

ATLAS ESTATES LIMITED  
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
HALF YEAR 2019

Atlas Estates Limited  
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# ATLAS ESTATES LIMITED

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# ATLAS ESTATES LIMITED

## Financial Highlights

| Selected Consolidated Financial Items         | Six months<br>ended                  | Year ended                             | Six months<br>ended                  |
|---|--------------------------------------|--|--------------------------------------|
|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
| Revenues                                      | 23,482                               | 45,037                                 | 28,842                               |
| Gross profit                                  | 8,897                                | 16,942                                 | 10,127                               |
| Increase in value of investment properties    | 668                                  | 7,022                                  | 2,476                                |
| Profit from operations                        | 5,817                                | 14,691                                 | 9,111                                |
| Profit before tax                             | 3,099                                | 8,863                                  | 5,189                                |
| Profit for the period                         | 2,164                                | 5,805                                  | 3,881                                |
| Net cash from operating activities            | 7,982                                | 11,452                                 | 5,359                                |
| Net cash (used in)/ from investing activities | (2,736)                              | 6,525                                  | (997)                                |
| Net cash used in financing activities         | (2,654)                              | (8,245)                                | (1,862)                              |
| Net increase in cash                          | 2,879                                | 9,437                                  | 1,850                                |
| Non-current assets                            | 190,021                              | 183,136                                | 190,540                              |
| Current assets                                | 41,513                               | 41,543                                 | 30,371                               |
| Total assets                                  | 231,534                              | 224,679                                | 220,911                              |
| Current liabilities                           | (25,515)                             | (44,339)                               | (38,276)                             |
| Non-current liabilities                       | (105,174)                            | (88,537)                               | (93,661)                             |
| Total liabilities                             | (130,689)                            | (132,876)                              | (131,937)                            |
| Basic net assets <sup>1</sup>                 | 100,845                              | 91,803                                 | 88,974                               |
| Number of shares outstanding                  | 46,852,014                           | 46,852,014                             | 46,852,014                           |
| Profit per share (eurocents)                  | 4.6                                  | 12.4                                   | 8.3                                  |
| Basic net asset value per share (€)           | 2.2                                  | 2.0                                    | 1.9                                  |

(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 interim condensed consolidated report of Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings (together "the Group") for the six months ended 30 June 2019.

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 2018 the Group completed renovation of the main lobby as well as other common spaces at *Atlas Tower* (former name *Millennium Plaza*) which attracted several new tenants and resulted in the outstanding occupancy ratio of 95% as of 30 June 2019;
- On 31 January 2019 the Group concluded preliminary sale agreement of Nakielska Apartment Project at the net sale price of PLN 33.5 million (equivalent of ca €7.8 million). The book value of this project amounted to €5.6 million. This transaction was completed on 13 May 2019 and full sale price was received;
- On 22 November 2018 the Group concluded preliminary sale agreement of Atlas Estates Tower (undeveloped real property located in Warsaw) at the net sale price of PLN 147 million (equivalent of ca €34.6 million). The book value of this project (classified as assets held for sale and liabilities directly associated with assets held for sale) as of 30 June 2019 amounted to €6.6 million. On 7 August 2019 conditional sale agreement was concluded (increasing sale price to PLN 148 million) and PLN 14.8 million (equivalent of ca €3.5 million) was received in respect of the sales price. The completion of this transaction is expected by end of October 2019.

Despite the efforts of the Company's management, on 27 February 2019, following the decision of the Metropolitan Companies' Court in Budapest ordering the compulsory strike off of the Company's subsidiary- Felikon Kft. a process of liquidation and deletion of Felikon Kft. from the companies register was commenced. No gain or loss was recognised in the interim consolidated financial statements for the six months ended 30 June 2019 as a result of this event.

## Half Year Reported Results

As of 30 June 2019 the Group has reported basic net assets of €100.8 million.

The increase of basic net asset value by €9.0 million (i.e. 10%) from €91.8 million as at 31 December 2018 is primarily a result of:

- €2.2 million above mentioned gross profit realized on sale of Nakielska Apartment Project;
- €6.7 million upward *Hilton* hotel revaluation as of 30 June 2019, offset by:
- €1.2 million annual depreciation charge on property, plant and equipment recorded in the six months period ended 30 June 2019.

Profit after tax amounts to €2.2 million for the six months period ended 30 June 2019 as compared to profit after tax of €3.9 million for the six months period ended 30 June 2018. The significant change of the noted results was mainly a joint effect of:

- decrease in gross profit realized mainly due to above mentioned €2.2 million gross profit realized on sale of Nakielska Apartment Project in 2019 as compared to €3.7 million gross profit realised on completion of sales in the second stage of *Apartamenty przy Krasińskiego* development project in Warsaw in the first half of 2018,
- lower increase in valuation of investment property (*Atlas Tower*, former name: *Millennium Plaza*) from an increase of €2.5 million recorded in the first half of 2018 to increase of €0.7 million recorded in in the first half of 2019, offset by:
- movements in the foreign currency exchange differences from loss of €1.9 million for the first half of 2018 to loss of €0.3 million for the first half of 2019 mainly as a result of depreciation of PLN by 5% and HUF by 6% in the first half of 2018 as compared to depreciation of HUF by 1% and RON by 2%, offset by appreciation of PLN by 1% in the first half of 2019.

# ATLAS ESTATES LIMITED

## Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in the context of 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 six months ended 30 June 2019, as set out in accounting policies to the condensed consolidated financial information.

## Investing Policy

Atlas invests mainly 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")

The Company has used NAV per share and Adjusted NAV per share as key performance measures since its IPO. In the six months to 30 June 2019, NAV per share, as reported in the interim condensed consolidated financial information, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, increased from €2.0 per share as at 31 December 2018 to €2.2 per share as at 30 June 2019.

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.

For the interim accounts valuations of key assets (*Hilton Hotel and Atlas Tower (former name: Millennium Plaza)*- office building located in Warsaw) were performed by an external expert. As of 30 June 2019 Jones Lang LaSalle - external independent qualified expert, was responsible for the valuation of *Atlas Tower (former name: Millennium Plaza)* and *Hilton* hotel in Poland.

## Corporate Governance

Atlas ensures that the Group applies a robust corporate governance structure, which is vital in the current economic conditions. This is important as there is a clear link between high quality corporate governance and shareholder value creation. A statement on Atlas compliance with the corporate governance recommendations and principles contained in Best Practice for WSE listed companies is presented on Atlas corporate website.

## Risks and uncertainties

The Board and the Property Manager continually assess and monitor the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance for the rest of the financial year 2019 are summarised in the Property Manager's Report on pages 13 and 14 below.

# ATLAS ESTATES LIMITED

## Prospects

With the ongoing economic development in Poland we can now focus on strengthening as well as expanding our real estate portfolio.

**Mark Chasey**  
CHAIRMAN  
24 September 2019

# ATLAS ESTATES LIMITED

## Review of the Property Manager

In this review we present the financial and operating results for the six months ended 30 June 2019. 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 30 June 2019, the Company held a portfolio of thirteen properties comprising five investment properties of which three are income yielding properties, two are held for capital appreciation, two hotels and six development properties. One development project is presold as of the date of this report (see note 12).

## 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 annual real GDP growth of 5.1% in 2018 and 3.8% expected in 2019.

### Hilton Hotel, Warsaw

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

### Atlas Tower (former name: Millennium Plaza), Warsaw

The *Atlas Tower* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 95% as of 30 June 2019 (89% as of 31 December 2018). The Group has recently completed a renovation project of some of the public spaces, which attracts new tenants.

### Atlas Estates Tower

The Group was planning to build a mixed use (residential and office) Atlas Estates Tower, on the neighbouring plot alongside the *Hilton* hotel, however since the scale of the development now exceeds the Group's investment abilities on 22 November 2018 the Group decided to enter into a preliminary sale agreement and dispose this property at the sale price of PLN147 million (i.e. equivalent of €34 million) to a third party. On 7 August 2019 conditional sale agreement was concluded (increasing sale price to PLN 148 million) and PLN 14.8 million (equivalent of ca €3.5 million) was received in respect of the sales price. The completion of this transaction is expected by end of October 2019.

### Galeria Platinum Towers

Commercial area on the ground and first floors of Platinum Towers with 1,904 sqm of gallery and 208 parking places almost fully let to tenants.

### Apartamenty przy Krasińskiego

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

The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 30 June 2019 all apartments were sold or presold with no retail unit available for sale.

The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 30 June 2019 all apartments and retail units were sold or presold.

### 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 30 June 2019 all apartments from all stages were either sold or presold, whereas 4 retail units remain available for sale.

# ATLAS ESTATES LIMITED

## **Nakielska Apartments Project**

This is a residential development that was planned to be constructed in Wola district of Warsaw. On 13 May 2019 the Group sold this project as disclosed in note 10.

## **Hungary**

In Hungary, as of 31 December 2018 and 30 June 2018 , the Group owned one income yielding property, Ikarus Business Park, located in Budapest held by the Company's subsidiary Felikon Kft. On February 2019 this entity commenced a process of liquidation as described in note 19.

## **Romania**

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks – Voluntari and Solaris. The Romanian real annual GDP increased by 4.0% in 2018. The occupancy rates at the Golden Tulip increased from 63% for the six months ended 30 June 2018 to 68% for the six months ended 30 June 2019.

## **Bulgaria**

The Group holds one income yielding property in Bulgaria, the Atlas House, which is a ca. 3,500 sqm office building in Sofia.



# ATLAS ESTATES LIMITED

## 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 overexposed 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

An independent valuation of the entire property portfolio is carried out on an annual basis. For the interim semi-annual accounts the valuation of selected assets was performed as described on page 5.

### Loans and valuations

As at 30 June 2019, the Company's share of bank debt associated with the portfolio of the Group was €76 million (31 December 2018: €89 million; 30 June 2018: €94 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

|                     | LTV          |            |            | LTV              |            |            | LTV          |            |            |
|---------------------|--------------|------------|------------|------------------|------------|------------|--------------|------------|------------|
|                     | Loans        | Valuation  | Ratio      | Loans            | Valuation  | Ratio      | Loans        | Valuation  | Ratio      |
|                     | 30 June 2019 |            |            | 31 December 2018 |            |            | 30 June 2018 |            |            |
|                     | €            | €          | %          | €                | €          | %          | €            | €          | %          |
|                     | millions     | millions   |            | millions         | millions   |            | millions     | millions   |            |
| Investment property | 25           | 71         | 35%        | 38               | 81         | 47%        | 42           | 82         | 51%        |
| Hotels              | 51           | 101        | 50%        | 51               | 94         | 54%        | 52           | 93         | 56%        |
| <b>Total</b>        | <b>76</b>    | <b>172</b> | <b>44%</b> | <b>89</b>        | <b>175</b> | <b>51%</b> | <b>94</b>    | <b>175</b> | <b>54%</b> |

\*LTV Ratio- Loan to Value Ratio

The valuations in the table above differ from the values included in the consolidated balance sheet as at 30 June 2019, 31 December 2018 and 30 June 2018 due to the treatment under IFRS of land held under operating leases and development property.

LTV ratio of investment property decreased from 51% as of 30 June 2018 to 47% as of 31 December 2018 mainly due to the sale of *Sadowa* office building and the repayment of the facility extended to this project as well as increase in the valuation of *Atlas Tower*. Further decrease to 35% as of 30 June 2019 is attributable to deconsolidation of the Company's subsidiary *Felikon Kft* and related derecognition of the bank loan extended to this subsidiary as well the property (amounting to €12 million each), as well as further improvement of *Atlas Tower* valuation.

LTV ratio of hotels decreased from 56% as of 30 June 2018 to 54% as of 31 December 2018 and to 50% as of 30 June 2019 mainly due to increase in the valuation of *Hilton* as well as partial repayments of the loans.

The gearing ratio is 32% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio decreased as compared to 31 December 2018 (41%) and 30 June 2018 (46%) mainly due to the full repayment of the loan extended to *Sadowa office* project as well increase of valuation of *Atlas Tower* and *Hilton*.

### Debt financing

Key developments were described in note 14.

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## 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<br>Rental<br>€ millions | Development<br>Properties<br>€ millions | Hotel<br>Operations<br>€ millions | Other<br>€ millions | Six months<br>ended<br>30 June 2019<br>€ millions | Six months<br>ended<br>30 June 2018<br>€ millions |
|---|----------------------------------|---|-----------------------------------|---------------------|---|---|
| Revenue   | 4.7                              | 8.6                                     | 10.2                              | -                   | 23.5  | 28.8  |
| Cost of operations  | (2.2)                            | (6.1)                                   | (6.3)                             | -                   | (14.6)  | (18.7)  |
| <b>Gross profit/ (loss)</b>                                   | 2.5                              | 2.5                                     | 3.9                               | -                   | 8.9   | 10.1  |
| Administrative expenses                                       | (0.5)                            | (0.2)                                   | (1.3)                             | (1.7)               | (3.7)   | (3.5)   |
| <b>Gross profit / (loss) less<br/>administrative expenses</b> | 2.0                              | 2.3                                     | 2.6                               | (1.7)               | 5.2   | 6.6   |
| Gross profit/ (loss) %  | 53%                              | 29%                                     | 38%                               | 0%                  | 38%   | 35%   |
| Gross profit/ (loss) less<br>administrative expenses %        | 43%                              | 27%                                     | 25%                               | 0%                  | 22%   | 23%   |

### Revenues and cost of operations

Total revenues for the six months ended 30 June 2019 were €23.5 million compared to €28.8 million for the six months ended 30 June 2018. The Group's principal revenue streams are from its hotel operations, property rental income and income from the sale of the residential apartments that the Group develops. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicity of yielded income or results is also highly diversified.

Cost of operations were €14.6 million in the six months ended 30 June 2019 compared to €18.7 million for the six months ended 30 June 2018.

### Development Properties

|  | Six months<br>ended<br>30 June 2019<br>€ millions | Six months<br>ended<br>30 June 2018<br>€ millions | Total change<br>2019 v 2018<br>€ millions | Translation foreign<br>exchange gain/<br>(loss)<br>€ millions | Operational change<br>2019 v 2018<br>€ millions |
|--|---|---|---|---|---|
| Revenue  | 8.6   | 13.6  | (5.0)                                     | -   | (5.0)   |
| Cost of operations                                   | (6.1)   | (9.9)   | 3.8                                       | -   | 3.8   |
| Gross profit/ (loss)                                 | 2.5   | 3.7   | (1.2)                                     | -   | (1.2)   |
| Administrative expenses                              | (0.2)   | (0.2)   | -   | -   | -   |
| Gross profit/ (loss) less<br>administrative expenses | 2.3   | 3.5   | (1.2)                                     | -   | (1.2)   |

Sale of residential units (i.e. apartments, retail units, parking places, storages) developed by the Group are recognised when the performance obligations have been fulfilled in line with the Group's accounting policies. The performance obligations are considered fulfilled when the customer takes control of the property units documented by the signing of the relevant notarial deed. In 2017 the Group, following a completion of *Apartamenty przy Krasińskiego stage II* project in August 2017, has started signing notarial deeds and consequently recognised first sales and associated costs of this project.

As a result, as presented in the table below, in the six months ended 30 June 2018 the Group managed to complete the sale of 103 apartments (in *Apartamenty przy Krasińskiego stage II*), whereas in 2019 the revenues from the sale of 2 retail units (in *Capital Art Apartments and Apartamenty przy Krasińskiego stage II*) projects were recognized. Additionally, as described in note 10, in May 2019 the Group sold *Nakielska Apartment Projects* realizing €2.2 million gross profit on this transaction.

## ATLAS ESTATES LIMITED

### Apartment sales in developments in Warsaw

|  | CAA stage I | CAA stage II | CAA stage III&IV | Apartamenty przy Krasieńskiego I | Apartamenty przy Krasieńskiego II | Concept House* |
|--|-------------|--------------|------------------|----------------------------------|-----------------------------------|----------------|
| Total apartments for sale  | 219         | 300          | 265              | 303                              | 123                               | 160            |
| Sales completions in 2008-2017   | 218         | 298          | 265              | 303                              | 8                                 | 160            |
| Sales completions in 2018  | -           | -            | -                | -                                | 112                               | -              |
| Total sales completions  | 218         | 298          | 265              | 303                              | 120                               | 160            |
| Sales not completed as of 30 June 2019 (only preliminary agreements concluded) | 1           | 2            | -                | -                                | 3                                 | -              |
| Apartments available for sale as of 30 June 2019                               | -           | -            | -                | -                                | -                                 | -              |

\*Joint venture project fully sold out as at 31 December 2017

### Property Rental

|   | Six months ended 30 June 2019<br>€ millions | Six months ended 30 June 2018<br>€ millions | Total change 2019 v 2018<br>€ millions | Translation foreign exchange gain/ (loss)<br>€ millions | Operational change 2019 v 2018<br>€ millions |
|---|---|---|--|---|--|
| Revenue                                   | 4.7   | 5.0   | (0.3)                                  | -   | (0.3)  |
| Cost of operations                        | (2.2)                                       | (2.6)                                       | 0.4                                    | -   | 0.4  |
| Gross profit                              | 2.5   | 2.4   | 0.1                                    | -   | 0.1  |
| Administrative expenses                   | (0.5)                                       | (0.3)                                       | (0.2)                                  | -   | (0.2)  |
| Gross profit less administrative expenses | 2.0   | 2.1   | (0.1)                                  | -   | (0.1)  |

Following deconsolidation of Felikon in the first quarter of 2019 the revenues of the Property Rental segment decreased, however the gross margin increased slightly due to higher rental income and gross margin realized by *Atlas Tower*.

### Hotel operations

|   | Six months ended 30 June 2019<br>€ millions | Six months ended 30 June 2018<br>€ millions | Total change 2019 v 2018<br>€ millions | Translation foreign exchange gain/ (loss)<br>€ millions | Operational change 2019 v 2018<br>€ millions |
|---|---|---|--|---|--|
| Revenue                                   | 10.2  | 10.2  | -                                      | -   | -  |
| Cost of operations                        | (6.3)                                       | (6.2)                                       | (0.1)                                  | -   | (0.1)  |
| Gross profit                              | 3.9   | 4.0   | (0.1)                                  | -   | (0.1)  |
| Administrative expenses                   | (1.3)                                       | (1.5)                                       | 0.2                                    | -   | 0.2  |
| Gross profit less administrative expenses | 2.6   | 2.5   | 0.1                                    | -   | 0.1  |

The hotel operations generated satisfactory results and remained at the similar level in the first half of 2019 and 2018.

# ATLAS ESTATES LIMITED

## Valuation movement

As of 30 June 2019 the increase of the market value of the investment properties portfolio was of €0.7 million as compared to an increase of €2.5 million as of 30 June 2018. The movements relate to change in value of *Atlas Tower* (former name: *Millenium Plaza*).

## Foreign exchange

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

The movements in value of the functional currencies resulted in foreign exchange loss of €0.3 million in the consolidated income statement for the first half of 2019 (first half 2018: €1.9 million loss) and €1.5 million gain in other comprehensive income for the first half of 2019 (first half 2018: €4.4 million loss). The losses in the consolidated income statement were mainly due to the unrealised foreign exchange gains and losses on EUR denominated liabilities (bank loans, intra group financing) in Polish, Romanian and Hungarian subsidiaries. In the first half 2019 the foreign exchange losses occurred mainly as a result of depreciation of RON and HUF against EUR, whereas gains mainly as a result of appreciation of PLN against EUR in this period. In the first half 2018 the foreign exchange losses occurred mainly as a result of depreciation of PLN and HUF against EUR.

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 |
|----------------------|--------------|------------------|--------------|---------------|
| <b>Closing rates</b> |              |                  |              |               |
| 30 June 2019         | 4.2520       | 323.54           | 4.7351       | 1.95583       |
| 31 December 2018     | 4.3000       | 321.51           | 4.6639       | 1.95583       |
| % Change             | -1%          | 1%               | 2%           | 0%            |
| 30 June 2018         | 4.3616       | 328.60           | 4.6611       | 1.95583       |
| 31 December 2017     | 4.1709       | 310.14           | 4.6597       | 1.95583       |
| % Change             | 5%           | 6%               | 0%           | 0%            |
| <b>Average rates</b> |              |                  |              |               |
| H1 2019              | 4.2933       | 320.57           | 4.7252       | 1.95583       |
| Year 2018            | 4.2623       | 318.87           | 4.6530       | 1.95583       |
| % Change             | 1%           | 1%               | 2%           | 0%            |
| H1 2018              | 4.2213       | 314.08           | 4.6611       | 1.95583       |

## **Net Asset Value**

The Group's property assets are categorised into three classes, when accounted for in accordance with International Financial Reporting Standards as adopted by the EU. The recognition of changes in value in 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 (“PPE”) operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets are disclosed as PPE – revaluation movements are taken directly to reserves, net of deferred tax; and
- Property developments, including the land to be used to build property for sale – 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 management and performance fees are based on the adjusted NAV. For the six months to 30 June 2019 the combined fee payable to AMC by the Group was €1.2 million (€1.1 million in the first six months to 30 June 2018 (more details are presented in note 16)).

# ATLAS ESTATES LIMITED

## Ongoing activities

During the first half of 2019, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio.

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 monitor operations of hotel activity, enhance occupancy of income yielding assets, as well as remodel valuable assets in order to attract new tenants.

## **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, the Group 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, reporting procedures and IT systems in order to generate appropriate and timely management information for the ongoing assessment of the Group's performance. We operate 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.

The Group derives its continuing revenue from activities carried out in the Polish and Romanian markets. The Group's financial results are therefore contingent on factors such as the stability of the political systems at the given moment and the macroeconomic data related mainly to the condition of the Polish but also Romanian and Hungarian economies, in particular the level of GDP growth, investment spending, levels of household income, interest rates, foreign exchange rates and inflation rate. Any deterioration to the macroeconomic conditions in these countries may expose the Group's business to risk, thus affecting its future financial results and prospects for development.

### *Financing and liquidity*

Management has experienced strict requirements of the 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. 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 Group'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 Group 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 Group is identified and appropriate translation mechanisms put in place.

# ATLAS ESTATES LIMITED

## 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 properties and provide the Company with local market knowledge and expertise. AMC currently focuses its efforts on searching new investment opportunities in Poland, mainly in Warsaw.

**Ziv Zviel**

**Chief Executive Officer**

Atlas Management Company Limited

24 September 2019

# ATLAS ESTATES LIMITED

## Key Property Portfolio Information

| Location/Property              | Description  | Company's ownership |
|--------------------------------|--|---------------------|
| <b>Poland</b>                  |  |                     |
| Hilton Hotel                   | First <i>Hilton</i> 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            | Land located next to <i>Hilton</i> hotel in Warsaw. Land with zoning for an office/residential tower planned up to 42 floors. This property is subject to conditional sale agreement as disclosed in note 12.  | 100%                |
| Galeria Platinum Towers        | Commercial area on the ground and first floors Platinum Towers with 1,904 square meters of gallery and 208 parking places almost fully let to tenants.   | 100%                |
| Nakielska Apartments Project   | Residential development in the Wola district of Warsaw. This property was sold on 13 May 2019 as disclosed in note 10.   | 100%                |
| Apartamenty przy Krasińskiego, | Development in the Żoliborz district of Warsaw.<br>The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 30 June 2019 all apartments were sold, retail units were either sold or presold.<br><br>The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 30 June 2019 apartments and retails were either sold or presold. | 100%                |
| Atlas Tower                    | 39,138 square meters of office and retail space in the central business district of Warsaw.  | 100%                |
| Capital Art Apartments         | The <i>Capital Art Apartments</i> project in Warsaw is another development in Warsaw close to the city center. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 30 June 2019 all apartments were sold or presold, whereas 4 retail units remain available for sale.   | 100%                |
| <b>Hungary</b>                 |  |                     |
| 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. On February 2019 this entity commenced a process of liquidation as described in note 19, and was deconsolidated in the condensed interim financial information for the six months ended 30 June 2019.   | 100%                |
| <b>Romania</b>                 |  |                     |
| 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 78 room hotel in central Bucharest.   | 100%                |
| <b>Bulgaria</b>                |  |                     |
| The Atlas House                | Office building in Sofia's city centre with 3,472 square meters of lettable area.  | 100%                |

# ATLAS ESTATES LIMITED

## Independent Review Report on the Interim Condensed Consolidated and non-consolidated Financial Information for the six month period ended 30 June 2019

To Atlas Estates Limited

### Introduction

We have been engaged by the company to review the interim condensed consolidated and non-consolidated financial information in the half-yearly financial report for the six months ended 30 June 2019, which comprises the consolidated income statement, the consolidated and non-consolidated statements of comprehensive income, the consolidated and non-consolidated statements of financial position, the consolidated and non-consolidated statements of changes in equity, the consolidated and non-consolidated statements of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated and non-consolidated financial information.

### Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the rules of the Warsaw Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The interim condensed consolidated and non-consolidated financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the company a conclusion on the interim condensed consolidated and non-consolidated financial information in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK & Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, 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 (UK) 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated and non-consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union and the rules of the Warsaw Stock Exchange.

### Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of the requirements of the rules of the Warsaw Stock Exchange and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP, Chartered Accountants  
London, United Kingdom

24 September 2019

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).*



# **ATLAS ESTATES LIMITED**

## **Declarations of the Board of Directors**

### **Declaration concerning accounting policies**

The Board of Directors of Atlas Estates Limited (“the Company”) confirms that, to the best of their knowledge, the interim condensed consolidated and non-consolidated financial statements together with comparative figures have been prepared in accordance with applicable accounting standards and give a true and fair view of the state of affairs and the financial result of the Group and the Company for the period.

The Directors and Property Manager’s Reports in this report give a true and fair view of the situation on the reporting date and of the developments during the period, and include a description of the major risks and uncertainties.

### **Declaration concerning election of the Company’s auditor for the interim condensed consolidated and non-consolidated financial statements**

The Company’s auditor has been elected according to applicable rules. The audit firm engaged in the review of the financial statements of Atlas Estates Limited meet the objectives to present an objective and independent report in accordance with applicable laws and professional regulations.

**Mark Chasey**  
Chairman

**Andrew Fox**  
Director

**Guy Indig**  
Director

24 September 2019

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED INCOME STATEMENT For the six months ended 30 June 2019

|   | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 | Note |
|---|--|--|------|
| Revenues  | 23,482   | 28,842   | 3    |
| Cost of operations                                    | (14,585)   | (18,715)   | 4.1  |
| <b>Gross profit</b>                                   | <b>8,897</b>   | <b>10,127</b>  |      |
| <i>Property manager fee</i>                           | (1,219)  | (1,110)  |      |
| <i>Central administrative expenses</i>                | (271)  | (249)  |      |
| <i>Property related expenses</i>                      | (2,167)  | (2,120)  |      |
| Administrative expenses                               | (3,657)  | (3,479)  | 4.2  |
| Other operating income                                | 70   | 30   |      |
| Other operating expense                               | (161)  | (43)   |      |
| Increase in value of investment properties            | 668  | 2,476  |      |
| <b>Profit from operations</b>                         | <b>5,817</b>   | <b>9,111</b>   |      |
| Finance income  | 226  | 59   | 4.3  |
| Finance costs   | (2,643)  | (1,992)  | 4.3  |
| Other gains/(losses) – foreign exchange               | (303)  | (1,867)  | 4.3  |
| Share of losses from equity accounted joint ventures  | 2  | (122)  |      |
| <b>Profit before taxation</b>                         | <b>3,099</b>   | <b>5,189</b>   |      |
| Tax charge  | (935)  | (1,308)  | 5    |
| <b>Profit for the period</b>                          | <b>2,164</b>   | <b>3,881</b>   |      |
| <b>Attributable to:</b>                               |  |  |      |
| Owners of the parent                                  | 2,164  | 3,881  |      |
|   | <b>2,164</b>   | <b>3,881</b>   |      |
| Profit per €0.01 ordinary share – basic (eurocents)   | 4.6  | 8.3  | 7    |
| Profit per €0.01 ordinary share – diluted (eurocents) | 4.6  | 8.3  | 7    |

All amounts relate to continuing operations.

The notes on pages 24 to 45 form part of this condensed consolidated financial information.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2019

|   | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|---|--|--|
| <b>PROFIT FOR THE PERIOD</b>                                  | <b>2,164</b>   | <b>3,881</b>   |
| <b>Other comprehensive income:</b>                            |  |  |
| <i>Items that will not be recycled through profit or loss</i> |  |  |
| Revaluation of buildings (note 8)                             | 6,751  | 4,921  |
| Deferred tax on revaluation                                   | (1,292)  | (935)  |
| <b>Total</b>  | <b>5,459</b>   | <b>3,986</b>   |
| <i>Items that may be recycled through profit or loss</i>      |  |  |
| Exchange adjustments  | 1,497  | (4,362)  |
| Deferred tax on exchange adjustments                          | (78)   | 405  |
| <b>Total</b>  | <b>1,419</b>   | <b>(3,957)</b>   |
| <b>Other comprehensive income for the period (net of tax)</b> | <b>6,878</b>   | <b>29</b>  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>              | <b>9,042</b>   | <b>3,910</b>   |
| <b>Total comprehensive income attributable to:</b>            |  |  |
| Owners of the parent  | 9,042  | 3,910  |
|   | <b>9,042</b>   | <b>3,910</b>   |

The notes on pages 24 to 45 form part of this condensed consolidated financial information.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2019

|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 | Note |
|---|--------------------------------------|--|--------------------------------------|------|
| <b>ASSETS</b>   |                                      |  |                                      |      |
| <b>Non-current assets</b>   |                                      |  |                                      |      |
| Intangible assets   | 20                                   | 25                                     | 38                                   |      |
| Right of use of leased assets   | 14,937                               | 6,893                                  | 10,560                               |      |
| Property, plant and equipment   | 82,174                               | 75,795                                 | 77,719                               | 8    |
| Investment property   | 82,655                               | 91,625                                 | 91,798                               | 9    |
| Deferred tax asset  | 10,235                               | 8,798                                  | 10,425                               |      |
|   | <b>190,021</b>                       | <b>183,136</b>                         | <b>190,540</b>                       |      |
| <b>Current assets</b>   |                                      |  |                                      |      |
| Inventories   | 2,974                                | 8,958                                  | 9,625                                | 10   |
| Trade and other receivables   | 3,280                                | 3,088                                  | 3,890                                |      |
| Cash and cash equivalents   | 27,322                               | 24,443                                 | 16,856                               | 11   |
|   | <b>33,576</b>                        | <b>36,489</b>                          | <b>30,371</b>                        |      |
| Non-current assets classified as held for sale                                      | 7,937                                | 5,054                                  | -                                    | 12   |
|   | <b>41,513</b>                        | <b>41,543</b>                          | <b>30,371</b>                        |      |
| <b>TOTAL ASSETS</b>   | <b>231,534</b>                       | <b>224,679</b>                         | <b>220,911</b>                       |      |
| <b>Non-current liabilities</b>  |                                      |  |                                      |      |
| Other payables  | (18,349)                             | (3,224)                                | (3,171)                              | 13   |
| Bank loans  | (72,782)                             | (73,965)                               | (78,251)                             | 14   |
| Deferred tax liabilities  | (14,043)                             | (11,348)                               | (12,239)                             |      |
|   | <b>(105,174)</b>                     | <b>(88,537)</b>                        | <b>(93,661)</b>                      |      |
| <b>Current liabilities</b>  |                                      |  |                                      |      |
| Trade and other payables  | (19,082)                             | (27,922)                               | (22,051)                             | 13   |
| Bank loans  | (2,824)                              | (15,058)                               | (15,393)                             | 14   |
| Derivative financial instruments  | (2,254)                              | (1,359)                                | (832)                                | 15   |
|   | <b>(24,160)</b>                      | <b>(44,339)</b>                        | <b>(38,276)</b>                      |      |
| Liabilities directly associated with non-current assets classified as held for sale | (1,355)                              | -                                      | -                                    | 12   |
|   | <b>(25,515)</b>                      | <b>(44,339)</b>                        | <b>(38,276)</b>                      |      |
| <b>TOTAL LIABILITIES</b>  | <b>(130,689)</b>                     | <b>(132,876)</b>                       | <b>(131,937)</b>                     |      |
| <b>NET ASSETS</b>   | <b>100,845</b>                       | <b>91,803</b>                          | <b>88,974</b>                        |      |

The notes on pages 24 to 45 form part of this consolidated financial information.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2019

|  | 30 June 2019   | 31 December 2018 | 30 June 2018  |
|--|----------------|------------------|---------------|
|  | (unaudited)    | (audited)        | (unaudited)   |
|  | €'000          | €'000            | €'000         |
| <b>EQUITY</b>  |                |                  |               |
| Share capital account  | 6,268          | 6,268            | 6,268         |
| Revaluation reserve  | 28,298         | 22,839           | 23,431        |
| Other distributable reserve  | 194,817        | 194,817          | 194,817       |
| Translation reserve  | (8,625)        | (10,044)         | (11,541)      |
| Accumulated loss   | (119,913)      | (122,077)        | (124,001)     |
| <b>Issued capital and reserves attributable to owners of the parent - total equity</b> | <b>100,845</b> | <b>91,803</b>    | <b>88,974</b> |
| Basic net asset value per share  | € 2.2          | € 2.0            | € 1.9         |

The notes on pages 24 to 45 form part of this consolidated financial information. The condensed consolidated financial information on pages 18 to 45 was approved by the Board of Directors on 24 September 2019 and signed on its behalf by:

**Mark Chasey**  
Chairman

**Andrew Fox**  
Director

**Guy Indig**  
Director

24 September 2019

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the six months ended 30 June 2019

|   | Share capital<br>account<br>€'000 | Revaluation<br>reserve<br>€'000 | Other<br>distributable<br>reserve<br>€'000 | Translation<br>reserve<br>€'000 | Accumulated<br>loss<br>€'000 | Total<br>equity<br>€'000 |
|---|-----------------------------------|---------------------------------|--|---------------------------------|------------------------------|--------------------------|
| <b>Six months ended 30 June 2019</b>      |                                   |                                 |  |                                 |                              |                          |
| As at 1 January 2019                      | 6,268                             | 22,839                          | 194,817                                    | (10,044)                        | (122,077)                    | 91,803                   |
| Profit for the period                     | -                                 | -                               | -  | -                               | 2,164                        | 2,164                    |
| Other comprehensive income for the period | -                                 | 5,459                           | -  | 1,419                           | -                            | 6,878                    |
| <b>As at 30 June 2019</b>                 | <b>6,268</b>                      | <b>28,298</b>                   | <b>194,817</b>                             | <b>(8,625)</b>                  | <b>(119,913)</b>             | <b>100,845</b>           |
| <b>Year ended 31 December 2018</b>        |                                   |                                 |  |                                 |                              |                          |
| As at 1 January 2018                      | 6,268                             | 19,445                          | 194,817                                    | (7,584)                         | (127,882)                    | 85,064                   |
| Profit for the period                     | -                                 | -                               | -  | -                               | 5,805                        | 5,805                    |
| Other comprehensive income for the period | -                                 | 3,394                           | -  | (2,460)                         | -                            | 934                      |
| <b>As at 31 December 2018</b>             | <b>6,268</b>                      | <b>22,839</b>                   | <b>194,817</b>                             | <b>(10,044)</b>                 | <b>(122,077)</b>             | <b>91,803</b>            |
| <b>Six months ended 30 June 2018</b>      |                                   |                                 |  |                                 |                              |                          |
| As at 1 January 2018                      | 6,268                             | 19,445                          | 194,817                                    | (7,584)                         | (127,882)                    | 85,064                   |
| Profit for the period                     | -                                 | -                               | -  | -                               | 3,881                        | 3,881                    |
| Other comprehensive loss for the period   | -                                 | 3,986                           | -  | (3,957)                         | -                            | 29                       |
| <b>As at 30 June 2018</b>                 | <b>6,268</b>                      | <b>23,431</b>                   | <b>194,817</b>                             | <b>(11,541)</b>                 | <b>(124,001)</b>             | <b>88,974</b>            |

The notes on pages 24 to 45 form part of this condensed consolidated financial information.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended 30 June 2019

|   | Note | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|---|------|--|--|
| <b>Profit for the year</b>  |      | <b>2,164</b>   | <b>3,881</b>   |
| <b>Adjustments for:</b>   |      |  |  |
| Effects of foreign currency   |      | (478)  | 2,814  |
| Finance costs   |      | 2,129  | 1,692  |
| Finance income  |      | (35)   | (21)   |
| Tax charge  | 5    | 935  | 1,308  |
| Share of losses from equity accounted joint ventures                      |      | (2)  | 122  |
| Depreciation of property, plant and equipment                             | 8    | 1,163  | 1,185  |
| Amortisation charges  |      | 133  | 82   |
| Increase in value of the property   | 9    | (668)  | (2,476)  |
|   |      | <b>5,341</b>   | <b>8,587</b>   |
| <b>Changes in working capital</b>   |      |  |  |
| Decrease in inventory   |      | 5,984  | 10,000   |
| Increase in trade and other receivables                                   |      | (350)  | (522)  |
| Increase/ (decrease) in trade and other payables                          |      | (2,174)  | (11,003)   |
| Effects of foreign currency on working capital translation                |      | 498  | (580)  |
|   |      | <b>3,958</b>   | <b>(2,105)</b>   |
| <b>Cash inflow from operations</b>  |      | <b>9,299</b>   | <b>6,482</b>   |
| Tax paid  |      | (1,317)  | (1,123)  |
| <b>Net cash from operating activities</b>                                 |      | <b>7,982</b>   | <b>5,359</b>   |
| <b>Investing activities</b>   |      |  |  |
| Interest received   |      | 35   | 21   |
| Development of investment property  | 9    | (575)  | (1,006)  |
| Purchase of property, plant and equipment                                 | 8,12 | (1,579)  | (87)   |
| Loans repaid by equity accounted joint ventures                           |      | -  | 75   |
| Assets and liabilities of deconsolidated subsidiary- net of cash disposed | 19   | (617)  | -  |
| <b>Net cash used in investing activities</b>                              |      | <b>(2,736)</b>   | <b>(997)</b>   |
| <b>Financing activities</b>   |      |  |  |
| Loan repaid to majority shareholder                                       |      | -  | (1,950)  |
| Interest paid   | 4.3  | (1,239)  | (1,512)  |
| New bank loans raised   | 14   | -  | 3,500  |
| Repayments of bank loans  | 14   | (1,415)  | (1,900)  |
| <b>Net cash used in financing activities</b>                              |      | <b>(2,654)</b>   | <b>(1,862)</b>   |
| <b>Net increase in cash and cash equivalents in the year</b>              |      | <b>2,592</b>   | <b>2,500</b>   |
| Effect of foreign exchange rates  |      | 287  | (650)  |
| <b>Net increase in cash and cash equivalents in the year</b>              |      | <b>2,879</b>   | <b>1,850</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>             |      | <b>24,443</b>  | <b>15,006</b>  |
| <b>Cash and cash equivalents at the end of the year</b>                   | 11   | <b>27,322</b>  | <b>16,856</b>  |

The notes on pages 24 to 45 form part of this condensed consolidated financial information.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Basis of preparation

This condensed interim financial information for the six months ended 30 June 2019 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. 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 2018. The six months 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 six months period ended 30 June 2019 of €2.2 million (compared to profit of €3.9 million in the six months ended 30 June 2018).

As at 30 June 2019 the Group held land and building assets with a market value of €172 million, compared to external debt of €76 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 six months ended 30 June 2019, the directors have taken into account the fact of the ongoing working capital management and noted the following:

- Property development inventories and assets held for sale included in current assets are held at cost and are forecasted to realise cash revenues in excess of this carrying value in future period. The assets with the carrying value of €6.6 million are in the process of sale for €34.6 million;
- Within trade payables of the Group is a performance fee payable to the Property Manager (as disclosed in note 13). The payment terms of this fee are subject to consultation between the parties, and the actual payment will be subject to available cash flows of the Group.

Although the Directors are aware that the management of the liquidity position of the Group 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.

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, favourable arrangements for the payment timetable for the AMC performance fee 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 consolidated financial statements for the six months ended 30 June 2019.

### 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 2018, and with those expected to be applied to the financial statements for the year ended 31 December 2019, except for IFRS 16 discussed below.

#### *Implementation of IFRS 16*

Implementation of IFRS 16 introduces a unitary model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. Based on the assessment made of the impact of the application of IFRS 16 on the accounting principles applied by the Group, the Group concludes that the only agreements to which new recognition method applies, are the rights of perpetual usufruct of real estate properties.

#### *The method of valuation and presentation of leasing in the Group's financial statements*

The Group decided to apply the standard using the modified retrospective approach with 1 January 2019 being initial application date. Accordingly, the Group recognizes a lease liability, measured at the present value of the remaining



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lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group recognizes the respective right-of-use asset at an amount equal to the lease liability. This method of application did not result in any adjustment to retained earnings on the date of initial application (1 January 2019). The Group has decided to present right-of-use assets under the same item in the consolidated statement of financial position, under which the relevant underlying assets would be presented if they were owned by the Group. The lease liabilities are presented as other liabilities in long term liabilities or Liabilities directly associated with non-current assets classified as held for sale.

*The right of perpetual usufruct of land related to Hilton hotel project:*

*Asset* - was recognized in the consolidated statement of financial position under "Right of use of leased assets".

*Liabilities* - was presented in the balance sheet as a long term under "other long term liabilities".

*Costs* - the Group depreciates the right of use asset on straight line basis over the lease period and the Group recognizes finance expense to reflect interest expense on lease liability.

*The right of perpetual usufruct of land related to Atlas Estates Tower project:*

*Asset* - was recognized in the consolidated statement of financial position as "Non-current assets classified as held for sale".

*Liabilities* - was presented in the consolidated statement of financial position as "Liabilities directly associated with non-current assets classified as held for sale".

*Costs* - the Group depreciates the right of use asset on straight line basis over the lease period and the Group recognizes finance expense to reflect interest expense on lease liability.

*The right of perpetual usufruct of land related to Galeria Platinum Towers project:*

*Asset* - was recognized in the consolidated statement of financial position as "Investment properties".

*Liabilities* - was presented in the balance sheet as a long term under "other long term liabilities".

*Costs* - the Group fair values the right of use asset at each balance sheet date and recognizes finance expense to reflect interest expense on lease liability.

The impact of implementing IFRS 16 on the consolidated financial statement resulted in an increase in total assets of €10.5 million and an increase in total liabilities of €10.5 million as at 1 January 2019, as presented in the table below:

|   | 31 December<br>2018<br>(audited)<br>€'000 | IFRS 16<br>adjustment<br>(unaudited)<br>€'000 | 1 January<br>2019<br>(unaudited)<br>€'000 |
|---|---|---|---|
| Right of use of leased assets   | 6,893                                     | 8,063   | 14,956                                    |
| Investment property   | 91,625                                    | 1,021   | 92,646                                    |
| Non-current assets classified as held for sale  | 5,054                                     | 1,382   | 6,436                                     |
| <b>Total assets</b>   |   | 10,466  |   |
| Non-current other liability (Lease liability related to right of use of land in perpetual usufruct)   |   | (9,084)                                       | (9,084)                                   |
| Liabilities directly associated with non-current assets classified as held for sale (Lease liability related to right of use of land in perpetual usufruct classified as held for sale) |   | (1,382)                                       | (1,382)                                   |
| <b>Total liabilities</b>  |   | (10,466)                                      |   |

The movement on the right of use assets and lease liabilities in the six months period ended 30 June 2019 is presented below:

|   | 1 January<br>2019<br>€'000 | Amortization<br>charge<br>€'000 | Fair value<br>change<br>€'000 | 30 June<br>2019<br>€'000 |
|---|----------------------------|---------------------------------|-------------------------------|--------------------------|
| Right of use of leased assets   | 8,063                      | (51)                            | -                             | 8,012                    |
| Investment property   | 1,021                      | -                               | -                             | 1,021                    |
| Non-current assets classified as held for sale  | 1,382                      | (9)                             | -                             | 1,373                    |
|   | 1 January<br>2019<br>€'000 | Finance<br>expense<br>€'000     | Payment<br>€'000              | 30 June<br>2019<br>€'000 |
| Non-current other liability (Lease liability related to right of use of land in perpetual usufruct)   | (9,084)                    | 51                              | 127                           | (8,906)                  |
| Liabilities directly associated with non-current assets classified as held for sale (Lease liability related to right of use of land in perpetual usufruct classified as held for sale) | (1,382)                    | 9                               | 18                            | (1,355)                  |

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### 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:

| Six months ended 30 June 2019                            | Property rental | Development Properties | Hotel operations | Other          | Total        |
|--|-----------------|------------------------|------------------|----------------|--------------|
|  | €'000           | €'000                  | €'000            | €'000          | €'000        |
| Revenues   | 4,654           | 8,639                  | 10,164           | 25             | 23,482       |
| Cost of operations                                       | (2,188)         | (6,137)                | (6,260)          | -              | (14,585)     |
| <b>Gross profit</b>                                      | <b>2,466</b>    | <b>2,502</b>           | <b>3,904</b>     | <b>25</b>      | <b>8,897</b> |
| Administrative expenses                                  | (431)           | (195)                  | (1,305)          | (1,726)        | (3,657)      |
| <b>Gross profit/ (loss) less administrative expenses</b> | <b>2,035</b>    | <b>2,307</b>           | <b>2,599</b>     | <b>(1,701)</b> | <b>5,240</b> |
| Other operating income                                   | 40              | 10                     | 20               | -              | 70           |
| Other operating expenses                                 | (55)            | (9)                    | (80)             | (17)           | (161)        |
| Increase in value of investment properties               | 668             | -                      | -                | -              | 668          |
| <b>Profit/ (Loss) from operations</b>                    | <b>2,668</b>    | <b>2,308</b>           | <b>2,539</b>     | <b>(1,718)</b> | <b>5,817</b> |
| Finance income   | 24              | 191                    | 9                | 2              | 226          |
| Finance cost   | (731)           | (27)                   | (1,861)          | (24)           | (2,643)      |
| Finance costs - other gains – foreign exchange           | (88)            | (63)                   | (48)             | (104)          | (303)        |
| Share of losses from equity accounted joint ventures     | -               | 2                      | -                | -              | 2            |
| <b>Segment result before tax</b>                         | <b>1,893</b>    | <b>2,411</b>           | <b>639</b>       | <b>(1,844)</b> | <b>3,099</b> |
| Tax (expense)/ credit                                    | 113             | (669)                  | (407)            | 28             | (935)        |
| <b>Net profit attributable to owners of the parent</b>   |                 |                        |                  |                | <b>2,164</b> |

| Six months ended 30 June 2019         | Property rental | Development Properties | Hotel operations | Other           | Total            |
|---------------------------------------|-----------------|------------------------|------------------|-----------------|------------------|
|                                       | €'000           | €'000                  | €'000            | €'000           | €'000            |
| <b>Reportable segment assets</b>      | 95,480          | 13,268                 | 110,909          | -               | 219,657          |
| Unallocated assets                    | -               | -                      | -                | 11,877          | 11,877           |
| <b>Total assets</b>                   | <b>95,480</b>   | <b>13,268</b>          | <b>110,909</b>   | <b>11,877</b>   | <b>231,534</b>   |
| <b>Reportable segment liabilities</b> | (37,587)        | (5,828)                | (70,122)         | -               | (113,537)        |
| Unallocated liabilities               | -               | -                      | -                | (17,152)        | (17,152)         |
| <b>Total liabilities</b>              | <b>(37,587)</b> | <b>(5,828)</b>         | <b>(70,122)</b>  | <b>(17,152)</b> | <b>(130,689)</b> |

| Six months ended 30 June 2019 | Property rental | Development Properties | Hotel operations | Other | Total |
|-------------------------------|-----------------|------------------------|------------------|-------|-------|
|                               | €'000           | €'000                  | €'000            | €'000 | €'000 |
| <b>Other segment items</b>    |                 |                        |                  |       |       |
| Capital expenditure           | 575             | 1,489                  | 90               | -     | 2,154 |
| Depreciation                  | -               | -                      | 1,153            | 10    | 1,163 |
| Amortisation                  | -               | 31                     | 102              | -     | 133   |

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| Six months ended<br>30 June 2018                             | Property rental        | Development<br>Properties         | Hotel<br>operations         | Other          | Total            |
|--|------------------------|-----------------------------------|-----------------------------|----------------|------------------|
|  | €'000                  | €'000                             | €'000                       | €'000          | €'000            |
| Revenues   | 5,035                  | 13,654                            | 10,133                      | 20             | 28,842           |
| Cost of operations   | (2,640)                | (9,906)                           | (6,169)                     | -              | (18,715)         |
| <b>Gross profit</b>  | <b>2,395</b>           | <b>3,748</b>                      | <b>3,964</b>                | <b>20</b>      | <b>10,127</b>    |
| Administrative expenses                                      | (319)                  | (170)                             | (1,518)                     | (1,472)        | (3,479)          |
| <b>Gross profit/ (loss) less<br/>administrative expenses</b> | <b>2,076</b>           | <b>3,578</b>                      | <b>2,446</b>                | <b>(1,452)</b> | <b>6,648</b>     |
| Other operating income                                       | 4                      | 20                                | 6                           | -              | 30               |
| Other operating expenses                                     | (5)                    | (15)                              | (23)                        | -              | (43)             |
| Increase in value of investment<br>properties                | 2,476                  | -                                 | -                           | -              | 2,476            |
| <b>Profit/ (Loss) from operations</b>                        | <b>4,551</b>           | <b>3,583</b>                      | <b>2,429</b>                | <b>(1,452)</b> | <b>9,111</b>     |
| Finance income   | 19                     | 16                                | 22                          | 2              | 59               |
| Finance cost   | (767)                  | (2)                               | (1,220)                     | (3)            | (1,992)          |
| Finance costs - other gains –<br>foreign exchange            | (1,737)                | 140                               | (105)                       | (165)          | (1,867)          |
| Share of losses from equity<br>accounted joint ventures      | -                      | (122)                             | -                           | -              | (122)            |
| <b>Segment result before tax</b>                             | <b>2,066</b>           | <b>3,615</b>                      | <b>1,126</b>                | <b>(1,618)</b> | <b>5,189</b>     |
| Tax (expense)/ credit  | (322)                  | (609)                             | (380)                       | 3              | (1,308)          |
| <b>Net profit attributable to owners<br/>of the parent</b>   |                        |                                   |                             |                | <b>3,881</b>     |
| <b>Six months ended<br/>30 June 2018</b>                     | <b>Property rental</b> | <b>Development<br/>Properties</b> | <b>Hotel<br/>operations</b> | <b>Other</b>   | <b>Total</b>     |
|  | €'000                  | €'000                             | €'000                       | €'000          | €'000            |
| <b>Reportable segment assets</b>                             | 104,598                | 18,128                            | 97,632                      | -              | 220,358          |
| Unallocated assets   | -                      | -                                 | -                           | 553            | 553              |
| <b>Total assets</b>  | <b>104,598</b>         | <b>18,128</b>                     | <b>97,632</b>               | <b>553</b>     | <b>220,911</b>   |
| <b>Reportable segment liabilities</b>                        | (60,356)               | (2,412)                           | (59,189)                    | -              | (121,957)        |
| Unallocated liabilities                                      | -                      | -                                 | -                           | (9,980)        | (9,980)          |
| <b>Total liabilities</b>                                     | <b>(60,356)</b>        | <b>(2,412)</b>                    | <b>(59,189)</b>             | <b>(9,980)</b> | <b>(131,937)</b> |
| <b>Six months ended<br/>30 June 2018</b>                     | <b>Property rental</b> | <b>Development<br/>Properties</b> | <b>Hotel<br/>operations</b> | <b>Other</b>   | <b>Total</b>     |
|  | €'000                  | €'000                             | €'000                       | €'000          | €'000            |
| <b>Other segment items</b>                                   |                        |                                   |                             |                |                  |
| Capital expenditure  | 1,006                  | 55                                | 28                          | 4              | 1,093            |
| Depreciation   | 13                     | -                                 | 1,172                       | -              | 1,185            |
| Amortisation   | -                      | 23                                | 58                          | 1              | 82               |

There are immaterial sales between the business segments.

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.

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

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### Regional Analysis

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, Romania, and Bulgaria.

| Revenue      | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Year ended<br>31 December 2018<br>(audited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--------------|--|--|--|
| Poland       | 22,063   | 41,781   | 27,232   |
| Hungary      | 415  | 1,438  | 751  |
| Bulgaria     | 840  | 322  | 698  |
| Romania      | 164  | 1,496  | 161  |
| <b>Total</b> | <b>23,482</b>  | <b>45,037</b>  | <b>28,842</b>  |

### 4. Analysis of expenditure

#### 4.1 Cost of operations

|  | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--|--|--|
| Costs of sale of residential property        | (6,087)  | (9,754)  |
| Utilities, services rendered and other costs | (4,170)  | (4,652)  |
| Legal and professional expenses              | (810)  | (914)  |
| Staff costs                                  | (2,732)  | (2,605)  |
| Sales and direct advertising costs           | (497)  | (487)  |
| Depreciation and amortisation                | (289)  | (303)  |
| <b>Cost of operations</b>                    | <b>(14,585)</b>  | <b>(18,715)</b>  |

#### 4.2 Administrative expenses

|  | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--|--|--|
| Audit and tax service                        | (129)  | (113)  |
| Incentive and management fee                 | (1,219)  | (1,110)  |
| Legal and other professional fees            | (259)  | (243)  |
| Utilities, services rendered and other costs | (212)  | (477)  |
| Staff costs                                  | (570)  | (501)  |
| Depreciation and amortisation                | (1,007)  | (964)  |
| Other administrative expenses                | (261)  | (71)   |
| <b>Administrative expenses</b>               | <b>(3,657)</b>   | <b>(3,479)</b>   |

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### 4.3 Finance income and finance costs - net

|  | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--|--|--|
| Other  | 226  | 59   |
| <b>Finance income</b>  | <b>226</b>   | <b>59</b>  |
| Interest payable on bank borrowings                                  | (1,239)  | (1,513)  |
| Loss on interest rate derivative                                     | (895)  | (207)  |
| Other similar charges  | (509)  | (272)  |
| <b>Finance costs</b>   | <b>(2,643)</b>   | <b>(1,992)</b>   |
| <b>Finance (costs)/ income, excluding foreign<br/>exchange – net</b> | <b>(2,417)</b>   | <b>(1,933)</b>   |
| <b>Other gains and (losses) – foreign<br/>exchange</b>               | <b>(303)</b>   | <b>(1,867)</b>   |
| <b>Finance income/ (costs), including foreign<br/>exchange – net</b> | <b>(2,720)</b>   | <b>(3,800)</b>   |

### 5. Tax

|                                  | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|----------------------------------|--|--|
| Current tax                      | (621)  | (1,101)  |
| Deferred tax                     | (314)  | (207)  |
| <b>Tax charge for the period</b> | <b>(935)</b>   | <b>(1,308)</b>   |

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 half-year results.

### 6. Dividends

There were no dividends declared or paid in the six months ended 30 June 2019 (2018: €nil).

### 7. Profit per share (“EPS”)

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

Reconciliations of the profit and weighted average number of shares used in the calculations are set out below:

| Six months ended 30 June 2019                             | Profit | Weighted average<br>number of shares | Per share<br>amount |
|---|--------|--------------------------------------|---------------------|
| Continuing operations                                     | €'000  |                                      | Eurocents           |
| <b>Basic EPS</b>  |        |                                      |                     |
| Profit attributable to equity shareholders of the Company | 2,164  | 46,852,014                           | 4.6                 |
| <b>Diluted EPS</b>  |        |                                      |                     |
| Adjusted profit   | 2,164  | 46,852,014                           | 4.6                 |

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| Six months ended 30 June 2018                             | Profit       | Weighted average number of shares | Per share amount |
|---|--------------|-----------------------------------|------------------|
| Continuing operations                                     | €'000        |                                   | Eurocents        |
| <b>Basic (EPS)</b>  |              |                                   |                  |
| Profit attributable to equity shareholders of the Company | 3,881        | 46,852,014                        | 8.3              |
| <b>Diluted (EPS)</b>                                      |              |                                   |                  |
| Adjusted profit   | <b>3,881</b> | <b>46,852,014</b>                 | <b>8.3</b>       |

**8. Property, plant and equipment**

|  | Buildings      | Plant and equipment | Motor vehicles | Total           |
|--|----------------|---------------------|----------------|-----------------|
|  | €'000          | €'000               | €'000          | €'000           |
| <b>Cost or valuation</b>                       |                |                     |                |                 |
| At 1 January 2018                              | 78,925         | 12,270              | 63             | 91,258          |
| Additions at cost                              | 393            | 80                  | -              | 473             |
| Exchange adjustments                           | (2,641)        | (353)               | (1)            | (2,995)         |
| Revaluation                                    | 2,438          | -                   | -              | 2,438           |
| Transfer to assets classified as held for sale | -              | (1,304)             | -              | (1,304)         |
| <b>At 31 December 2018</b>                     | <b>79,115</b>  | <b>10,693</b>       | <b>62</b>      | <b>89,870</b>   |
| Additions at cost                              | 78             | 12                  | -              | 90              |
| Revaluation                                    | 5,875          | -                   | -              | 5,875           |
| Exchange adjustments                           | 882            | 108                 | -              | 990             |
| <b>At 30 June 2019</b>                         | <b>85,950</b>  | <b>10,813</b>       | <b>62</b>      | <b>96,825</b>   |
| <b>Accumulated depreciation</b>                |                |                     |                |                 |
| At 1 January 2018                              | (5,910)        | (8,294)             | (61)           | (14,265)        |
| Charge for the year                            | (1,761)        | (674)               | (1)            | (2,436)         |
| Adjustment due to revaluation                  | 1,761          | -                   | -              | 1,761           |
| Exchange adjustments                           | 625            | 239                 | 1              | 865             |
| <b>At 31 December 2018</b>                     | <b>(5,285)</b> | <b>(8,729)</b>      | <b>(61)</b>    | <b>(14,075)</b> |
| Charge for the year                            | (876)          | (287)               | -              | (1,163)         |
| Adjustment due to revaluation                  | 876            | -                   | -              | 876             |
| Exchange adjustments                           | (199)          | (90)                | -              | (289)           |
| <b>At 30 June 2019</b>                         | <b>(5,484)</b> | <b>(9,106)</b>      | <b>(61)</b>    | <b>(14,651)</b> |
| <b>Net book value at 30 June 2019</b>          | <b>80,466</b>  | <b>1,707</b>        | <b>1</b>       | <b>82,174</b>   |
| Net book value at 31 December 2018             | 73,830         | 1,964               | 1              | 75,795          |

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|                                       | Buildings<br>€'000 | Plant and<br>equipment<br>€'000 | Motor<br>vehicles<br>€'000 | Total<br>€'000  |
|---------------------------------------|--------------------|---------------------------------|----------------------------|-----------------|
| <b>Cost or valuation</b>              |                    |                                 |                            |                 |
| At 1 January 2018                     | 78,925             | 12,270                          | 63                         | 91,258          |
| Additions at cost                     | 27                 | 60                              | -                          | 87              |
| Exchange adjustments                  | (3,747)            | (515)                           | (2)                        | (4,264)         |
| Revaluation                           | 4,033              | -                               | -                          | 4,033           |
| <b>At 30 June 2018</b>                | <b>79,238</b>      | <b>11,815</b>                   | <b>61</b>                  | <b>91,114</b>   |
| <b>Accumulated depreciation</b>       |                    |                                 |                            |                 |
| At 1 January 2018                     | (5,910)            | (8,294)                         | (61)                       | (14,265)        |
| Charge for the period                 | (888)              | (297)                           | -                          | (1,185)         |
| Adjustment due to revaluation         | 888                | -                               | -                          | 888             |
| Exchange adjustments                  | 816                | 349                             | 2                          | 1,167           |
| <b>At 30 June 2018</b>                | <b>(5,094)</b>     | <b>(8,242)</b>                  | <b>(59)</b>                | <b>(13,395)</b> |
| <b>Net book value at 30 June 2018</b> | <b>74,144</b>      | <b>3,573</b>                    | <b>2</b>                   | <b>77,719</b>   |

Hotels Hilton in Warsaw and Golden Tulip in Bucharest constitute the majority of the total property, plant and equipment balance as of 30 June 2019, 31 December 2018 and 30 June 2018. The latest valuation of hotels was performed as of 30 June 2019 (Hilton hotel) and 31 December 2018 (Golden Tulip hotel) by qualified professional valuers, acting in the capacity of external valuers. 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 fair value of hotels is level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

|  | 30 June 2019<br>€'000 | 31 December 2018<br>€'000 | 30 June 2018<br>€'000 |
|--|-----------------------|---------------------------|-----------------------|
| Opening balance (level 3 recurring fair values)        | 75,700                | 75,600                    | 75,600                |
| Additions at cost                                      | 79                    | 396                       | 27                    |
| Profit/ (Loss) included in other comprehensive income  | 6,751                 | 4,190                     | 4,921                 |
| Profit included in other operating expenses            | -                     | 9                         | -                     |
| Depreciation charge for the year                       | (1,153)               | (2,403)                   | (1,172)               |
| Exchange adjustments                                   | 701                   | (2,092)                   | (3,085)               |
| <b>Closing balance (level 3 recurring fair values)</b> | <b>82,078</b>         | <b>75,700</b>             | <b>76,291</b>         |

The valuation techniques and significant unobservable inputs used in determining the fair value measurement as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below:

| Valuation<br>Techniques used  | Significant<br>unobservable inputs   | Inter-relationship between key<br>unobservable inputs and fair value             |
|---|--|--|
| Income approach<br><br>The valuation has been undertaken using DCF valuation methodology. | Exit Capitalisation Rate<br>(6.5% - 8.5%)<br><br>Discount Rate<br>(9.5% - 11.7%) | The higher the exit capitalisation and discounts rates the lower the fair value. |

Fair value measurements are based on highest and best use, which does not differ from their actual use. In the directors' view, the assets are stated at fair value.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Group has pledged property, plant and equipment with the fair value of €82.1 million (31 December 2018: €75.7 million, 30 June 2018: €76.3 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €50.7 million (31 December 2018: €51.1 million, 30 June 2018: €51.4 million) are secured on these properties.

### 9. Investment property

|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---|--------------------------------------|--|--------------------------------------|
| At beginning of the period                          | 91,625                               | 92,187                                 | 92,187                               |
| Right of use of land in perpetual usufruct (note 2) | 1,021                                | -                                      | -                                    |
| Disposal of subsidiary (note 19)                    | (11,861)                             | -                                      | -                                    |
| Disposal of property- <i>Sadowa</i> office building | -                                    | (7,149)                                | -                                    |
| Capitalised subsequent expenditure                  | 575                                  | 2,202                                  | 1,006                                |
| Exchange movements                                  | 628                                  | (2,635)                                | (3,869)                              |
| PV of annual perpetual usufruct fees                | (1)                                  | (2)                                    | (2)                                  |
| Fair value (losses)/ gains                          | 668                                  | 7,022                                  | 2,476                                |
| <b>At the end of the period</b>                     | <b>82,655</b>                        | <b>91,625</b>                          | <b>91,798</b>                        |

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 2018 (except for one property in Poland- *Atlas Tower*, former name: Millennium Plaza, which is based on the valuation carried out as at 30 June 2019):

- 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 Takarek Ingatlan Zrt (*former name 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 external 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. In the directors' view, the properties are stated at fair value.

The fair value of investment property is categorised as a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

|  | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|--|--------------------------------------|--|--------------------------------------|
| Opening balance (level 3 recurring fair values)        | 91,625                               | 92,187                                 | 92,187                               |
| Right of use of land in perpetual usufruct (note 2)    | 1,021                                | -                                      | -                                    |
| Capitalised subsequent expenditure                     | 575                                  | 2,202                                  | 1,006                                |
| Disposals- other                                       | (11,862)                             | (7,151)                                | (2)                                  |
| Unrealized change in fair value                        | 668                                  | 7,022                                  | 2,476                                |
| Unrealized foreign exchange movements                  | 628                                  | (2,635)                                | (3,869)                              |
| <b>Closing balance (level 3 recurring fair values)</b> | <b>82,655</b>                        | <b>91,625</b>                          | <b>91,798</b>                        |

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment property, as well as the inter-relationship between key unobservable inputs and fair value, is detailed in the table below.



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| Valuation Techniques used  | Significant unobservable inputs   | Inter-relationship between key unobservable inputs and fair value   |
|--|---|---|
| <p>Income approach<br/>(Total value of properties at 30 June 2019: €72.4 million)</p> <p>Fair value is determined by applying the income approach based on the estimated rental value of the property.</p>   | <p>Discount Rate<br/>(7.75% - 9.25%)</p> <p>Exit Yield (7% - 8.25%)</p> <p>Letting voids on vacant spaces<br/>(9 months)</p> <p>Rent - individually estimated per each property/type of leasable unit<br/>(€12.5/m<sup>2</sup> - €35/m<sup>2</sup>)</p> | <p>The higher the exit yield and discounts rates the lower the fair value.</p> <p>The higher the office rent the higher the fair value.</p> |
| <p>Comparable approach<br/>(Total value of properties at 30 June 2019: €9.2 million)</p> <p>The valuation technique that uses prices and other relevant information generated by market transactions involving comparable (i.e. similar) assets, adjusted for several factors to ensure comparability of the transactions.</p> | <p>The following adjusting factors were adopted:</p> <ul style="list-style-type: none"> <li>✓ Size (15% - 20%)</li> <li>✓ Location (5%)</li> <li>✓ Negotiation discount (10%-20%)</li> </ul>  | <p>The higher/ the lower the adjusting factor the higher/ the lower the fair value.</p>   |

There were no changes to the valuation techniques of level 3 fair value measurements in the period. The fair value measurement is based on the above items highest and best use, which does not significantly differ from their actual use.

The Group has pledged investment property of €24.9 million (31 December 2018: €80.7 million; 30 June 2018: €82.2 million) to secure certain banking facilities granted to subsidiaries.

### 10. Inventories

|                           | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---------------------------|--------------------------------------|--|--------------------------------------|
| Land held for development | -                                    | 5,144                                  | 5,070                                |
| Construction expenditures | -                                    | 353                                    | 342                                  |
| Completed properties      | 1,756                                | 2,314                                  | 3,065                                |
| Hotel inventory           | 1,218                                | 1,147                                  | 1,148                                |
| <b>As at 31 December</b>  | <b>2,974</b>                         | <b>8,958</b>                           | <b>9,625</b>                         |

€6.1 million (31 December 2018: €10.5 million; 30 June 2018: €9.8 million) of inventories was released to cost of operations in the income statement during six months ended 30 June 2019. €nil million was recognised in the income statement in relation to reversal of the impairment on inventories (31 December 2018: €nil million; 30 June 2018: €nil million). The stock which is held at fair value less cost to sell amounts to €0.5 million (31 December 2018: €0.5 million; 30 June 2018: €0.5 million).

#### *Nakielska Apartments Project- sale agreement*

On 31 January 2019 the Group concluded preliminary sale agreement of Nakielska Apartment Project at the net sale price of PLN 33.5 million (equivalent of ca €7.8 million). The book value of this project amounted to €5.6 million. This transaction was completed on 13 May 2019 and full sale price was received.

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## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 11. Cash and cash equivalents

|                           | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---------------------------|--------------------------------------|--|--------------------------------------|
| Cash and cash equivalents | 24,274                               | 18,743                                 | 16,112                               |
| Short term bank deposits  | 3,048                                | 5,700                                  | 744                                  |
| <b>As at period end</b>   | <b>27,322</b>                        | <b>24,443</b>                          | <b>16,856</b>                        |

Included in cash and cash equivalents is €8.4 million (31 December 2018: €8.2 million; 30 June 2018: €7.8 million) restricted cash relating to security and customer deposits.

### 12. Non-current assets classified as held for sale and Liabilities directly associated with non-current assets classified as held for sale

On 22 November 2018 the Group concluded preliminary sale agreement of Atlas Estates Tower (undeveloped real property located in Warsaw) at the net sale price of PLN 147 million (equivalent of ca €34.6 million). The book value of this project (classified as assets held for sale and liabilities directly associated with assets held for sale) as of 30 June 2019 amounted to €6.6 million. On 7 August 2019 conditional sale agreement was concluded (increasing sale price to PLN 148 million) and PLN 14.8 million (equivalent of ca €3.5 million) was received in respect of the sales price. The completion of this transaction is expected by end of October 2019.

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

|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---|--------------------------------------|--|--------------------------------------|
| <b>Assets:</b>  |                                      |  |                                      |
| Right of use of leased asset  | 5,144                                | 3,750                                  | -                                    |
| Property, plant and equipment   | 2,793                                | 1,304                                  | -                                    |
| <b>Non-current assets classified as held for sale</b>   | <b>7,937</b>                         | <b>5,054</b>                           | <b>-</b>                             |
| <b>Liabilities:</b>   |                                      |  |                                      |
| Lease liability associated with right of use of leased asset classified as held for sale (note 2) | 1,355                                | -                                      | -                                    |
| <b>Liabilities directly associated with non-current assets classified as held for sale</b>        | <b>1,355</b>                         | <b>-</b>                               | <b>-</b>                             |

|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---|--------------------------------------|--|--------------------------------------|
| At beginning of the period                          | 5,054                                | -                                      | -                                    |
| Right of use of land in perpetual usufruct (note 2) | 1,382                                | -                                      | -                                    |
| Transfers   | -                                    | 5,054                                  | -                                    |
| Additions (capitalized expenditure)                 | 1,489                                | -                                      | -                                    |
| Depreciation  | (31)                                 | -                                      | -                                    |
| Exchange movements                                  | 43                                   | -                                      | -                                    |
| <b>As at period end</b>                             | <b>7,937</b>                         | <b>5,054</b>                           | <b>-</b>                             |

### 13. Trade and other payables

|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---|--------------------------------------|--|--------------------------------------|
| <b>Current</b>  |                                      |  |                                      |
| Trade payables  | (1,160)                              | (1,189)                                | (1,338)                              |
| Other taxes and social security   | (637)                                | (7,776)                                | (5,171)                              |
| Amounts due to Atlas Management Company Group in respect of management and performance fee (note 16a) | (10,694)                             | (12,737)                               | (9,723)                              |
| Other creditors   | (22)                                 | (131)                                  | (279)                                |
| Amounts payable to related party (note 16b)   | (240)                                | (240)                                  | (240)                                |
| Accruals and deferred income  | (6,307)                              | (4,650)                                | (5,256)                              |
| Income tax payable  | (22)                                 | (1,199)                                | (44)                                 |
| <b>Total current trade and other payables</b>   | <b>(19,082)</b>                      | <b>(27,922)</b>                        | <b>(22,051)</b>                      |

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|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---|--------------------------------------|--|--------------------------------------|
| <b>Non-current</b>  |                                      |  |                                      |
| Amounts payable to Felikon Kft (note 16e)                       | (6,086)                              | -                                      | -                                    |
| Other third party non-current trade and other payables (note 2) | (12,263)                             | (3,224)                                | (3,171)                              |
| <b>Total non-current trade and other payables</b>               | <b>(18,349)</b>                      | <b>(3,224)</b>                         | <b>(3,171)</b>                       |
| <b>Total trade and other payables</b>                           | <b>(37,431)</b>                      | <b>(31,146)</b>                        | <b>(25,222)</b>                      |

Included in trade and other payables is deferred income related to pre-sales of apartments. As the construction has now been completed, the amounts of cash paid into escrow accounts has now been released to the subsidiary. The value of the deferred income at 30 June 2019 amounts to €0.5 million (31 December 2018: €0.9 million; 30 June 2018: €1.6 million) and will be released to the income statement upon signing the notarial deeds. The value of deferred income related to hotel services as at 30 June 2019 amounts to €0.9 million (31 December 2018: €0.7m 30 June 2018: €0.7m) and will be released to the income statement upon delivery of those services to the guest. For both types of deferred income this is expected to be recognised in revenue within 12 months.

#### 14. Bank loans

|   | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|---|--------------------------------------|--|--------------------------------------|
| <b>Current</b>  |                                      |  |                                      |
| <i>Bank loans and overdrafts due within one year or on demand</i> |                                      |  |                                      |
| Secured   | (2,824)                              | (15,058)                               | (15,393)                             |
| <b>Non-current</b>  |                                      |  |                                      |
| <i>Repayable within two years</i>                                 |                                      |  |                                      |
| Secured   | (5,990)                              | (2,725)                                | (3,011)                              |
| <i>Repayable within three to five years</i>                       |                                      |  |                                      |
| Secured   | (25,605)                             | (29,036)                               | (32,727)                             |
| <i>Repayable after five years</i>                                 |                                      |  |                                      |
| Secured   | (41,187)                             | (42,204)                               | (42,513)                             |
|   | <b>(72,782)</b>                      | <b>(73,965)</b>                        | <b>(78,251)</b>                      |
| <b>Total</b>  | <b>(75,606)</b>                      | <b>(89,023)</b>                        | <b>(93,644)</b>                      |

The bank loans are secured on various properties of the Group by way of fixed or floating charges.

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<br>€'000 | Zloty<br>€'000 | Total<br>€'000 |
|---|---------------|----------------|----------------|
| <b>Bank loans and overdrafts – 30 June 2019</b> | <b>44,839</b> | <b>30,767</b>  | <b>75,606</b>  |
| Bank loans and overdrafts – 31 December 2018    | 58,231        | 30,792         | 89,023         |
| Bank loans and overdrafts – 30 June 2018        | 59,489        | 34,155         | 93,644         |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Debt financing

#### *Changes in the six months ended 30 June 2019*

During six months ended 30 June 2019 the Group paid €1.4 million in respect of scheduled partial repayments of several loans extended to the Group's projects (*Hilton* and *Golden Tulip* hotels, *Atlas Tower*, *Galeria Platinum Towers*).

Following the deconsolidation of the Company's subsidiary Felikon Kft the loan facility extended to this subsidiary totalling €12.3 million is derecognized as the Group's bank loan in the consolidated financial statements as of 30 June 2019.

#### *Changes in the year ended 31 December 2018*

##### *New Atlas Tower (former name: Millennium Plaza) loan facility*

On 13 September 2017 *Atlas Tower* signed a new loan agreement with Bank Zachodni WBK S.A. based on which it was able to borrow €23.5 million. As of 31 December 2018 this bank facility amounted to €22.0 million (as of 30 June 2018: €22.5 million) and the final repayment date of this facility is September 2022. In 2018 €1.1 million (6 months ended 30 June 2018: €0.5 million) was repaid in respect of this loan.

##### *Amount increase of the existing Hilton loan facility*

On 7 February 2018 the Company's subsidiaries: Mantezja 3 Sp. z o.o. and HGC Gretna Investments Sp. z o.o. Sp. J., which operate *Hilton* hotel in Warsaw concluded an annex with Bank Pekao S.A. and PEKAO Bank Hipoteczny S.A. to the existing loan facility agreement dated 29 June 2015 based on which the subsidiaries were allowed to borrow additional funds in the amount of €3.5 million for financing *Hilton* expenses and other *Atlas* projects. As of 31 December 2018 total outstanding loan facility amounted to €48.9 million (as of 30 June 2018: €49.1 million).

##### *Sadowa office loan facility- full repayment*

On 11 December 2018 following the sale of *Sadowa* office building the loan extended to this project and amounting to €3.6 million was fully repaid.

##### *Other loans- partial repayments*

During 2018 the Group paid €1.6 million (6 months ended 30 June 2018: €0.9 million) in respect of scheduled partial repayments of other loans extended to the Group's projects (*Hilton* and *Golden Tulip* hotels, *Sadowa* office building and *Galeria Platinum Towers*).

##### *Galeria Platinum Towers project - loan facility extension*

On 25 January 2018 Properpol Sp. z o.o. (the Company's subsidiary) signed an amendment agreement with mBank S.A. to the facility agreement dated 2 September 2013 based on which the final repayment date of the facility was extended from 30 June 2018 to 30 June 2021. As of 31 December 2018 this facility amounted to €3.5 million (as of 30 June 2018: €3.6 million) and is used for financing of *Galeria Platinum Towers* project.

### 15. Derivative financial instruments

|  | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|--|--------------------------------------|--|--------------------------------------|
| <i>Derivatives not designated as hedging instruments:</i>  |                                      |  |                                      |
| - Interest rate swap                                       | (2,254)                              | (1,359)                                | (832)                                |
| Total financial instruments classified as held for trading | (2,254)                              | (1,359)                                | (832)                                |
| <i>Less non-current portion:</i>                           |                                      |  |                                      |
| - Interest rate swap                                       | -                                    | -                                      | -                                    |
| <b>Current portion</b>                                     | <b>(2,254)</b>                       | <b>(1,359)</b>                         | <b>(832)</b>                         |

The fair value of the Group's interest rate derivatives is based on broker quotes (level 2 recurring fair values).

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### 16. Related party transactions

#### (a) Key management compensation

|                                  | 30 June 2019<br>(unaudited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Fees for non-executive directors | 31                                   | 31                                   |

The Company has appointed AMC, a company under common control, to manage its property portfolio. In consideration of the services provided, AMC charged a management fee of €1.2 million for the six months ended 30 June 2019 (year ended 31 December 2018: €2.2 million; six months ended 30 June 2018: €1.1 million). Under the agreement, AMC is also entitled to a performance fee based on the increase in value of the properties over the year. No performance fee has been accrued for the six months ended 30 June 2019 (year ended 31 December 2018: €4.1 million; six months ended 30 June 2018: €nil million).

As of 30 June 2019, €10.7 million included in current trade and other payables was due to AMC (31 December 2018: €12.7 million; 30 June 2018: €9.7 million). In 2019 cash of €3.2 million was paid to AMC in respect of the management fee (31 December 2018 €2.9 million)

- (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 30 June 2019 the purchase price of €0.2 million (31 December 2018: €0.2 million, 30 June 2018: €0.2 million) is due to former non-controlling shareholder (Coralcliff Limited).
- (c) In 2018 Mr Ziv Zviel, the Chief Executive Officer of AMC, signed final contract for an apartment, parking place and storage in *Apartamenty przy Krasieńskiego II* for a total value of €46 thousand (after receiving a discount of €40 thousand). As of 30 June 2018 €2 thousand was outstanding in respect of this agreement and was settled in July 2018.
- (d) 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 it was subsequently extended to 30 May 2018. In March 2017 AEL received an additional €3.75 million and as a result the loan amount was increased to €7.25 million. In September and November 2017 AEL executed several repayments totalling €5.3 million. In May 2018 AEL repaid the last tranche totalling €1.95 million. As of 30 June 2018 the loan is fully repaid.

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 Sp. z o.o. Sp. j. with its seat in Warsaw ("HPO"). The option expired on 30 May 2018.

- (e) Following deconsolidation of the Company's subsidiary Felikon Kft (as described in note 19) the Group has a loan payable due to Felikon Kft. The loan repayment date is 31 December 2020 however it can be extended to 31 December 2025. As of 30 June 2019 the Group owes €6.1 million.

### 17. Post balance sheet events

No specific significant events have occurred (except of conditional sale agreement as described in note 12) which would require an adjustment to this report.

### 18. Other items

#### 18.1 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.

#### 18.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2019.

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## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 18.3 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 |
|--------------------------------------|-----------------------|---------------|
| Euroclear Nominees Limited <EOCO1>   | 40,308,174            | 86.03         |
| Atlas International Holdings Limited | 6,461,425             | 13.79         |
| <b>TOTAL</b>                         | <b>46,769,599</b>     | <b>99.82</b>  |

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 Holdings Limited           | 36,661,145            | 78.25         |
| Atlas International Holdings Limited | 6,461,425             | 13.79         |
| <b>TOTAL</b>                         | <b>43,122,570</b>     | <b>92.04</b>  |

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

### 18.4 Directors' share interests

There have been no changes to the Directors' share interests during the six months ended 30 June 2019. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the six months ended 30 June 2019.

### 19. Principal subsidiary companies and joint ventures

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 the subsidiaries over which the Group control was lost:

- a Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. which is under bank enforcement proceedings since 2014. The loss was recognised in the consolidated financial statements for the year ended 31 December 2014 as a result of this event.
- a Hungarian subsidiary, Felikon Kft., which received on 27 February 2019 a decision from the Metropolitan Companies' Court in Budapest ordering the compulsory strike off of Felikon Kft. The court's decision commenced a process of liquidation and deletion of Felkon Kft. from the companies register. No gain or loss was recognised in the consolidated financial statements for the six months ended 30 June 2019 as a result of this event.

|  |              |              |
|--|--------------|--------------|
|  | <b>€'000</b> | <b>€'000</b> |
| The fair value of any consideration received                                   |              | -            |
| The carrying amount of the deconsolidated subsidiary's assets and liabilities: |              |              |
| - Investment property  | 11,861       |              |
| - Cash   | 617          |              |
| - Trade and other receivables  | 6,245        |              |
| - Trade and other payables   | (6,421)      |              |
| - Loans  | (12,302)     |              |
| Nil gain or loss on the deconsolidation of Felikon Kft                         |              | -            |

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No new subsidiary undertakings were acquired and no significant investments were made in any additional joint ventures during the six months period ended 30 June 2019 and year ended 31 December 2018.

| Country of incorporation | Name of subsidiary/<br>joint venture entity                                    | Status          | Percentage of nominal<br>value of issued shares<br>and voting rights held<br>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%  |
| Holland                  | Atlas Residential BV   | Holding         | 100%  |
| Holland                  | Atlas HPO BV   | 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 Sp. z o.o. SKA   | Development     | 100%  |
| Poland                   | Zielono AEP Sp. z o.o. SKA   | Development     | 100%  |
| Poland                   | Properpol Sp. z o.o.   | Investment      | 100%  |
| Poland                   | Atlas Tower Sp. z o.o. (former name: Atlas Estates<br>(Millennium) Sp. z o.o.) | Investment      | 100%  |
| Poland                   | Atlas Estates (Sadowa) Sp. z o.o.  | Investment      | 100%  |
| Poland                   | Capital Art Apartments AEP Sp. z o.o. Sp. j.                                   | Development     | 100%  |
| Poland                   | HGC Gretna Investments Sp. z o.o. Sp. j.                                       | Hotel operation | 100%  |
| Poland                   | Mantezja 3 Sp. z o.o.  | Hotel operation | 100%  |
| Poland                   | HPO AEP Sp. z o.o. Sp. j.  | 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                   | Gretna Investments Sp. z o.o.  | Holding         | 100%  |
| Poland                   | Gretna Investments Sp. z o.o. 4 SKA  | Holding         | 100%  |
| Poland                   | Negros 3Sp. z o.o.   | Holding         | 100%  |
| Hungary                  | CI-2005 Investment Kft.  | Development     | 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%  |
| 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%  |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2019

|   | Six months<br>ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months<br>ended<br>30 June 2018<br>(unaudited)<br>€'000 | Note |
|---|---|---|------|
| Revenues  | -   | -   |      |
| Cost of operations                                    | -   | -   |      |
| <b>Gross profit</b>                                   | -   | -   |      |
| Administrative expenses                               | (1,104)   | (901)   | 1    |
| Other operating income                                | -   | -   |      |
| Other operating expenses                              | -   | -   |      |
| <b>Loss from operations</b>                           | <b>(1,104)</b>  | <b>(901)</b>  |      |
| Finance income  | 4,000   | 2,105   | 2    |
| Finance costs   | (36)  | (31)  | 2    |
| Other (losses) and gains – foreign exchange           | 2   | (2)   | 2    |
| <b>Profit before taxation</b>                         | <b>2,862</b>  | <b>1,171</b>  |      |
| Tax expense   | -   | -   |      |
| <b>Profit for the period</b>                          | <b>2,862</b>  | <b>1,171</b>  |      |
| <b>Total comprehensive income for the period</b>      | <b>2,862</b>  | <b>1,171</b>  |      |
| Profit per €0.01 ordinary share - basic (eurocents)   | 6.1   | 2.5   |      |
| Profit per €0.01 ordinary share - diluted (eurocents) | 6.1   | 2.5   |      |



# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2019

|                                 | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>(audited)<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 | Note |
|---------------------------------|--------------------------------------|--|--------------------------------------|------|
| <b>ASSETS</b>                   |                                      |  |                                      |      |
| <b>Non-current assets</b>       |                                      |  |                                      |      |
| Investment in subsidiaries      | 142,376                              | 142,376                                | 125,433                              | 3    |
| Loan receivable from subsidiary | 75                                   | 68                                     | 65                                   | 4    |
|                                 | <b>142,451</b>                       | <b>142,444</b>                         | <b>125,498</b>                       |      |
| <b>Current assets</b>           |                                      |  |                                      |      |
| Trade and other receivables     | 12                                   | 4                                      | 12                                   |      |
| Cash and cash equivalents       | 1,022                                | 26                                     | 189                                  |      |
|                                 | <b>1,034</b>                         | <b>30</b>                              | <b>201</b>                           |      |
| <b>TOTAL ASSETS</b>             | <b>143,485</b>                       | <b>142,474</b>                         | <b>125,699</b>                       |      |
| <b>Non-current liabilities</b>  |                                      |  |                                      |      |
| Other paybles                   | (5,308)                              | (5,073)                                | (4,441)                              | 5    |
|                                 | <b>(5,308)</b>                       | <b>(5,073)</b>                         | <b>(4,441)</b>                       |      |
| <b>Current liabilities</b>      |                                      |  |                                      |      |
| Trade and other payables        | (10,688)                             | (12,774)                               | (9,679)                              | 5    |
|                                 | <b>(10,688)</b>                      | <b>(12,774)</b>                        | <b>(9,679)</b>                       |      |
| <b>TOTAL LIABILITIES</b>        | <b>(15,996)</b>                      | <b>(17,847)</b>                        | <b>(14,120)</b>                      |      |
| <b>NET ASSETS</b>               | <b>127,489</b>                       | <b>124,627</b>                         | <b>111,579</b>                       |      |
| <b>EQUITY</b>                   |                                      |  |                                      |      |
| Share capital account           | 6,268                                | 6,268                                  | 6,268                                |      |
| Other distributable reserve     | 194,817                              | 194,817                                | 194,817                              |      |
| Accumulated loss                | (73,596)                             | (76,458)                               | (89,506)                             |      |
| <b>TOTAL EQUITY</b>             | <b>127,489</b>                       | <b>124,627</b>                         | <b>111,579</b>                       |      |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Six months ended 30 June 2019 (unaudited) | Share capital<br>account | Other<br>reserves | Accumulated<br>loss | Total          |
|---|--------------------------|-------------------|---------------------|----------------|
|   | €'000                    | €'000             | €'000               | €'000          |
| As at 1 January 2019                      | 6,268                    | 194,817           | (76,458)            | 124,627        |
| Total comprehensive income for the period | -                        | -                 | 2,862               | 2,862          |
| <b>As at 30 June 2019</b>                 | <b>6,268</b>             | <b>194,817</b>    | <b>(73,596)</b>     | <b>127,489</b> |

| Year ended 31 December 2018             | Share capital<br>account | Other<br>reserves | Accumulated<br>loss | Total          |
|---|--------------------------|-------------------|---------------------|----------------|
|   | €'000                    | €'000             | €'000               | €'000          |
| As at 1 January 2018                    | 6,268                    | 194,817           | (90,677)            | 110,408        |
| Total comprehensive income for the year | -                        | -                 | 14,219              | 14,219         |
| <b>As at 31 December 2018</b>           | <b>6,268</b>             | <b>194,817</b>    | <b>(76,458)</b>     | <b>124,627</b> |

| Six months ended 30 June 2018 (unaudited) | Share capital<br>account | Other<br>reserves | Accumulated<br>loss | Total          |
|---|--------------------------|-------------------|---------------------|----------------|
|   | €'000                    | €'000             | €'000               | €'000          |
| As at 1 January 2018                      | 6,268                    | 194,817           | (90,677)            | 110,408        |
| Total comprehensive income for the period | -                        | -                 | 1,171               | 1,171          |
| <b>As at 30 June 2018</b>                 | <b>6,268</b>             | <b>194,817</b>    | <b>(89,506)</b>     | <b>111,579</b> |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended 30 June 2019

|  | Note | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--|------|--|--|
| <b>Profit for the period</b>   |      | <b>2,862</b>   | <b>1,171</b>   |
| <b>Adjustments for:</b>  |      |  |  |
| Finance costs  | 5    | 35   | 29   |
| Finance income   | 2    | (4,000)  | (2,105)  |
|  |      | <b>(1,103)</b>   | <b>(905)</b>   |
| <b>Changes in working capital</b>  |      |  |  |
| Increase in trade and other receivables  |      | (8)  | (12)   |
| (Decrease)/ Increase in trade and other payables   |      | (2,086)  | 348  |
| <b>Net cash used in operating activities</b>   |      | <b>(3,197)</b>   | <b>(569)</b>   |
| <b>Investing activities</b>  |      |  |  |
| New loans advanced to subsidiaries   |      | (7)  | (7)  |
| Proceeds from sale of investment in subsidiary   |      | -  | 82   |
| Dividend income from subsidiary  | 2    | 4,000  | 2,105  |
| <b>Net cash from investing activities</b>  |      | <b>3,993</b>   | <b>2,180</b>   |
| <b>Financing activities</b>  |      |  |  |
| Loan received from subsidiary  | 5    | 200  | 250  |
| Loan repayments to majority shareholder  |      | -  | (1,950)  |
| <b>Net cash from/ (used in) financing activities</b>   |      | <b>200</b>   | <b>(1,700)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period as a result of cashflows</b> |      | <b>996</b>   | <b>(89)</b>  |
| Effect of foreign exchange rates   |      | -  | -  |
| <b>Net increase/ (decrease) in cash and cash equivalents in the period</b>                         |      | <b>996</b>   | <b>(89)</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b>                                    |      | <b>26</b>  | <b>278</b>   |
| <b>Cash and cash equivalents at the end of the period</b>  |      | <b>1,022</b>   | <b>189</b>   |
| <b>Cash and cash equivalents</b>   |      |  |  |
| Cash at bank and in hand   |      | 1,022  | 189  |
| Bank overdrafts  |      | -  | -  |
|  |      | <b>1,022</b>   | <b>189</b>   |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### 1. Administrative expenses

|                                   | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|-----------------------------------|--|--|
| Audit and tax services            | (36)   | (33)   |
| Incentive and management fee      | (980)  | (778)  |
| Legal and other professional fees | (57)   | (59)   |
| Staff costs                       | (31)   | (31)   |
| <b>Administrative expenses</b>    | <b>(1,104)</b>   | <b>(901)</b>   |

### 2. Finance income

|  | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--|--|--|
| Bank and other similar charges                                 | (1)  | (2)  |
| Interest payable on loan received from subsidiary              | (35)   | (29)   |
| <b>Finance costs</b>   | <b>(36)</b>  | <b>(31)</b>  |
| Dividend income from subsidiary                                | 4,000  | 2,105  |
| <b>Finance income</b>  | <b>4,000</b>   | <b>2,105</b>   |
| <b>Finance income/ costs, excluding foreign exchange – net</b> | <b>3,964</b>   | <b>2,074</b>   |
| Unrealised foreign exchange gains                              | 2  | -  |
| Unrealised foreign exchange losses                             | -  | (2)  |
| <b>Other gains and (losses) – foreign exchange</b>             | <b>2</b>   | <b>(2)</b>   |
| <b>Finance income, including foreign exchange – net</b>        | <b>3,966</b>   | <b>2,072</b>   |

### 3. Investment in subsidiaries

|  | Six months ended<br>30 June 2019<br>(unaudited)<br>€'000 | Year ended<br>31 December 2018<br>€'000 | Six months ended<br>30 June 2018<br>(unaudited)<br>€'000 |
|--|--|---|--|
| <b>Shares in subsidiary undertakings</b> |  |   |  |
| <i>Cost</i>                              |  |   |  |
| At beginning of period                   | 217,681  | 217,681                                 | 217,681  |
| <b>At the end of the period</b>          | <b>217,681</b>   | <b>217,681</b>                          | <b>217,681</b>   |
| <i>Impairment</i>                        |  |   |  |
| At beginning of period                   | (75,305)   | (92,248)                                | (92,248)   |
| Reversal                                 | -  | 16,943                                  | -  |
| <b>At the end of the period</b>          | <b>(75,305)</b>  | <b>(75,305)</b>                         | <b>(92,248)</b>  |
| <b>At the end of the period</b>          | <b>142,376</b>   | <b>142,376</b>                          | <b>125,433</b>   |

Investments in subsidiary undertakings are stated at cost. Cost is recognised as the nominal value of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. A list of principal subsidiary undertakings and joint ventures is given at note 18 of the interim condensed consolidated financial information.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

The Company has carried out an impairment review of the carrying values of investments and loans receivable from subsidiaries. The Company considers the best indication of value of investments and loans to subsidiaries to be the valuation reports - as described on page 5.

In the six months period ended 30 June 2019 €nil million was recognised in other operating income in respect of reversal of impairment on investment in subsidiaries (in 2018 €16.9 million was recognised in other operating income in respect of reversal of impairment on investment in subsidiaries; in the six months period ended 30 June 2018: €nil million was recognised in other operating income in respect of reversal of impairment on investment in subsidiaries).

The method applied to assign value to the company's investments is fair value less costs to sell and has been based on the property valuations assessed by independent experts and where appropriate, management. In assessing the value of each investment the Company has considered not only the asset value recognised in the books of the individual entities but also the valuation amount of elements held at cost. Substantially, this has resulted in the carrying values of investments and loans receivable from subsidiaries being compared to the adjusted net asset value of the group. First the impairment is allocated against the value of investments and then the value of loans receivable.

#### 4. Loans receivable from the subsidiaries

The loan receivable from Atlas Estates Antilles BV is interest bearing and the Company charged its subsidiary €0.1 thousand in 6 months period ended 30 June 2019 as interest (2018: €0.7 thousand; 6 months ended 30 June 2018: €0.1 thousand ). As at 30 June 2019 the loan balance due from Atlas Estates Antilles BV amounted to €75 thousand (31 December 2018: €68 thousand; 30 June 2018: €65 thousand).

#### 5. Trade and other payables

|  | 30 June 2019<br>(unaudited)<br>€'000 | 31 December 2018<br>€'000 | 30 June 2018<br>(unaudited)<br>€'000 |
|--|--------------------------------------|---------------------------|--------------------------------------|
| <b>Current</b>   |                                      |                           |                                      |
| Amounts due to Atlas Management Company Group in respect of management and performance fee | (10,603)                             | (12,623)                  | (9,609)                              |
| Trade payables   | (85)                                 | (151)                     | (70)                                 |
|  | <b>(10,688)</b>                      | <b>(12,774)</b>           | <b>(9,679)</b>                       |
| <b>Non-current</b>   |                                      |                           |                                      |
| Loan from subsidiary   | (5,308)                              | (5,073)                   | (4,441)                              |
|  | <b>(5,308)</b>                       | <b>(5,073)</b>            | <b>(4,441)</b>                       |
| <b>Total trade and other payables</b>  | <b>(15,996)</b>                      | <b>(17,847)</b>           | <b>(14,120)</b>                      |

#### *Loan from subsidiary- HGC Gretna Investments Sp. z o.o. Sp. J.*

The loan payable to the subsidiary (HGC Gretna Investments Sp. z o.o Sp. J.) is interest bearing. The Company was charged interest in the 6 months ended 30 June 2019 of €35 thousand (year ending 31 December 2018: €61 thousand; 6 months ended 30 June 2018: €29 thousand). In the first half of 2019 the Company received €200 thousand in respect of this loan (€250 thousand in H1 2018). As at 30 June 2019 the loan balance including capitalised interest due to subsidiary amounted to €5.3 million (as of 31 December 2018: €5.1 million; 6 months ended 30 June 2018: €4.4million).