss) per €0.01 ordinary share – basic (eurocents)		7.4		(0.7)	7
Profit/ (Loss) per €0.01 ordinary share – diluted (eurocents)		7.4		(0.7)	7

All amounts relate to continuing operations.

The notes on pages 23 to 42 form part of these consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2017

	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
PROFIT/ (LOSS) FOR THE PERIOD	**3,448**	**(348)**
Other comprehensive income/ (loss):		
Items that will not be recycled through profit or loss		
Revaluation of buildings	-	-
Deferred tax on revaluation	-	-
Total	-	-
Items that may be recycled through profit or loss		
Exchange adjustments	3,607	(89)
Deferred tax on exchange adjustments	(304)	13
Total	3,303	(76)
Other comprehensive income/ (loss) for the period (net of tax)	**3,303**	**(76)**
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	**6,751**	**(424)**
Total comprehensive income/ (loss) attributable to:		
Owners of the parent	6,751	(424)
Non-controlling interests	-	-
	6,751	**(424)**

The notes on pages 23 to 42 form part of these consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000	Note
ASSETS				
Non-current assets				
Intangible assets	73	76	94	
Land under operating lease - prepayments	11,087	10,608	11,097	
Total investment in equity accounted joint ventures	163	478	654	
Property, plant and equipment	75,975	73,301	74,797	8
Investment property	95,588	91,918	90,155	9
Deferred tax asset	9,352	8,639	7,720	
	192,238	**185,020**	**184,517**	
Current assets				
Inventories	22,467	19,493	16,983	10
Trade and other receivables	4,101	3,907	4,709	
Cash and cash equivalents	8,851	8,100	15,715	11
	35,419	**31,500**	**37,407**	
Assets held within disposal groups classified as held for sale	-	-	608	14
	35,419	**31,500**	**38,015**	
TOTAL ASSETS	**227,657**	**216,520**	**222,532**	
Current liabilities				
Trade and other payables	(22,058)	(15,510)	(11,269)	
Bank loans	(58,294)	(62,517)	(75,766)	13
Derivative financial instruments	(609)	(690)	(1,530)	
	(80,961)	**(78,717)**	**(88,565)**	
Non-current liabilities				
Other payables	(2,893)	(2,719)	(3,094)	
Bank loans	(59,000)	(57,804)	(58,233)	13
Derivative financial instruments	-	-	-	
Deferred tax liabilities	(9,813)	(9,041)	(7,170)	
	(71,706)	**(69,564)**	**(68,497)**	
TOTAL LIABILITIES	**(152,667)**	**(148,281)**	**(157,062)**	
NET ASSETS	**74,990**	**68,239**	**65,470**	

The notes on pages 23 to 42 form part of these consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000
EQUITY			
Share capital account	6,268	6,268	6,268
Revaluation reserve	18,277	18,277	16,371
Other distributable reserve	194,817	194,817	194,817
Translation reserve	(8,351)	(11,654)	(9,873)
Accumulated loss	(136,021)	(139,469)	(142,113)
Issued capital and reserves attributable to owners of the parent	**74,990**	**68,239**	**65,470**
Non-controlling interests	-	-	-
TOTAL EQUITY	**74,990**	**68,239**	**65,470**
Basic net asset value per share	€ 1.6	€ 1.5	€ 1.4

The notes on pages 23 to 42 form part of the consolidated financial information. The condensed consolidated financial information on pages 17 to 42 were approved by the Board of Directors on 22 May 2017 and signed on its behalf by:

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

22 May 2017

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2017

	Share capital account	Revaluation reserve	Other distributable reserve	Translation reserve	Accumulated loss	Total	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Three months ended 31 March 2017								
As at 1 January 2017	6,268	18,277	194,817	(11,654)	(139,469)	68,239	-	68,239
Profit for the period	-	-	-	-	3,448	3,448		3,448
Other comprehensive income for the year	-	-	-	3,303	-	3,303		3,303
As at 31 March 2017	**6,268**	**18,277**	**194,817**	**(8,351)**	**(136,021)**	**74,990**	**-**	**74,990**
Year ended 31 December 2016								
As at 1 January 2016	6,268	16,371	194,817	(9,797)	(141,765)	65,894	-	65,894
Profit for the period	-	-	-	-	2,296	2,296	-	2,296
Other comprehensive loss for the year	-	1,906	-	(1,857)	-	49	-	49
As at 31 December 2016	**6,268**	**18,277**	**194,817**	**(11,654)**	**(139,469)**	**68,239**	**-**	**68,239**
Three months ended 31 March 2016								
As at 1 January 2016	6,268	16,371	194,817	(9,797)	(141,765)	65,894	-	65,894
Profit for the period	-	-	-	-	(348)	(348)	-	(348)
Other comprehensive income for the year	-	-	-	(76)	-	(76)	-	(76)
As at 31 March 2016	**6,268**	**16,371**	**194,817**	**(9,873)**	**(142,113)**	**65,470**	**-**	**65,470**

The notes on pages 23 to 42 form part of the consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
CONSOLIDATED CASH FLOW STATEMENT
Three months ended 31 March 2017

	Note	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Cash inflow/ (outflow) from operations	12	**1,880**	**(2,625)**
Tax paid		(7)	-
Net cash from/ / (used in) operating activities		**1,873**	**(2,625)**
Investing activities			
Interest received		8	38
Purchase of investment property		(97)	(298)
Purchase of property, plant and equipment		(9)	(81)
Cash consideration received in respect of sold subsidiaries- net of cash disposed		-	1,457
Loans repaid by equity accounted joint ventures		295	160
Net cash from investing activities		**197**	**1,276**
Financing activities			
Loan from majority shareholder		3,750	-
Interest paid		(694)	(908)
New bank loans raised		29	-
Repayments of bank loans		(4,727)	(1,748)
Net cash used in financing activities		**(1,642)**	**(2,656)**
Net increase/ (decrease) in cash and cash equivalents in the period		**428**	**(4,005)**
Effect of foreign exchange rates		323	122
Net increase/ (decrease) in cash and cash equivalents in the period		**751**	**(3,883)**
Cash and cash equivalents at the beginning of the period		**8,100**	**19,598**
Cash and cash equivalent at the end of the period		**8,851**	**15,715**
Cash and cash equivalents			
Cash and cash equivalents	11	8,851	15,715
Bank overdrafts		-	-
		8,851	**15,715**

The notes on pages 23 to 42 form part of the consolidated financial information.

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2017

1. Basis of preparation

This condensed interim financial information for the three months ended 31 March 2017 has been prepared in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" ("IAS 34"). The financial information has been prepared on a going concern basis and on a historical cost basis as amended by the revaluation of land and buildings and investment property, and financial assets and financial liabilities at amortised cost. The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity are unaudited. This unaudited interim condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2016. The quarterly financial results are not necessarily indicative of the full year results.

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment still continues to present a lot of challenges for the Group and its management. Nevertheless, the Group has reported a profit for the three months period ended 31 March 2017 of €3.4 million (compared to loss of €0.3 million in the three months ended 31 March 2016).

The Directors consider that the outlook presents ongoing challenges in terms of the markets in which the Group operates, the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group.

As at 31 March 2017 the Group held land and building assets with a market value of €179 million, compared to external debt of €117 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value ratio" gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles**,** may be subject to repossession by the bank in case of a default of loan terms but will not result in additional financial liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

In assessing the going concern basis of preparation of the condensed consolidated interim financial information for the three months ended 31 March 2017, the directors have taken into account the fact that the Group is in a net current liability position and the Board is aware that the Group will have to continue negotiations with the banks (see page 9).

Nevertheless, the directors are aware that the management of the liquidity position of the company has been and still continues to be a high priority. The company so far has been successful in managing its cash position carefully and will continue to do so, despite the various pressures. Managing this situation will require the company to use its various pockets of liquidity within its portfolio of assets and at the same time delicately manage its ongoing operations and relationships with its lending banks.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and the mitigating factors referred to above. These forecasts take into account reasonably possible changes in trading performance, potential sales of properties and the future financing of the Group. They show that the Group will have sufficient facilities for its ongoing operations.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the interim condensed consolidated financial information for the three months ended 31 March 2017.

2. Accounting policies

The accounting policies adopted and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the annual financial statements for the year ended 31 December 2016, and with those expected to be applied to the financial statements for the year ended 31 December 2017.

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2017

3. Segmental information

For management purposes, the Group is currently organised into three operating divisions – the ownership and management of investment property, the development and sale of residential property and the ownership and operation of hotels. These divisions are the basis on which the Group reports its segment information. Segment information about these businesses is presented below:

Three months ended 31 March 2017	Property rental	Residential sales	Hotel operations	Other	Total
	€'000	€'000	€'000	€'000	€'000
Revenues	2,527	261	4,059	2	6,849
Cost of operations	(1,157)	(318)	(2,854)	-	(4,329)
Gross profit	**1,370**	**(57)**	**1,205**	**2**	**2,520**
Administrative expenses	(176)	(90)	(670)	(655)	(1,591)
Gross profit/ (loss) less administrative expenses	**1,194**	**(147)**	**535**	**(653)**	**929**
Other operating income	2	2	9	-	13
Other operating expenses	(46)	-	(6)		(52)
Profit/ (Loss) from operations	**1,150**	**(145)**	**538**	**(653)**	**890**
Finance income	6	18	86	-	110
Finance cost	(179)	(2)	(507)	(1)	(689)
Finance costs - other gains – foreign exchange	2,558	(125)	210	310	2,953
Share of losses from equity accounted joint ventures	-	(5)	-	-	(5)
Segment result before tax	**3,535**	**(259)**	**327**	**(344)**	**3,259**
Tax (expense)/ credit	(93)	317	(42)	7	189
Net profit attributable to owners of the parent					**3,448**

Three months ended 31 March 2017	Property rental	Residential sales	Hotel operations	Other	Total
	€'000	€'000	€'000	€'000	€'000
Reportable segment assets	106,637	29,002	91,273	-	226,912
Unallocated assets				745	745
Total assets	**106,637**	**29,002**	**91,273**	**745**	**227,657**
Reportable segment liabilities	(80,785)	(6,862)	(56,858)	-	(144,505)
Unallocated liabilities				(8,162)	(8,162)
Total liabilities	**(80,785)**	**(6,862)**	**(56,858)**	**(8,162)**	**(152,667)**

Three months ended 31 March 2017	Property rental	Residential sales	Hotel operations	Other	Total
	€'000	€'000	€'000	€'000	€'000
Other segment items					
Capital expenditure	97	-	9	-	106
Depreciation	5	-	595	-	600
Amortisation	-	12	22	7	41

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2017

Three months ended 31 March 2016	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Revenues	2,720	986	4,599	-	8,305
Cost of operations	(1,240)	(899)	(2,881)	-	(5,020)
Gross profit	**1,480**	**87**	**1,718**	**-**	**3,285**
Administrative expenses	(149)	(117)	(704)	(614)	(1,584)
Gross profit/ (loss) less administrative expenses	**1,331**	**(30)**	**1,014**	**(614)**	**1,701**
Other operating income	5	1	2	-	8
Other operating expenses	(1)	(16)	(71)	(9)	(97)
Profit/ (Loss) from operations	**1,335**	**(45)**	**945**	**(623)**	**1,612**
Finance income	9	22	5	6	42
Finance cost	(463)	(3)	(1,498)	(2)	(1,966)
Finance costs - other gains – foreign exchange	14	(3)	7	(139)	(121)
Share of losses from equity accounted joint ventures	-	(11)	-	-	(11)
Segment result before tax	**895**	**(40)**	**(541)**	**(758)**	**(444)**
Tax (expense)/ credit	(28)	-	146	(22)	96
Net profit attributable to owners of the parent					**(348)**

Three months ended 31 March 2016	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Reportable segment assets	101,560	29,839	89,518	-	220,917
Unallocated assets	-	-	-	1,615	1,615
Total assets	**101,560**	**29,839**	**89,518**	**1,615**	**222,532**
Reportable segment liabilities	(94,598)	(1,214)	(58,670)	-	(154,482)
Unallocated liabilities	-	-	-	(2,580)	(2,580)
Total liabilities	**(94,598)**	**(1,214)**	**(58,670)**	**(2,580)**	**(157,062)**

Three months ended 31 March 2016	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Other segment items					
Capital expenditure	298	78	3	-	379
Depreciation	3	-	608	-	611
Amortisation	-	11	28	2	41

There are immaterial sales between the business segments.

Unallocated costs represent corporate expenses. Segment assets include investment property, property, plant and equipment, intangible assets, inventories, debtors and operating cash.

Segment liabilities comprise operating liabilities and financing liabilities.

Unallocated assets represent cash balances, receivables and other assets held by the Company and those of selected sub-holding companies, and deferred tax assets.

Unallocated liabilities include accrued costs and deferred taxation liabilities within the Company and selected sub-holding companies as at the balance sheet date.

The Group manages its business segments on a region wide basis. The operations in the reporting periods were based in four main countries within the Group's region of focus with mainly cash balances being held by the parent company. The four principal territories were:

- Poland,
- Hungary,
- Bulgaria, and
- Romania.

4. Analysis of expenditure

4.1 Cost of operations

Cost of operations

	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Costs of sale of residential property	(273)	(786)
Utilities, services rendered and other costs	(2,068)	(2,256)
Legal and professional expenses	(280)	(298)
Staff costs	(1,306)	(1,259)
Sales and direct advertising costs	(226)	(238)
Depreciation and amortisation	(176)	(183)
Cost of operations	**(4,329)**	**(5,020)**

4.2 Administrative expenses

	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Audit and tax service	(24)	(17)
Incentive and management fee	(411)	(379)
Legal and other professional fees	(185)	(227)
Utilities, services rendered and other costs	(208)	(220)
Staff costs	(247)	(212)
Depreciation and amortisation	(465)	(469)
Other administrative expenses	(51)	(60)
Administrative expenses	**(1,591)**	**(1,584)**

4.3 Finance income and finance costs- net

	31 March 2017 (unaudited) €'000	31 March 2016 (unaudited) €'000
Other	110	42
Finance income – interest income	**110**	**42**
Interest payable on bank borrowings	(660)	(943)
Loss on interest rate derivative	-	(937)
Other similar charges	(29)	(86)
Finance costs	**(689)**	**(1,966)**
Finance costs, excluding foreign exchange – net	**(579)**	**(1,924)**
Other gains and (losses) – foreign exchange	**2,953**	**(121)**
Finance (costs)/ income, including foreign exchange – net	**2,374**	**(2,045)**

5. Tax

Continuing operations	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Current tax	(30)	(2)
Deferred tax	219	98
Tax credit/ (charge) for the year	**189**	**96**

On an individual company basis, an estimate has been made of the effective tax rate for the full year and has been applied to the quarter results.

6. Dividends

There were no dividends declared or paid in the three months ended 31 March 2017 (2016: €nil).

Three months ended 31 March 2017

7. Profit/ (Loss) per share (“LPS”/“EPS”)

Basic earnings/ (loss) per share is calculated by dividing the profit/ (loss) after tax attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations of the profits/ (losses) and weighted average number of shares used in the calculations are set out below:

Three months ended 31 March 2017	**Profit**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€’000**		**Eurocents**
Basic (EPS)			
Profit attributable to equity shareholders of the Company	3,448	46,852,014	7.4
Diluted (EPS) Adjusted profit	**3,448**	**46,852,014**	**7.4**

Three months ended 31 March 2016	**Loss**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€’000**		**Eurocents**
Basic LPS			
Loss attributable to equity shareholders of the Company	(348)	46,852,014	(0.7)
Diluted LPS Adjusted loss	**(348)**	**46,852,014**	**(0.7)**

8. Property, plant and equipment

	Buildings	**Plant and equipment**	**Motor vehicles**	**Total**
	€’000	**€’000**	**€’000**	**€’000**
Cost or valuation				
At 1 January 2016	76,198	11,825	63	88,086
Additions at cost	58	164	-	222
Exchange adjustments	(2,961)	(414)	(2)	(3,377)
Disposals	(302)	-	-	(302)
Revaluation	964	-	-	964
At 31 December 2016	**73,957**	**11,575**	**61**	**85,593**
Additions at cost	9	-	-	9
Exchange adjustments	3,814	532	-	4,346
At 31 March 2017	**77,780**	**12,107**	**61**	**89,948**

Accumulated depreciation				
At 1 January 2016	(5,831)	(6,799)	(59)	(12,689)
Charge for the year	(1,664)	(709)	(1)	(2,374)
Adjustment due to revaluation	1,664	-	-	1,664
Exchange adjustments	567	236	2	805
Disposals	302	-	-	302
At 31 December 2016	**(4,962)**	**(7,272)**	**(58)**	**(12,292)**
Charge for the period	(430)	(170)	-	(600)
Exchange adjustments	(753)	(326)	(2)	(1,081)
At 31 March 2017	**(6,145)**	**(7,768)**	**(60)**	**(13,973)**
				-
Net book value at 31 March 2017	**71,635**	**4,339**	**1**	**75,975**
Net book value at 31 December 2016	68,995	4,303	3	73,301

	Buildings	**Plant and equipment**	**Motor vehicles**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Cost or valuation				
At 1 January 2016	76,198	11,825	63	88,086
Additions at cost	-	81	-	81
Exchange adjustments	(55)	(16)	-	(71)
At 31 March 2016	**76,143**	**11,890**	**63**	**88,096**
Accumulated depreciation				
At 1 January 2016	(5,831)	(6,799)	(59)	(12,689)
Charge for the period	(433)	(177)	(1)	(611)
Exchange adjustments	-	1	-	1
At 31 March 2016	**(6,264)**	**(6,975)**	**(60)**	**(13,299)**
Net book value at 31 March 2016	**69,879**	**4,915**	**3**	**74,797**

Hotels Hilton in Warsaw and Golden Tulip in Bucharest constitute the majority of the total property, plant and equipment balance as of 31 March 2017, 31 December 2016 and 31 March 2016. The latest valuation of the hotels was performed as of 31 December 2016. Hotels were valued by qualified professional valuers, Jones Lang LaSalle Sp. z o.o., Chartered Surveyors, acting in the capacity of External Valuers. All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The results of valuation:
- revaluation adjustments, net of applicable deferred taxes, have been taken to the revaluation reserve in shareholders' equity,
- impairment adjustments have been taken to other operating expenses/ reversal of impairment adjustments have been taken to other operating income.

The Group has pledged property, plant and equipment of €74.6 million (31 December 2016: €72.0 million, 31 March 2016: €73.5 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €50.6 million (31 December 2016: €49.5 million, 31 March 2016: €52.4 million) are secured on these properties.

9. Investment property

	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000
At beginning of the year	91,918	94,121	94,121
Disposal of subsidiary (note 18)	-	(3,582)	(3,546)
Transfers from other asset categories	-	(612)	-
Capitalised subsequent expenditure	97	1,224	298
Exchange movements	3,573	(2,547)	(110)
PV of annual perpetual usufruct fees	-	(3)	-
Fair value gains	-	3,317	-
As at period end	**95,588**	**91,918**	**90,763**
Less assets classified as held for sale (note 14)	-	-	(608)
	95,588	**91,918**	**90,155**

The fair value of the Group's investment properties has been arrived at on the basis of the latest valuation carried out at 31 December 2016:
- for the properties located in Poland and Romania by Jones Lang LaSalle Sp. z o.o. external independent qualified valuer with recent experience valuing the properties in the location held by the Group;
- for the properties located in Hungary by FHB Ingatlan Zrt external independent qualified valuer with recent experience valuing the properties in the location held by the Group.

All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The fair value of the investment property has not been adjusted for the purposes of financial reporting.

The Group has pledged investment property of €82.0 million (31 December 2016: €82.0 million; 31 March 2016: €81.6 million) to secure certain banking facilities granted to subsidiaries.

10. Inventories

	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000
Land held for development	12,114	11,019	10,854
Construction expenditures	7,190	5,177	1,559
Completed properties	1,948	2,125	3,400
Hotel inventory	1,215	1,172	1,170
As at period end	**22,467**	**19,493**	**16,983**

€0.3 million (31 December 2016: €1.9 million; 31 March 2016: €0.8 million) of inventories was released to cost of operations in the income statement during the period. €nil million was recognised in the income statement in relation to the impairment on inventories (31 December 2016: €0.3 million in relation to reversal of impairment on inventories; 31 March 2016: €nil million in relation to impairment on inventories). The stock which is held at fair value less cost to sell amounts to €4.6 million (31 December 2016: €4.6 million; 31 March 2016: €4.4 million)

As at 31 March 2017 bank borrowings are secured on the inventory for the value of €9.6 million (31 December 2016: €7.4 million; 31 March 2016: €nil million).

11. Cash and cash equivalents

	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000
Cash and cash equivalents			
Cash and cash equivalents	8,099	6,345	8,156
Short term bank deposits	752	1,755	7,559
As at period end	**8,851**	**8,100**	**15,715**

Included in cash and cash equivalents is €6.2 million (31 December 2016: €4.4 million; 31 March 2016: €5.6 million) restricted cash relating to security and customer deposits.

12. Cash generated from operations

	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Profit/ (Loss) for the period	**3,448**	**(348)**
Adjustments for:		
Effects of foreign currency	(3,395)	189
Finance costs	595	1,934
Finance income	(8)	(38)
Tax expense	(189)	(96)
Share of losses/ (profits) from equity accounted joint ventures	5	11
Depreciation of property, plant and equipment	600	611
Amortisation charges	41	41
	1,097	**2,304**
Changes in working capital		
(Increase)/ Decrease in inventory	(2,946)	42
Increase in trade and other receivables	(194)	(914)
Decrease/ (Increase) in trade and other payables	2,775	(3,846)
Effects of foreign currency on working capital translation	1,148	(211)
	783	**(4,929)**
Cash inflow/ (outflow) from operations	**1,880**	**(2,625)**

13. Bank loans

	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000
Current			
Bank loans and overdrafts due within one year or on demand			
Secured	**(58,294)**	**(62,517)**	**(75,766)**
Non-current			
Repayable within two years			
Secured	(5,313)	(5,310)	(1,812)
Repayable within three to five years			
Secured	(11,704)	(11,512)	(10,693)
Repayable after five years			
Secured	(41,983)	(40,982)	(45,728)
	(59,000)	**(57,804)**	**(58,233)**
Total	**(117,294)**	**(120,321)**	**(133,999)**

The bank loans are secured on various properties of the Group.

The fair value of the fixed and floating rate borrowings approximated their carrying values at the balance sheet date, as the impact of marking to market and discounting is not significant. The fair values are based on cash flows discounted using rates based on equivalent fixed and floating rates as at the end of the year.

Bank loans are denominated in a number of currencies and bear interest based on a variety of interest rates. An analysis of the Group's borrowings by currency:

	Euro €'000	Zloty €'000	Total €'000
Bank loans and overdrafts – 31 March 2017	**82,396**	**34,898**	**117,294**
Bank loans and overdrafts – 31 December 2016	86,733	33,588	120,321
Bank loans and overdrafts – 31 March 2016	100,319	33,680	133,999

Debt financing

Portfolio of cross collateralised banking facilities extended by Erste Group Bank AG

In June 2015 the Group reached a settlement with the bank financing its two projects in Romania (*part of portfolio of cross collateralised banking facilities*) based on which the Group received €22.2m discount on the repayment of the outstanding loan facility. The Group could be obliged to pay an additional amount to the bank in connection with this transaction as described on page 9.

In November 2015 the Group sold Ligetvaros office building in Hungary (*part of portfolio of cross collateralised banking facilities*) and consequently settled the outstanding loan facility extended to this project.

Three months ended 31 March 2017

As of 31 March 2017, after the above described repayment of two Romanian and one Hungarian facility, the Group has one facility extended to Atlas Estates Millennium Sp. z o.o. (“Millennium”) by Erste Group Bank AG that had been cross collateralised totalling €43.0million. On 14 September 2016 the Group signed with Erste bank the agreement based on which by 29 September 2017 the bank will sell/ transfer to Atlas Projects B.V. (subsidiary of Atlas Estates Limited) its outstanding facility due from Millennium at the price of €1 subject mainly to the following conditions:

1) repayment by or on behalf of Millennium and receipt by the bank of principal in the aggregate amount of € 39,500,000 with interests indicated in this agreement in the following four instalments:

a) € 8,075,000 to be paid by 10 business days after the signing of this agreement - this amount was paid by Millennium in September 2016;
b) € 3,950,000 by 30 November 2016 - this amount was paid by Millennium in November 2016;
c) € 3,950,000 by 31 March 2017 - this amount was paid by Millennium in March 2017;
d) € 23,525,000 by 29 September 2017;

2) payment by Atlas Projects B.V. the transfer price in amount of € 1;

Upon completion (which has not yet taken place and is scheduled to take place until 29 September 2017) of the transfer of this facility to Atlas Project BV:

- the bank shall relinquish any mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by Millennium and/or third party for the benefit of the bank to secure the claims of the bank against Millennium. Moreover, upon the completion of this transfer no Price Adjustment defined on page 9 shall be due to the bank.
- Atlas Estates Limited in its consolidated financial statements will record a finance income of €19.4 million representing bank debt discount resulting from this transaction.

New loan

In February 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. was granted a loan for the construction of the second stage of *Apartamenty przy Krasińskiego* project in Warsaw.
Under the agreement the bank will grant a loan in a total amount of PLN 42.9 million in the following tranches:
-a construction loan in an amount of PLN 41.4 million, and
-a VAT loan (i.e. revolving loan to finance Polish VAT) in an amount of PLN 1.5 million.
The final repayment date of the construction part of the loan will fall on 31 March 2019 and the final repayment date of VAT part of the loan will fall on 30 September 2018. The first draw down of the loan took place in the third quarter of 2016. The outstanding loan facility as of 31 March 2017 amounted to €2.2 million.

Other loans

In the preparation of the interim condensed consolidated financial statements as of 31 March 2017, the directors have classified the loan facility extended to a Hungarian subsidiary totalling €13.5 million as current since covenant breaches arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan.

14. Assets classified as held for sale and directly associated liabilities

In 2011 Atlas management started to actively market for sale Moszkva office building. In September 2012 the Company entered into conditional agreement to sell half of the building for the total price of €700 thousand. This transaction was completed in December 2012. In November 2016 the remaining part of Moszkva property was sold. In June 2015 Metropol was actively marketed. In January 2016 final sale agreement concerning Metropol was concluded. All properties are located in Budapest, Hungary.

The major classes of assets and liabilities held for sale were as follows:

	31 March 2017 (unaudited) €’000	31 December 2016 (audited) €’000	31 March 2016 (unaudited) €’000
Assets:			
Investment property	-	-	608
Assets held within disposal groups classified as held for sale	**-**	**-**	**608**

Assets held within disposal groups classified as held for sale	31 March 2017 (unaudited) €'000	31 December 2016 (audited) €'000	31 March 2016 (unaudited) €'000
At beginning of the year	-	4,168	4,168
Additions	-	-	-
Disposals (Metropol) (note 18)	-	(3,582)	(3,546)
Disposals (Moszkva)		(612)	
Exchange movements	-	26	(14)
Fair value gains/ (losses)	-	-	-
As at period end	**-**	**-**	**608**

15. Related party transactions

(a) Key management compensation

	31 March 2017 (unaudited) €'000	31 March 2016 (unaudited) €'000
Fees for non-executive directors	16	12

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC earned a management fee of €0.4 million for the three months ended 31 March 2017 (year ended 31 December 2016: €1.6 million; 3 months ended 31 March 2016: €0.4 million). Under the agreement, AMC is entitled to a performance fee based on the increase in value of the properties over the 12 month period to 31 December 2017. No performance fee has been accrued for the 3 months ended 31 March 2017 (3 months ended 31 March 2016: €nil) as the performance fee can only be reasonable estimated after the annual valuation of the assets portfolio. The Company has accrued a performance fee of €nil million for the year ended 31 December 2016.

On 15 July 2013 AMC Poland entered into an agreement with the Company's subsidiary – Capital Art Apartments Sp. z o.o. SKA. Based on this agreement AMC Poland administers the sale process of Capital Art Apartments stage III. As of 31 March 2017 AMC Poland received a fee of €nil thousand in relation to this agreement (31 December 2016: €19.7 thousand; 31 March 2016: €14.6 thousand).

As of 31 March 2017 €0.6 million included in current trade and other payables was due to AMC (31 December 2016: €0.5 million; 31 March 2016: €2.3 million) for current period and historic management and performance fee.

(b) On 22 November 2012, the Group acquired 24% interest in the voting shares of Zielono Sp. z o.o., increasing its interests to 100%. As of 31 March 2017 the purchase price of €0.2 million (31 December 2016: €0.2 million, 31 March 2016: €0.2 million) is due to former non-controlling shareholder (Coralcliff Limited).

(c) In 2016 Mr. Reuven Havar, the Chief Executive Officer, acquired one apartment in *Capital Art Apartments III & IV* project in Warsaw for the price of €99.0 thousand. As of 31 December 2016 and 31 March 2017 these amounts were fully settled.

(d) In 2016 Mr. Ziv Zviel, the Chief Finance Officer and Chief Operations Officer, acquired one apartment in *Capital Art Apartments III & IV* project in Warsaw for the price of €65.2 thousand. As of 31 December 2016 and 31 March 2017 these amounts were fully settled.

(e) In November 2016 Atlas Estates Limited ("AEL") received a loan from its majority shareholder Fragiolig Holdings Limited ("Fragiolig") amounting to €3.5 million. The loan repayment date was 30 January 2017 however in January 2017 it was subsequently extended till 30 November 2017. In March 2017 AEL received an additional €3.75 million and as a result the loan amount was increased to €7.25 million as of 31 March 2017. The loan bears no interest until the repayment date. Moreover on 31 January 2017 AEL concluded an option agreement with Fragiolig based on which AEL granted to Fragiolig an option to acquire (through AEL's subsidiaries) whole or part of the partnership interest in the partnership in its indirect subsidiary- HPO AEP Spółka z ograniczoną odpowiedzialnością spółka jawna with its seat in Warsaw ("HPO"). The option may be executed by Fragiolig by 30 November 2017. Upon execution of the option by Fragiolig, AEL will sell the whole or part of partnership interest in HPO for the price determined in a valuation conducted by an evaluation firm appointed by AEL in consultation with Fragiolig.

(f) The ultimate parent company is RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

16. Post balance sheet events

No specific significant events have occurred which would require an adjustment to this report.

17. Other items

17.1 Information about court proceedings

The Company is not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's net equity, except for legal proceeding against:

Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified on 9 March 2011 that Stronginfo Consultants Ltd and Columbia Enterprises Ltd (the "Plaintiffs") have submitted to an arbitrator a statement of claim against Atlas Estates Investment B.V. ("AEI B.V.") with its seat in Amsterdam, the subsidiary of AEL as the primary debtor and AEL itself as the guarantor (the "Defendants") asking arbitrator to order the Defendants to provide a full and accurate accounting basis for the calculation of the Completion Consideration as defined in the agreement dated May 8, 2006 ("Agreement") on transfer of shares from the Plaintiffs to Atlas Estates Investment B.V. and demanding payments of Completion Consideration which in the absence of any actual accounting yet was estimated by the Plaintiffs of total PLN55 million.

On 10 December 2015 the Arbitrator in Israel reached a judgement according to which the Defendants were obliged jointly and severally to pay to the Plaintiffs the amount of 9,468,237 Israeli shekels increased by interests and indexation from 10 July 2012 until the payment date according to the Israeli law. Moreover, the Defendants were obliged to pay to the Plaintiffs the amount of 300,000 Israeli shekels as reimbursement of legal fees. Additionally the Defendants were obliged jointly and severally to pay to the Plaintiffs the additional amount, which should have been specified until 15 January 2016 according to the instructions included in the judgement. Part of the claim pursued by the Plaintiffs related to the payment of the remuneration for the third tower provided for in the Agreement, even though the third tower has not been constructed until now. This part of the claim was rejected by the Arbitrator in Israel.

On 18 February 2016 AEL and AEI B.V. entered into the settlement agreement with Stronginfo Consultants Ltd and Columbia Enterprises Ltd ("Settlement"). The purpose of the Settlement was to specify the exact amount of the payment to be made by AEL and AEI B.V. to Stronginfo Consultants Ltd and Columbia Enterprises Ltd. The Settlement substitutes decision of the Arbitrator in Israel of 10 December 2015 (described above). According to the provisions of the Settlement AEL and AEI B.V. will pay to the Plaintiffs the total amount of 10,437,475 Israeli shekels (equivalent of approx. €2.5 million) in connection with the first two towers provided for in the Agreement. Payment of the above amount exhaust above mentioned claims of Stronginfo Consultants Ltd and Columbia Enterprises Ltd.

As of 31 December 2015 due to the above described legal case an accrual amounting to €2.5 million was recorded in the consolidated financial statements. As of 31 December 2016 and 31 March 2017 all amounts due were paid in accordance with the settlement agreement.

There are no other material legal cases or disputes that are considered material to the interim condensed consolidated financial information that would either require disclosure or provision within the financial information.

17.3 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2017.

17.4 Substantial shareholdings

Substantial shareholdings

The Board is aware of the following direct or indirect interest in 5% or more of the Company's ordinary share capital *(excluding 3,470,000 treasury shares, which have no voting rights*). All shares have equal voting rights.

1. Direct shareholders *(i.e. shareholders holding the shares for the benefit of other parties)*

Significant Shareholders	Number of Shares held	Voting Rights
Vidacos Nominees Limited <BJB>	34,969,645	74.64
Forest Nominees Limited <GC1>	6,461,425	13.79
Euroclear Nominees Limited <EOCO1>	5,311,546	11.34
TOTAL	**46,742,616**	**99.77**

2. Beneficial shareholders *(i.e. shareholders for the benefit of which the above direct shareholders held the shares)* based on the information provided to the Company by these shareholders under the applicable legislation (*the notifications received from shareholders in accordance with Art. 70 with connection to art. 69 of the Act of 29 July 2005 on the Public Offering, Condition Governing the introduction of Financial Instruments to Organized Trading and Public Companies*)

Significant Shareholders	Number of Shares held	Voting Rights
Fragiolig	35,391,145	75.54
Atlas International Holdings Limited	6,461,425	13.79
TOTAL	**41,852,570**	**89.33**

3. The ultimate parent company is RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

17.5 Directors' share interests

There have been no changes to the Directors' share interests during the three months ended 31 March 2017. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the three months ended 31 March 2017.

18. Principal subsidiary companies and joint ventures

In January 2016 Atlas completed the sale of Hungarian subsidiary- Metropol. The Group realized €1.8 million in net proceeds. In April 2016 Atlas was obliged to refund part of the price received in relation with the sale of Ligetvaros and Varosliget (Hungarian subsidiaries sold in 2015) in amount of €0.1 million. The result on disposal of these operations was determined as follows:

	31 December 2016 €'000
Consideration received net of cash disposed	**1,389**
Cash consideration refund (Ligetvaros&Varosliget)	(100)
Cash consideration received (Metropol)	1,816
Cash disposed of	(327)
Net assets disposed of (other than cash):	**1,474**
Deferred tax asset	152
Investment properties	3,582
Trade and other receivables	57
Trade and other payables	(309)
Bank loans	(1,711)
Deferred tax liabilities	(297)

The table below lists the current operating companies of the Group. In addition, the Group owns other entities which have no operating activities. All Group companies are consolidated except for: Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. which is deconsolidated since December 2014, i.e. from the moment when Group control was lost.

No new subsidiary undertakings were acquired and no significant investments were made in any additional joint ventures during the three months period ended 31 March 2017 and year ended 31 December 2016.

Country of incorporation	Name of subsidiary/ joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investment B.V.	Holding	100%
Holland	Atlas Projects B.V.	Holding	100%
Guernsey	Atlas Finance (Guernsey) Limited	Holding	100%
Curacao	Atlas Estates Antilles B.V.	Holding	100%
Cyprus	Fernwood Limited	Holding	100%
Poland	AEP Sp. z o.o.	Management	100%
Poland	AEP Sp. z o.o. 2 SKA	Holding	100%
Poland	AEP Sp. z o.o. 3 SKA	Holding	100%
Poland	Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Zielono AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Properpol Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Millennium) Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Development	100%
Poland	HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Hotel operation	100%
Poland	Mantezja 3Sp. z o.o.	Hotel operation	100%
Poland	HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Le Marin Sp. z o.o.	Development	100%
Poland	Atlas Estates (Przasnyska 9) Sp. z o.o.	Development	100%
Poland	La Brea Management Sp. z o.o.	Development	100%
Poland	CAA Finance Sp. z o.o.	Development	100%
Poland	Atlas Invest FIZ AN	Holding	100%
Poland	Gretna Investments Sp. z o.o.	Holding	100%
Poland	Gretna Investments Sp. z o.o. 4 SKA	Holding	100%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Investment	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Atlas Estates (Moszkva) Kft.	Investment	100%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Development	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2017

Country of incorporation	Name of subsidiary/ joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Luxembourg	Gretna SCSP	Holding	100%
Luxembourg	Residential SCSP	Holding	100%
Luxembourg	Gretna Projects Sarl	Holding	100%
Luxembourg	HPO SCSP	Holding	100%
Luxembourg	Residential Projects Sarl	Holding	100%

19. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Revenues	-	-
Cost of operations	-	-
Gross profit	**-**	**-**
Administrative expenses	(391)	(281)
Other operating income	2	-
Loss from operations	**(389)**	**(281)**
Finance income	200	5
Finance costs	(13)	(15)
Other gains and (losses) – foreign exchange	2	(2)
Loss before taxation	**(200)**	**(293)**
Tax expense	-	-
Loss for the period	**(200)**	**(293)**
Total comprehensive loss for the period	**(200)**	**(293)**

19. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	31 March 2017 (unaudited) €'000	31 December 2016 €'000	31 March 2016 (unaudited) €'000
ASSETS			
Non-current assets			
Investment in subsidiaries	93,680	89,930	87,500
Loans receivable from subsidiaries	86	180	1,050
	93,766	**90,110**	**88,550**
Current assets			
Trade and other receivables	-	7	-
Cash and cash equivalents	139	113	704
	139	**120**	**704**
TOTAL ASSETS	**93,905**	**90,230**	**89,254**
Non-current liabilities			
Other payables	(3,722)	(3,709)	(3,670)
	(3,722)	**(3,709)**	**(3,670)**
Current liabilities			
Trade and other payables	(7,825)	(3,963)	(2,217)
	(7,825)	**(3,963)**	**(2,217)**
TOTAL LIABILITIES	**(11,547)**	**(7,672)**	**(5,887)**
NET ASSETS	**82,358**	**82,558**	**83,367**
EQUITY			
Share capital account	6,268	6,268	6,268
Other distributable reserve	194,817	194,817	194,817
Accumulated loss	(118,727)	(118,527)	(117,718)
TOTAL EQUITY	**82,358**	**82,558**	**83,367**

19. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 March 2017

	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000
As at 1 January 2017	6,268	194,817	(118,527)	82,558
Total comprehensive loss for the period	-	-	(200)	(200)
As at 31 March 2017	**6,268**	**194,817**	**(118,727)**	**82,358**

Year ended 31 December 2016	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000
As at 1 January 2016	6,268	194,817	(117,425)	83,660
Total comprehensive loss for the year	-	-	(1,102)	(1,102)
As at 31 December 2016	**6,268**	**194,817**	**(118,527)**	**82,558**

Three months ended 31 March 2016 (unaudited)	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000
As at 1 January 2016	6,268	194,817	(117,425)	83,660
Total comprehensive loss for the period	-	-	(293)	(293)
As at 31 March 2016	**6,268**	**194,817**	**(117,718)**	**83,367**

19. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED CASH FLOW STATEMENT
Three months ended 31 March 2017

	Three months ended 31 March 2017 (unaudited) €'000	Three months ended 31 March 2016 (unaudited) €'000
Loss for the period	**(200)**	**(293)**
Adjustments for:		
Effects of foreign currency	-	-
Finance costs	13	15
Finance income	(1)	(5)
	(188)	**(283)**
Changes in working capital		
Decrease in trade and other receivables	7	6
Increase/ (decrease) in trade and other payables	112	(2,206)
Net cash (used in)/ from operating activities	**(69)**	**(2,483)**
Investing activities		
New loans advanced to subsidiaries	(5)	(2,719)
Repayment of loans with subsidiary undertakings	100	4,788
Cash contribution to subsidiary undertaking	(3,750)	-
Net cash (used in)/ from investing activities	**(3,655)**	**2,069**
Financing activities		
Loan received from majority shareholder	3,750	
Interest received	-	-
Interest paid	-	-
Net cash from/ (used in) financing activities	**3,750**	**-**
Net increase/ (decrease) in cash and cash equivalents in the period as a result of cashflows	**26**	**(414)**
Effect of foreign exchange rates	-	-
Net increase/ (decrease) in cash and cash equivalents in the period	**26**	**(414)**
Cash and cash equivalents at the beginning of the period	**113**	**1,118**
Cash and cash equivalents at the end of the period	**139**	**704**
Cash and cash equivalents		
Cash at bank and in hand	139	704
Bank overdrafts	-	-
	139	**704**