

ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Atlas Estates Limited
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Company number: 44284

ATLAS ESTATES LIMITED

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ATLAS ESTATES LIMITED

Introduction

Atlas Estates Limited (“Atlas” or the “Company”) is a Guernsey incorporated closed-ended investment company investing in real estate in Central and Eastern European countries (“CEE”). Atlas shares were admitted to trading on 12 February 2008 on the Warsaw Stock Exchange (WSE).

The Company and its subsidiary undertakings (the “Group”) invest mainly in real estate assets in Poland. The Group also currently operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company’s assets are managed by Atlas Management Company Limited (“AMC”), a company focused on managing the Group’s property portfolio. AMC provides the Group with a management team with vast experience and knowledge of real estate investment and development. In particular AMC can demonstrate a good track record of investment, development and management of property in CEE markets.

The Company does not have any significant operating transactions and such the commentary and the key numbers presented in the Chairman’s Statement and the Review of the Property Manager represent those of the Group.

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Financial Highlights

Selected Financial Items	Year ended	Year ended
	31 December 2016	31 December 2015
	€'000	€'000
Administrative expenses	(1,371)	(4,751)
Other operating income	-	18,505
Other operating expenses	(1,074)	-
(Loss)/ Profit from operations	(2,445)	13,754
Finance income	1,408	104
(Loss)/ Profit before tax	(1,102)	13,794
(Loss)/ Profit for the year	(1,102)	13,794
Net cash outflow from operating activities	(5,347)	(3,715)
Net cash from investing activities	842	4,776
Net (decrease)/ increase in cash and cash equivalents in the year	(1,005)	1,061
Non-current assets	90,110	90,614
Current assets	120	1,124
Total assets	90,230	91,738
Non-current liabilities	(3,709)	(3,655)
Current liabilities	(3,963)	(4,423)
Total liabilities	(7,672)	(8,078)
Net assets	82,558	83,660
Number of shares outstanding	46,852,014	46,852,014
Profit/ (Loss) per €0.01 ordinary share – basic (eurocents)	(2.4)	29.4

ATLAS ESTATES LIMITED

Chairman's Statement

Dear Shareholders,

I am pleased to report the consolidated financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2016.

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

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

- in the fourth quarter of 2015 the Group commenced construction of the second stage of *Apartamenty przy Krasieńskiego* development project in Warsaw. In 2016 the Group secured bank financing for this new project and started pre sales;
- the residential projects that the Group is currently developing in Warsaw (*Capital Art Apartments III & IV*, *Apartamenty przy Krasieńskiego stage I* and *Concept House*) were successful and their sales are nearly complete;
- on 14 September 2016 the Group concluded the agreement with Erste Group Bank AG defining the terms of an acquisition of the outstanding loan facility extended to *Millennium Plaza* (amounting to €58.9 million as of the date of this agreement and €46.9 million as of 31 December 2016), for further details please refer to page 11.

Reported Results

As of 31 December 2016 the Group has reported basic net assets of €68.2 million.

The increase of basic net asset value by €2.3million from €65.9 million as at 31 December 2015 is primarily a result of:

- €3.3 million fair value gains on investment properties recorded as at 31 December 2016;
- €2.6 million revaluation of hotels recorded as at 31 December 2016; offset by:
- €2.4 million annual depreciation charge on property, plant and equipment.

Profit after tax amounts to €2.3 million for 2016 as compared to profit after tax of €22.8 million for 2015. The significant change of the noted results was mainly a joint effect of:

-€8.0 million decrease of gross profit realized by the Group mainly due to sale of 250 apartments in *Capital Art Apartments stages III&IV* residential project in 2015 (as compared to remaining 16 in 2016);

- the settlement reached in June 2015 by the Group with the bank financing its two projects in Romania (part of *the portfolio of cross collateralised banking facilities*) based on which the Group received €22.2 million bank debt write off resulting in finance income decrease from €22.5 million in 2015 to €0.1 million in 2016; offset by:

- movement in valuation of investment properties from decrease of €5.5 million in 2015 to increase of €3.3 million in 2016 mainly due to change in valuation of *Millennium Plaza*.

Company results

The Company reported a loss of €1.1 million (compared to last year profit of €13.8 million). This significant decrease of €14.9 million was mainly driven by:

- €18.3 million profit on assignment of loans receivable recorded in 2015 as a result of an agreement between Erste Group Bank AG in Austria and the Company based on which the bank transferred its entire contractual position resulting from the loan facilities totalling €24.5 million (and extended to the Company's subsidiaries in Romania) in return for €2.2 million. €22.5 million profit realized on this transaction was netted with €4.0 million loss on the further assignment of Romanian loans to another Company's subsidiary;
 - €1.1 million impairment of the carrying value of investments recorded in 2016 (€0.2 million reversal of impairment in 2015);
- offset by:
- €3.4 million decrease in administration costs mainly due to accrual for performance fee amounting to €3.8 million recorded in 2015. In 2016 Property Manager was only entitled to basic fee; and
 - €1.4 million dividend income received from the Company's subsidiary.

The methodology applied by the Company with respect to the impairment review is further disclosed on page 53.

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Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in the sector 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 consolidated and individual financial statements for the year ended 31 December 2016, as set out in note 1.

Investing Policy

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

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

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

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

As of 31 December 2016, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, has not changed significantly from the level of €1.4 per share at 31 December 2015 to €1.5 per share at 31 December 2016. The adjusted NAV per share, which includes valuation gains, net of deferred tax on development properties held in inventory, at the lower of cost and net realisable value, and land held under operating lease, but not recognised at fair value in the balance sheet, has also remained stable and amounted to €1.8 as of 31 December 2015 and to €1.8 as of 31 December 2016.

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

As of 31 December 2016 the following external independent qualified experts were engaged:

- Jones Lang LaSalle responsible for the valuation of properties located in Poland and Romania,
- FHB Ingatlan Zrt responsible for the valuation of properties located in Hungary.

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A key indicator of performance is the adjusted net asset value of the Group. The following table sets out the impact on adjusted NAV per share of the revaluation of land assets that cannot be reflected in the reported balance sheet due to accounting standards.

	Book cost to Group as shown in the Balance Sheet €'000	Independent* Value at 31 December 2016 €'000	Change €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	20,558	38,236	17,678
Attributable to non-controlling interest partners	-	-	-
Company share of development land and land held under operating lease	20,558	38,236	17,678
Notional deferred tax on increase in valuation of development land and land held under operating lease			(3,359)
Basic net asset value per balance sheet			68,239
Adjusted net asset value			82,558
Number of ordinary shares in issue at 31 December 2016			46,852,014
Adjusted net asset value per share as at 31 December 2016			1.8
Adjusted net asset value per share as at 31 December 2015			1.8

* includes effect of internal valuation of unsold residential units

Further analysis of the Company's NAV is contained in the Property Manager's review below.

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. Details are presented on page 28 in Corporate governance review.

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 are summarised in the Property Manager's Report on pages 15 and 16 below.

Changes in Board of Directors

There were no changes in Board of Directors as disclosed in the Director's Report.

Prospects

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

Mark Chasey
CHAIRMAN
29 March 2017

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Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2016. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advice on new investment opportunities. At 31 December 2016, the Company held a portfolio of seventeen properties comprising eight investment properties of which five are income yielding properties, two are held for capital appreciation, two hotels and eight development properties.

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

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 86% (by value) of the Group's portfolio located there. The Polish economy has been one of most resilient economies in Europe with GDP growth of 2.8% in 2016 (3.6% in 2015).

Hilton Hotel, Warsaw

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

Millennium Plaza, Warsaw

The *Millennium Plaza* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 80% as of 31 December 2016 (81% as of 31 December 2015).

Sadowa, Gdańsk

The *Sadowa* office building is a 6,872 sqm office building in Gdańsk. During the last 12 months its occupancy ratio increased from 55% as of 31 December 2015 to 68% as of 31 December 2016. The Company is actively looking for new tenants.

Platinum Towers and Atlas Estates Tower

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

Apartamenty przy Krasieńskiego (the first stage) and Apartamenty przy Krasieńskiego II (the second stage)

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

The first stage of this development includes 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 31 December 2016 all apartments were sold and only 2 retail units were available for sale.

Apartamenty przy Krasieńskiego II is the second stage of this successful development project. This stage will release approximately 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and is still in progress. 47 apartments and 2 retail units were presold as of 31 December 2016.

Capital Art Apartments

The *Capital Art Apartments* 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 31 December 2016 only 3 apartments and 7 retail units remain available for sale.

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Concept House

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

The construction of the development was completed in 2013 and as of 31 December 2016 only 1 retail units is unsold and 1 apartment is presold.

Nakielska Apartments Project

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

Hungary

In Hungary, the Group's portfolio is comprised of two properties, which are located in Budapest. One of them is income producing asset. Two properties, previously classified as held for sale, were disposed in 2016 as disclosed in note 20 and note 33 of the consolidated financial statements.

The Hungarian economy has suffered from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and has experienced client losses and pricing pressures affecting its income yielding assets. In 2016 GDP increase of 1.9% was noted (in 2015 an increase in GDP of 2.9% was noted).

Romania

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks. The Romanian GDP increased by 4.8% in 2016 (GDP increased by 3.7% in 2015). Despite the difficult trading conditions, occupancy rates at the Golden Tulip improved from 66% for 2015 to 70% for 2016.

Bulgaria

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

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Financial Review

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

Portfolio valuation

A valuation of the entire property portfolio is carried out on an annual basis as described on page 6.

Loans

As at 31 December 2016, the Group's bank debt associated with the portfolio of the Group was €120 million (31 December 2015: €137 million). Loans, valuations and Loan to Value ratios ("LTV") for those periods in which valuations were undertaken may be analysed as follows:

	31 December 2016			31 December 2015		
	Loans	Property Valuation	LTV Ratio	Loans	Property Valuation	LTV Ratio
	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	69	82	84%	84	85	99%
Hotels	49	87	56%	53	87	61%
Development property in construction	2	10	20%	-	-	0%
Total	120	179	67%	137	172	80%

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2016 and 31 December 2015 due to the treatment under IFRS as adopted by the EU of land held under operating leases and development property that are held at cost.

LTV ratio of investment property significantly reduced to 84% as of 31 December 2016 (as compared to 99% as of 31 December 2015) due to the settlement reached with Erste Group Bank AG (as disclosed on page 11) based on which the Group has partially repaid Millennium loan facility in September and November 2016.

LTV ratio of hotels slightly decreased to 56% as of 31 December 2016 from 61% as of 31 December 2015 mainly due to repayment of loan facilities.

LTV ratio of development property in construction concerns new loan which has been drawn down to finance development project in Warsaw- *Apartmenty przy Krasieńskiego stage II* and amounted to 20% as of 31 December 2016.

The gearing ratio is 62% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio improved as compared to 31 December 2015 (64%) mainly due to significant bank loan repayments in 2016.

Debt financing

Repaid loans

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

1. the amount by which net proceeds from the disposal of *Millennium Plaza* exceed the outstanding debt facility at the time of disposal constitute "Excess Disposal Proceeds";
2. the additional amount shall be the sum of:
 - 100% of Excess Disposal Proceeds not exceeding €10.0 million,
 - 50% of Excess Disposal Proceeds exceeding €10.0 million.

Currently this additional amount is expected to be €nil.

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

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

As of 31 December 2016, after the above described repayment of two Romanian and one Hungarian facility, the Group has facility extended to Atlas Estates Millennium Sp. z o.o. ("Millennium") by Erste Group Bank AG that had been cross collateralised totalling €46.9million. On 14 September 2016 the Group signed with Erste bank the agreement based on which by 29 September 2017 the bank will sell/ transfer to Atlas Projects B.V. (subsidiary of Atlas Estates Limited) its outstanding facility due from Millennium at the price of €1 subject mainly to the following conditions:

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

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

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

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

- the bank shall relinquish any mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by Millennium and/or third party for the benefit of the bank to secure the claims of the bank against Millennium. Moreover, upon the completion of this transfer no Price Adjustment defined on page 10 shall be due to the bank.
- Atlas Estates Limited in its consolidated financial statements will record a finance income of €19.4 million representing bank debt discount resulting from this transaction.

New loan

In February 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. was granted a loan for the construction of the second stage of *Apartamenty przy Krasińskiego* project in Warsaw.

Under the agreement the bank will grant a loan in a total amount of PLN 42.9 million in the following tranches:

- a construction loan in an amount of PLN 41.4 million, and
- a VAT loan (i.e. revolving loan to finance Polish VAT) in an amount of PLN 1.5 million.

The final repayment date of the construction part of the loan will fall on 31 March 2019 and the final repayment date of VAT part of the loan will fall on 30 September 2018. The first draw down of the loan took place in the third quarter of 2016. The outstanding loan facility as of 31 December 2016 amounted to €2.1 million.

Other loans

In the preparation of the consolidated financial statements as of 31 December 2016, the directors have classified the loan facility extended to a Hungarian subsidiary totalling €13.6 million as current since covenant breaches arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan.

Review of the operational performance and key items in the Consolidated Income Statement

	Property Rental € millions	Development Properties € millions	Hotel Operations € millions	Other € millions	Year ended 31 December 2016 € millions	Year ended 31 December 2015 € millions
Revenue	10.7	2.8	19.1	0.1	32.7	58.6
Cost of operations	(5.5)	(2.3)	(11.6)	-	(19.4)	(37.3)
Gross profit	5.2	0.5	7.5	0.1	13.3	21.3
Administrative expenses	(0.9)	(0.5)	(2.8)	(2.5)	(6.7)	(11.0)
Gross profit less administrative expenses	4.3	-	4.7	(2.4)	6.6	10.3
Gross profit %	49%	18%	39%	0%	41%	36%
Gross profit less administrative expenses %	40%	0%	25%	0%	20%	18%

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

Revenues and cost of operations

Total revenues for year ended 31 December 2016 were €32.7 million compared to €58.6 million for the year ended 31 December 2015. The Group's principal revenue streams are from its hotel operations, property rental income and income from the sale of the residential apartments. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicity of yielded income or results is also highly diversified.

Cost of operations were €19.4 million in 2016 compared to €37.3 million in 2015.

Development Properties

	Year ended 31 December 2016 € millions	Year ended 31 December 2015 € millions	Total change 2016 v 2015 € millions	Translation foreign exchange effect € millions	Operational change 2016 v 2015 € millions
Revenue	2.8	27.9	(25.1)	(1.1)	(24.0)
Cost of operations	(2.3)	(20.1)	17.8	0.8	17.0
Gross profit	0.5	7.8	(7.3)	(0.3)	(7.0)
Administrative expenses	(0.5)	(0.4)	(0.1)	-	(0.1)
Gross profit less administrative expenses	-	7.4	(7.4)	(0.3)	(7.1)
Gross profit %	18%	28%			
Gross profit less administrative expenses %	0%	27%			

Proceeds from the sale of residential units (i.e. apartments, retail units, parking places, storages) developed by the Group are only recognised when residential units have been handed over to new owners with notarial deed signed. At this moment the economic risks and rewards are transferred to the new owner and in accordance with the Group's accounting policy, the revenue and associated costs of these residential units are recognised in the income statement. Please note that:

- *Apartamenty przy Krasińskiego stage 1* project construction was finalized in 2013 and the Group has been recognizing the sales and associated costs in the consolidated income statement starting from the fourth quarter of 2013 as the above mentioned criteria have been met;

- *Apartamenty przy Krasińskiego stage 2* project construction is in progress and no sales and associated costs have been recognized in the consolidated income statement as the above mentioned criteria have not been met;

- *Capital Art Apartments* project (all stages) construction was finalized and the Group has been recognizing the sales and associated costs in the consolidated income statement starting as the above mentioned criteria have been met;

- *Concept House* is a joint venture project and therefore differently accounted as compared to other development projects. The revenues and associated costs of this development are netted and disclosed separately as a single line item as "total investment in equity accounted joint ventures" on the consolidated statement of financial position.

The decrease in gross profit realised in the year ended 31 December 2016 as compared to the same period in 2015 is mainly a result of an decrease in the number of apartments sold. As presented in the table below as of 31 December 2016 the Group managed to complete the sale of 17 apartments (in *Capital Art Apartments III&IV*, *Apartamenty przy Krasińskiego* projects), whereas in 2015 the revenues from the sale of 259 apartments in *Apartamenty przy Krasińskiego*, *Platinum Tower* and *Capital Art Apartments* projects were recognized.

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Apartment sales in Warsaw

	CAA stage 1	CAA stage 2	CAA stage 3&4	Apartamenty przy Kraasińskiego	Apartamenty przy Kraasińskiego II	Concept House*
Total apartments for sale	219	300	265	303	123	160
Sales completions in 2008-2014	217	297	-	294	-	146
Sales completions in 2015	1	-	249	8	-	10
Sales completions in 2016	-	-	16	1	-	3
Total sales completions	218	297	265	303	-	159
Sales not completed as of 31 December 2016 (only preliminary agreements concluded)	1	-	-	-	47	-
Apartments available for sale as of 31 December 2016	-	3	-	-	76	1

*Joint venture project

Property Rental

	Year ended 31 December 2016 € millions	Year ended 31 December 2015 € millions	Total change 2016 v 2015 € millions	Translation foreign exchange effect € millions	Operational change 2016 v 2015 € millions
Revenue	10.7	12.0	(1.3)	(0.4)	(0.9)
Cost of operations	(5.5)	(5.5)	-	0.1	(0.1)
Gross profit	5.2	6.5	(1.3)	(0.3)	(1.0)
Administrative expenses	(0.9)	(1.1)	0.2	-	0.2
Gross profit less administrative expenses	4.3	5.4	(1.1)	(0.3)	(0.8)
Gross profit %	49%	54%			
Gross profit less administrative expenses %	40%	45%			

In 2016 the gross margin realized by the Property Rental segment decreased as compared to 2015 mainly due to sale of properties in Hungary- Ligetvaros and Varosliget in November 2015 and Metropol in January 2016.

Hotel operations

	Year ended 31 December 2016 € millions	Year ended 31 December 2015 € millions	Total change 2016 v 2015 € millions	Translation foreign exchange effect € millions	Operational change 2016 v 2015 € millions
Revenue	19.1	18.7	0.4	(0.7)	1.1
Cost of operations	(11.6)	(11.7)	0.1	0.4	(0.3)
Gross profit	7.5	7.0	0.5	(0.3)	0.8
Administrative expenses	(2.8)	(3.3)	0.5	0.1	0.4
Gross profit less administrative expenses	4.7	3.7	1.0	(0.2)	1.2
Gross profit %	39%	37%			
Gross profit less administrative expenses %	25%	20%			

In 2016 the hotel operations improved as compared to 2015 mainly due to improved occupancy ratios of both *Hilton* and *Golden Tulip* hotels in Warsaw and Bucharest.

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Administrative expenses

Total administrative expenses decreased by €4.3 million as compared to 2015 mainly due to a decrease in property manager fee as a result of lower adjusted NAV (i.e. base of the performance manager fee).

Investment properties valuation movement

In 2016 the increase of the market value of the investment properties portfolio was of €3.3 million as compared to a decrease of €5.5 million in 2015. The movements mainly relate to change in value of *Millennium Plaza*.

Other operating income and expenses

Other operating income and expenses are items that do not directly relate to the day-to-day activities of the Group. Such items include: income and expenses for items that are recharged to contractors and other suppliers at cost, and other such items.

The decrease of other operating income by €0.5 million is mainly due to €0.7 million property tax refund received in 2015.

The other operating expenses decreased by €2.4 million as compared to 2015 primarily as a result of €2.5 million accrual for legal case (as described in note 32.1 of the consolidated financial statements) recognized in 2015.

Finance income and costs

Finance income decreased by €22.4 million primarily due to a €22.2 million bank loan write back in 2015. On 30 June 2015 the Group reached a settlement with the bank financing its two projects in Romania (*part of the portfolio of cross collateralised banking facilities*) based on which the Group received €22.2 million discount on the repayment of the outstanding loan facilities.

The income statement includes finance costs of €4.0 million for 2016, compared with €4.5 million in 2015, representing mainly interests on bank loans, loss on interests, rate swaps associated with bank facilities and related bank charges.

Foreign exchange

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

The results for the year 2015 have not been significantly impacted by the effects of the change in value of the currencies in the Central and Eastern European markets. This is mainly due to fairly stable PLN/EUR, HUF/EUR and RON/EUR rates noted in 2015. In 2016 Polish functional currencies depreciated significantly by 4% as compared to 2015. As a result the movements in value of the functional currencies has resulted in foreign exchange loss of €3.0 million in the income statement (2015: €0.4 million gain) and €2.0 million loss (2015: €0.1 million gain) in other comprehensive income for the year ended 31 December 2016.

A summary of exchange rates by country for average and closing rates against the reporting currency as applied in the financial statements is set out below.

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2016	4.4240	311.02	4.5411	1.95583
31 December 2015	4.2615	313.12	4.5245	1.95583
% Change	4%	-1%	0%	0%
Average rates				
Year 2016	4.3625	311.46	4.5173	1.95583
Year 2015	4.1839	309.90	4.5040	1.95583
% Change	4%	1%	0%	0%

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	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2015	4.2615	313.12	4.5245	1.95583
31 December 2014	4.2623	314.89	4.4821	1.95583
% Change	0%	-1%	1%	0%
Average rates				
Year 2015	4.1839	309.90	4.5040	1.95583
Year 2014	4.1852	308.66	4.4591	1.95583
% Change	0%	0%	1%	0%

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 from each category is subject to different treatment as follows:

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets ("PPE") – revaluation movements are taken directly to reserves, net of deferred tax; and
- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements unless where an increase represents the reversal of previously recognized deficit below cost.

The Company sets out below the key measures relating to Net Asset Value (NAV) per share. This includes the NAV per share per the financial statements and the adjusted NAV per share as defined at IPO and previously disclosed by the Company.

	NAV 2016 € millions	NAV per share 2016 €	NAV 2015 € millions	NAV per share 2015 €
Basic NAV	68.2	1.5	65.9	1.4
Development land valuation increase	17.7	-	18.9	-
Deferred tax	(3.3)	-	(1.1)	-
Adjusted NAV	82.6	1.8	83.7	1.8

Notes: The number of shares in issue as at 31 December 2016 and 2015 is 46,852,014 (excluding treasury shares).

The Property Manager's basic and performance fees are determined by the adjusted NAV. For the twelve months to 31 December 2015 the combined fee payable to AMC by the Group was €5.2 million whereas for the twelve months to 31 December 2016 AMC was entitled to basic fee amounting to €1.6 million.

Ongoing activities

During the year ended 31 December 2016, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

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

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

Financial management, operational management and material risks

In continuing to fulfil its obligations to its Shareholders and the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Experienced operational teams are in place in each country, where there is significant

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activity, otherwise a central operational team and investment committee monitor and control investments and major operational matters. As such, the management team continually reviews its operating structures to optimise the efficiency and effectiveness of its network, which is particularly important given the current environment.

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

Global economic conditions

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

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

Financing and liquidity

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

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

Currency and foreign exchange

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

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

Conclusions

AMC's key strategic objective is the maximisation of value for the Company's Shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with local market knowledge and expertise. In the first quarter of 2016 the new financing for the second stage of the very successful development project in Warsaw- *Apartamenty przy Krasińskiego II* was secured. The construction of this project commenced in the last quarter of 2015. Additionally in September 2016 the Group managed to conclude an agreement with Erste Group Bank AG (as disclosed on page 11) which should result in €19.4 million bank debt write back upon the completion of this agreement in 2017.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
29 March 2017

Ziv Zviel
Chief Financial Officer and Chief Operating Officer
Atlas Management Company Limited

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Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large convention centre, fitness club and spa Holmes Place Premium, casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Atlas Estates Tower (former name: Platinum Towers – offices)	Land with zoning for an office/residential tower planned up to 42 floors.	100%
Galeria Platinum Towers	Commercial area on the ground and first floors Platinum Towers with 1,842 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Capital Art Apartments	784 apartments, four stage development, with Stage 1 completed in 2008, Stage 2 in 2009, Stage 3 in January 2015 and Stage 4 in February 2015. Location close to the central business district in Wola area of Warsaw. As of 31 December 2016 only 3 apartments and 7 retail units were available for sale.	100%
Nakielska Apartment Project	<i>Nakielska Apartment Project</i> is a residential development in the Wola district of Warsaw. It will be a two stage development which will release 240 apartments with parking and amenities, including retail facilities. This project is an early planning phase.	100%
Apartamenty przy Krasieńskiego, stage I	Residential project in Warsaw. The construction was completed in July 2013. The project released 303 apartments. As of 31 December 2016 all apartments were sold and only 2 retail units were available for sale.	100%
Apartamenty przy Krasieńskiego, stage II	The second stage of the successful development project in Warsaw. It is estimated that it will release approximately 123 apartments with underground parking and retail facilities. The construction commenced in November 2015. 47 apartments and 2 retail units were presold as of 31 December 2016.	100%
Millennium Tower	39,138 square meters of office and retail space in the central business district of Warsaw.	100%
Concept House	The construction of this residential project was completed in April 2013. Location in Mokotow district close to the central business district of Warsaw. As of 31 December 2016 all apartments out of 160 apartments were sold.	50%
Sadowa office building	6,872 square meters office building close to the city centre of Gdańsk.	100%

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

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Directors - Atlas Estates Limited

Mark Chasey

Chairman, Non-executive
Director

Mr Chasey graduated with a Bachelor of Commerce degree in 1979 and a Bachelor of Accountancy degree in 1981, both from the University of the Witwatersrand, South Africa. Having completed his articles with the accounting firm Pim Goldby in Johannesburg, Mr Chasey qualified as a member of the South African Institute of Chartered Accountants in 1984 and was Financial Controller at Femco Electric Motors Limited in Johannesburg from 1984 to 1988. After establishing his own liquidation business in Johannesburg in 1989, Mr Chasey joined Ernst and Young Trust Company (Jersey) Limited in 1997 and then, in 1999, went on to establish Oak Trust (Guernsey) Limited.

Andrew Fox

Non-executive Director
Chairman of Audit Committee

Mr Fox graduated with a Bachelor of Commerce degree in 1999 and a Post Graduate Diploma in Finance, Banking and Investment Management in 2000, both from the University of Natal, South Africa. Mr Fox qualified as a member of the Association of Chartered Certified Accountants in 2003 and was admitted as a Fellow in 2009. Mr Fox joined Oak Trust (Guernsey) Limited in 2001 and was appointed a Director in 2006.

Guy Indig

Non-executive Director

Mr Indig graduated from Bar-Ilan University, Israel, with an LLB in 1990. In 2001 Mr Indig obtained an MBA from Tel-Aviv University. He also holds a Masters in Finance from the London Business School. Having practiced law for several years, in 2000 Mr Indig joined the Beny Steinmetz Group, a sizeable, global private equity group focused on real estate investments and natural resources. Mr Indig acted as an Investment Director in BSG's international Real Estate and Private Equity teams. Having completed a Masters in Finance degree at London Business School in 2005, Mr Indig joined the Royal Bank of Scotland and worked as a director in RBS' real estate finance division until 2008, focussing on asset-backed debt financing and investments throughout continental Europe and the UK. In 2008, Mr Indig was asked to join the Izaki Group as a Managing Director and he has since been leading the Izaki Group's European Real Estate and private equity investment activities.

* On 17 February 2016 Mr Andrew Fox resigned from the position of Chairman. On the same date Mr Mark Chasey was appointed to the position of Chairman.

* On 17 March 2016 Mr Mark Chasey resigned from the position of Chairman of Audit Committee. On the same date Mr Andrew Fox was appointed to the position of Chairman of Audit Committee.

Registered office

Atlas Estates Limited
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB
Company number: 44284

ATLAS ESTATES LIMITED

Directors and Senior Management - Property Manager, Atlas Management Company Limited

Eran Rabinovitz
Non-executive Director

Mr Rabinovitz serves as a consultant to various IGI group companies and is leading a few developments in London. Prior to that Mr Rabinovitz has managed a project creating a health care provider in the UK. Prior to that, and from 2005 Mr Rabinovitz has served in the UK as the director for BCRE-Izaki group, an international company with vast real estate investments around the world. In the years 2003-2004 Mr Rabinovitz has served as a financial controller in Haslemere Estate Management Limited, one of the biggest UK focused real estate companies, traded on London and Amsterdam stock exchanges. Mr Rabinovitz holds a first degree in accounting and economics from Tel Aviv University.

Nicholas Babbé
Non-executive Director

Mr Babbé Graduated with a Bachelor of Arts degree with Honours in 2001 from the University of the West of England. He subsequently moved into the finance industry taking positions with HSBC and Investec respectfully and undertook the Society of Trusts and Estates Practitioners diploma and joined the society as a full member in 2008. Nick joined Oak Trust (Guernsey) Limited in early 2009 where he is a Trust Manager and now studying for a BSC degree in Management with Trusts and Estates with The University of Manchester and Manchester Business School.

Reuven Havar
Chief Executive Officer

Mr Havar, has significant expertise in planning and development of large scale real estate projects. He has spent the past nine years with the Africa Israel Group, firstly as the CEO of operations for AFI-EUROPE in the Czech Republic from 2000 and then in Romania from 2006. Before joining the Africa Israel Group, Mr Havar was the CEO of the Pepsi Cola and juices central bottling plant in Bucharest between 1996 and 1998. Prior to which, Mr Havar served as an Israeli foreign diplomat assigned to the Economic Attache in Columbia and Venezuela (First Secretary for Economic Affairs) from 1994. He has also served as the CFO of M-Systems (a hi-tech company) between 1993 and 1994, during which the company listed on the NASDAQ. Mr Havar holds a BA and a MBA from Bar Ilan University in Israel.

Ziv Zviel
Chief Financial Officer and
Chief Operations Officer

Mr Zviel joined Atlas Management Company Limited in October 2010 as its Chief Financial Officer. Prior to this and from 2009 Mr Zviel served as Chief Financial Officer and Treasurer of Deltathree, a telecom company traded in the United States. From 2007 till then he served as VP of Finance of LivePerson, an Internet company publicly traded in the United States and Tel Aviv stock exchanges. Prior to that, and from 2002, Mr Zviel served in a number of roles in Magic Software, a global software company traded in the United States. Before that, and from 2000, Mr Zviel served as an audit manager in the Tel Aviv office of Ernst & Young. Mr Zviel holds a first degree in accounting and economics and an MBA in Business Management, both from the Bar Ilan University in Israel.

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Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2016.

Results and dividends

The results for the Company for the year are set out in the statement of comprehensive income on page 41 and show a loss after tax of €1.1 million (2015: profit after tax of €13.8 million).

The Company has not declared a dividend for 2016 (2015: €nil).

Activities and review of business

The Company is domiciled in Guernsey as a closed-ended investment company under Guernsey Law.

The principal activity of the Company and the Group is property investment and development throughout Central and Eastern Europe ("CEE"), together with the management of its properties. The development of the Group's business and future prospects, including a description of material risk factors and threats and information on the degree of the Group's exposure to such risks or threats, is considered in the Chairman's Statement on pages 5 to 7 and the Review of the Property Manager on pages 8 to 16.

There were no significant changes in the Company's organisational structure in the year ended 31 December 2016, except for sale of one Hungarian subsidiary. A list of the operating subsidiaries of the Company subject to consolidation is included within note 18 of the financial statements of this report.

Investing Policy

The Company mainly invests in Poland in a portfolio of real estate assets across a range of property types. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company actively targets Poland, whose economy is believed to be the most attractive amongst CEE economies.

The Company makes investments both on its 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.

The Company 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.

The Board recognises that the current state of the credit markets and general slowdown in the CEE economies in which the Company invests have had a negative effect on the overall value of the Group's portfolio. In order for the Company to achieve its long term investing policy, the Board's short term investment strategy is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Diversification

In order to hedge against risks, the Group maintains a diversified portfolio of real estate investments. The diversification has two aspects: firstly, the Group diversifies the type of investment (e.g. residential development, office, commercial, etc.); and secondly, the Group intends to stagger the development phases of its various projects (e.g. the purchase of land, the design phase, the construction phase, the marketing and sale process) in order to maintain stable levels of income earned.

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Key performance Indicators

Key performance indicators vary between the different areas of the Group's business.

The success of developing and selling residential apartments will be measured in terms of the price achieved for each apartment, the profit margin earned over construction cost and as a proportion of sales and the overall rate of return from a development. Information on sales is detailed in the Review of the Property Manager on pages 8 to 16.

For yielding assets the measure of the yield of an asset relative to its cost to the Group is of key importance. Also the overall valuation of the portfolio will drive the value to the Company and ultimately the Company's share price. Details of total return targets and increases in net asset value per share are included within the Chairman's Statement and Review of the Property Manager.

The key financial risk policies are stated within the financial sections of this report on pages 49 to 51.

Going concern

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. Nevertheless, the Group has managed to obtain profit for the year of €2.3 million (compared to profit of €22.8 million in 2015).

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

As at 31 December 2016 the Group held land and building assets with a market value of €179 million, compared to associated external debt of €120 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 consolidated financial statements for the year ended 31 December 2016, the directors have taken into account the fact that the Group is in a net current liability position and the Board is aware that the Group will have to continue negotiations with the banks.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2016.

Company website

To provide a portal for investor information and in accordance with the requirements of WSE, the Company maintains a website accessed at www.atlasestates.com.

Auditors

The Directors confirm that as at 29 March 2017:

- So far as they are aware, there is no material relevant information (that is, information needed by the Group's auditors, in connection with preparing their report) of which the Group's auditors are unaware;
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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On 14 July 2016 during the Annual General Meeting it was resolved that the partnership BDO LLP were to be reappointed as the auditor of the financial reports of the Company for the year 2016.

The consolidated financial statements of the Group for 2016 were audited by BDO LLP on the basis of an engagement letter dated 20 January 2017. The consolidated financial statements of the Group for 2015 were audited by BDO LLP on the basis of an engagement letter concluded on 13 December 2015.

The total fees specified in the contract with the audit company, payable or paid for an audit and review of the financial statements and for other services are presented below:

Audit Company – fees		
	2016	2015
	€'000	€'000
Audit of individual and consolidated annual financial statements	138	139
Review of interim individual and consolidated financial statements	34	34
Tax services	-	4
Other compliance services	-	-
Total	172	177

Information about court proceedings

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

Atlas Estates Limited and Atlas Estates Investment B.V.

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

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

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

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

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

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Significant Agreements

In addition to the Property Management Agreement detailed in the Remuneration Report, the Group entered into the following significant agreements:

Agreement of 20 November 2015, between Atlas Estates (Przasnyska 9) Sp. z o.o. and Kalter Sp. z o.o.

On 20 November 2015 a general contractor agreement was signed between the Company's subsidiary Atlas Estates (Przasnyska 9) Spółka z ograniczoną odpowiedzialnością and Kalter Spółka z ograniczoną odpowiedzialnością ("General Contractor") for the construction of multi-apartment residential building (*Apartamenty przy Krasieńskiego*, the second stage) in Warsaw. The total value of contract amounts to PLN 30.0 million (excluding VAT). The completion of the General Contractor obligation shall till 31 August 2017 (as amended on 23 June 2016). PLN 12.5million was paid in respect of this agreement till 31 December 2016.

Details of the bank financing agreements are disclosed as required in note 24 to the consolidated financial report.

Related party transactions

Related party transactions are stated within note 14 of the financial statements of this report and note 29 to the consolidated financial statements.

Credit and loan facilities, guarantees and sureties

Key changes in credit and loan facilities are presented in Review of Property Manager Report on page 10 and 11.

Guarantees and sureties – changes in 2017

None

Guarantees and sureties – changes in 2016

- On 16 May 2016 Atlas Estates (Przasnyska 9) Spółka z ograniczoną odpowiedzialnością with its registered seat in Warsaw (the "Borrower") and Bank Polska Kasa Opieki S.A. with its seat in Warsaw (the "Lender") established following collaterals:
 1. a contractual mortgage up to the amount of PLN 64,350,000 ("Mortgage") over the right of perpetual usufruct of the real estate consisting of the plots of land no. 12/3, 12/4, 12/5 and 12/6 for which District Court for Warszawa – Mokotów in Warsaw, VI Division of Land and Mortgage Registers maintains the land and mortgage register WA1M/00203184/0 ("Real Estates") as the security for the repayment of the loan granted to the Borrower;
 2. agreement on establishment and division of mortgage executed between the Borrower and the Lender, according to which in each case the Real Estates division will consist establishment of separate ownership, the Mortgage will be divided;
 3. registered and financial pledge agreement executed between the Atlas Projects B.V. and the Lender over the 100 shares in the share capital of the Borrower, of the nominal value 50 PLN each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of the Borrower, the pledge secures repayment of the loan up to the maximum amount of PLN 64,350,000 and financial pledges secure respectively repayment of the loan up to the maximum amounts equal to PLN 62,100,000 and PLN 2,250,000;
 4. registered and financial agreement executed between the Borrower and the Lender over the receivables under the bank account agreements; registered pledge secures repayment of the loan up to the maximum equal to PLN 64,350,000 and financial pledges secure respectively repayment of the loan up to the maximum amounts of PLN 62,100,000 and PLN 2,250,000;
 5. registered and financial pledge agreement executed between the Borrower and the Lender over the collection of assets; registered pledge secures repayment of the loan up to the maximum equal to PLN 64,350,000;
 6. the security assignment of Borrower's rights and claims to the Lenders;
 7. the subordination agreement;

Guarantees and sureties – changes in 2015

- On 22 December 2015 Mantezja 3 Sp. z o.o. (subsidiary of Atlas Estates Limited) established a contractual second ranking mortgage up to the amount of PLN 72,000,000 over the right of perpetual usufruct of the real estate and over the ownership of the buildings and installations ("the Real Estate") for which District Court for Warszawa - Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 in favour of the Lender 1. The above mortgage is a collateral for the transaction IRS no. 16043290 and transaction IRS no. 16047670 connected with a loan agreement of 29 June 2015 concluded between Mantezja 3 Sp. z o.o. and Bank Polska Kasa Opieki S.A.

ATLAS ESTATES LIMITED

- On 30 September 2015 the subsidiaries of Atlas Estates Limited (“the Company”): Mantezja 3 Sp. z o.o. (“Borrower”), HGC Gretna Investements Spółka z ograniczoną odpowiedzialnością Sp.j. (“HGC”), Atlas Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (“FIZAN”), Gretna Investments Sp. z o.o. (“Gretna”) and Atlas Estates Investment B.V. (“AEI”) informed the following registered and financial pledge agreements were executed with Bank Polska Kasa Opieki Spółka Akcyjna (“Bank”) in fulfilment of the Borrower’s obligations towards Bank resulting from the loan agreement dated 29 June 2015, described in current Report no. 7 published on 29 June 2015 (“Loan Agreement”):
 1. registered and financial pledge agreement executed between the Bank and Borrower over the set of tangible and intangible assets (Tranche A), the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 2. registered and financial pledge agreement executed between the Bank and Borrower over the set of tangible and intangible assets (Tranche B), the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,732;
 3. registered and financial agreement executed between the Bank and Borrower over the receivables under the bank account agreements (Tranche A), each pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 4. registered and financial agreement executed between the Bank and Borrower over the receivables under the bank account agreements (Tranche A), each pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,732;
 5. registered and financial pledge agreement executed between the Bank and HGC over the set of tangible and intangible assets (Tranche A), the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 6. registered and financial pledge agreement executed between the Bank and HGC over the set of tangible and intangible assets (Tranche B), the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,732;
 7. registered and financial agreement executed between the Bank and HGC over the receivables under the bank account agreements (Tranche A), each pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 8. registered and financial agreement executed between the Bank and HGC over the receivables under the bank account agreements (Tranche B), each pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232;
 9. registered and financial pledge agreement executed between the Bank and FIZAN over the 999 910 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spółka komandytowo-akcyjna (“Grenta 4”), of the nominal value PLN 0.10 each share, of the joint nominal value of PLN 99,991 constituting 99.991 % shares in the share capital of Gretna 4 (Tranche A), being the ownership of FIZAN; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 10. registered and financial pledge agreement executed between the Bank and FIZAN over the 999 910 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spółka komandytowo-akcyjna (“Grenta 4”), of the nominal value PLN 0.10 each share, of the joint nominal value of PLN 99,991 constituting 99.991 % shares in the share capital of Gretna 4 (Tranche B), being the ownership of FIZAN; the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232;
 11. registered and financial pledge agreement executed between the Bank and Gretna over the 90 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spółka komandytowo-akcyjna (“Grenta 4”), of the nominal value 0.10 PLN each share, of the joint nominal value of PLN 9 constituting 0.009 % shares in the share capital of Gretna 4 (Tranche A), being the ownership of Gretna; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged shares equals PLN 9;
 12. registered and financial pledge agreement executed between the Bank and FIZAN over the 90 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spółka komandytowo-akcyjna (“Grenta 4”), of the nominal value PLN 0.10 each share, of the joint nominal value of PLN 9 constituting 0.009 % shares in the share capital of Gretna 4 (Tranche B), being the ownership of Gretna; the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232;
 13. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Borrower, of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Borrower (Tranche A), being the ownership of AEI; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 14. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Borrower, of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Borrower (Tranche B), being the ownership of AEI; the pledge secures repayment to the Loan Agreement up to the maximum equal to PLN 225,008,232;

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15. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Gretna Investments Sp. z o.o. ("Gretna"), of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Gretna (Tranche A), being the ownership of AEI; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
 16. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Gretna Investments Sp. z o.o. ("Gretna"), of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Gretna (Tranche B), being the ownership of AEI; the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232;
- On 10 September 2015 in execution of obligations resulting from:
 - i. a loan agreement of 29 June 2015 (the "Agreement") between the subsidiary of Atlas Estates Limited ("The Company") Mantezja 3 Spółka z ograniczoną odpowiedzialnością with its registered seat in Warsaw (the "Borrower") and Bank Polska Kasa Opieki S.A. (the "Lender 1") and Pekao Bank Hipoteczny S.A (the "Lender 2") (Lender 1 and Lender 2 are jointly referred as to the "Lenders") and
 - ii. agreement for accession to debt of 29 June 2015 between the subsidiary of the Company – HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka jawna with its registered seat in Warsaw (the "HGC"), the Borrower and the Lenders (the Agreement and accession to debt are both described in details in the current report no. 7/2015 of 29 June 2015)

the following collaterals were established:

1. The Borrower established a contractual mortgage up to the amount of €18,000,000 over the right of perpetual usufruct of the real estate consisting of the plot of land no. 65 for which District Court for Warszawa – Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 as the security for the repayment of the tranche A of the loan granted to the Borrower under the Agreement up to the maximum amount of €12,000,000; the mortgage was established in favour of the Lender 2;
 2. The Borrower established a contractual mortgage up to the of €6,750,000 over the right of perpetual usufruct of the real estate consisting of the plot of land no. 65 for which District Court for Warszawa – Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 as the security for the repayment of the tranche A of the loan granted to the Borrower under the Agreement up to the maximum amount of €4,500,000; the mortgage was established in favour of the Lender 1;
 3. The Borrower established a contractual mortgage up to the amount of PLN235.875.000 over the right of perpetual usufruct of the real estate consisting of the plot of land no. 65 for which District Court for Warszawa – Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 as the security for the repayment of the tranche B of the loan granted to the Borrower under the Agreement up to the maximum amount of €37,000,000; the mortgage was established in favour of the Lender 1;
 4. the security assignment of Borrower's rights and claims to the Lenders;
 5. the security assignment of HGC's rights and claims to the Lenders;
 6. the security assignment of the Borrower's insurance claims;
 7. the security assignment of the HGC's insurance claims;
 8. declarations of the Borrower and HGC on the voluntary submission to execution in form of a notarial deed pursuant to article 777 § 1 item 5 of the Polish Code of Civil Procedure;
 9. suretyship (poręczenie) by the subsidiary of the Company - Atlas Estates Investment B.V. in the amount of €4,500,000 for payment of amounts under the Facility, together with the declaration of the guarantor on the voluntary submission to execution in form of a notarial deed pursuant to article 777 § 1 item 5 of the Polish Code of Civil Procedure;
 10. the subordination of claims of the subordinated creditors against HGC and the Borrower to the claims of the Lenders under the Agreement and related security documents.
- On 21 January 2015 Atlas Estates Limited ("Company") subsidiaries HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka jawna with its seat in Warsaw ("HGC"), Mantezja 3 Spółka z ograniczoną odpowiedzialnością with its seat in Warsaw ("Mantezja") and Österreichische Volksbanken-Aktiengesellschaft with its seat in Vienna ("Bank") signed amendment no. 6 ("Amendment Agreement") to loan agreement concluded between HGC and Bank dated 8 April 2004 ("Loan Agreement").

As a result of the Amendment Agreement, Mantezja joined to the Loan Agreement as a joint and several debtor. According to the Amendment Agreement HGC and Mantezja are jointly and severally liable to the Bank for repayment of the loan granted according to the Loan Agreement.

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At the same time on 21 January 2015 HGC amended the bail mortgage to the amount of €78,000,000, entered in section IV of the land and mortgage register no. WA4M/00166084/8 held at the District Court for the Warsaw – Mokotów in Warsaw, X Division of the Land and Mortgage Register, including the real estate located in Warsaw in the Wola District, plot no. 65, border 6-01-04 of the area of 7,299 sqm, being in the perpetual usufruct of HGC and non-residential building of the usable area of 4,211 sqm, being in the ownership of HGC, located at ul. Grzybowska 63, so that the bail mortgage secures all and any pecuniary claims of the Bank against HGC and Mantezja which result from the Loan Agreement. Moreover, on 21 January 2015 the Company's subsidiary - Atlas Estates Investment B.V. with its seat in Amsterdam established in favour of the Bank a financial and registered pledge over all 100 equal shares in the share capital of Mantezja with a nominal value of PLN 50 each share, with the total nominal value of PLN 5,000, owned by Atlas Estates Investment B.V. and constituting 100% shares in the share capital of Mantezja as on the date of the pledge agreement. Atlas Estates Investment B.V. holds 100% of votes on the general meeting of the shareholders of Mantezja. The shares constitute a long term capital investment of Atlas Estates Investment B.V.

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Corporate governance review

Indication of corporate governance rules, which the Company adheres to and the place, where the rules are publicly available

In accordance with the WSE Rules, the Board resolved in January 2008, to the extent practicable and reasonable, to comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies ("Best Practice"). The current and binding text of Best Practices is available at the WSE official website concerning corporate governance in public companies: https://www.gpw.pl/WSE_corporate_governance, whereas, in 2016, the Company applied Best Practices in accordance with the version that was in effect in 2016, to which this declaration of the Board regarding compliance with Corporate Governance Rules refers to. In addition, the Company's shareholders may find "A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016" at the Company's web site www.atlasestates.com, section concerning corporate governance maintained as part of the investor relations site.

Information on the Company non-compliance with applying Best Practices

The Company's compliance with certain principles is mainly limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices.

According to the current status of compliance with the Best Practice, the Company does not apply 2 recommendations:

III.R.1. - The recommendation is not applied due to the size of the Company.

IV.R.2. - The Company will not comply with this rule since it is not in a position to provide technical infrastructure enabling secure participation in general meeting using electronic communication means. This rule is not applied with the exception of point 3) of the rule.

According to the current status of compliance with the Best Practice, the Company does not apply 15 detailed principles:

I.Z.1.3.and II.Z.1. - There is no formal division of duties and responsibilities among members of the Board of Directors since pursuant to the Articles of Association, Atlas Group's policy and its strategic direction are determined by the full Board. On the corporate website the formal schedule of matters reserved to the Board of Directors is disclosed.

I.Z.1.19. and IV.Z.13. - Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies Articles of Association according to which the Board of Directors shall determine under what conditions the books and documents of the Company shall be open to inspection.

I.Z.1.20.- Atlas Estates Limited does not provide on-line transmissions of general meetings over the internet and does not record the general meetings. The reason for this is the fact that all the shareholders entitled to participate in the general meetings can appoint proxies to act on their behalf and vote at the general meetings according to their instructions. Therefore, in the opinion of the Company, there is no need to record and broadcast the general meetings.

II.Z.7. - The Company do not apply the Annex 1 to the "Commission Recommendation of ..." however the audit committee's terms of reference which are available on the corporate website are broadly consistent with Annex 1.

IV.Z.1. - The Articles provide that the Company's General Meeting shall be held in Guernsey or elsewhere. The determination of the location of the General Meeting is mainly driven by the need of ensuring administration assistance in accordance with the Guernsey Law. The Company's administrator is located in Guernsey and, therefore, the general meetings will be, most likely, held in Guernsey.

IV.Z.2. - Atlas Estates Limited does not provide on-line transmissions of general meetings over the Internet and does not record the general meetings. The reason for this is the fact that all the shareholders entitled to participate in the general meetings can appoint proxies to act on their behalf and vote at the general meetings according to their instructions. Therefore, in the opinion of the Company, there is no need to record and broadcast the general meetings.

IV.Z.3.- Atlas Estates Limited is incorporated under Guernsey law and there is no requirement under Guernsey law to permit media to attend general meetings. Accordingly, many Guernsey based fund administrators (corporate service providers) have adopted internal policies which do not permit the media to attend general meetings. In this regard, the internal policies of Intertrust Fund Services (Guernsey) Limited, the Company's administrator, do not permit media to attend meetings as a matter of standard practice and as Intertrust Fund

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Services (Guernsey) Limited co-ordinate the general meetings of the Company, such policy is adopted by the Company.

IV.Z.4.- Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies The Companies (Guernsey) Law. The Board of Directors (the "Board") may whenever it thinks fit and shall on the requisition in writing of one or more holders representing not less than one-tenth of the issued Share capital of the Company upon which all calls or other sums then due have been paid convene an extraordinary General Meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a General Meeting. If there is no Director able to act, any two Shareholders may call a general meeting for the purpose of appointing Directors. The requisition shall be dated and shall state the object of the meeting and shall be signed by the requisitionists and deposited at the Company's registered office and may consist of several documents in like form each signed by one or more of the requisitionists. If the Board does not cause a meeting to be held within twenty-one days from the date of the requisition being so deposited the requisitionists or a majority of them in value may themselves convene the meeting. Any meeting convened by requisitionists shall be convened in the same manner (as nearly as possible) as that in which meetings are convened by the Board.

IV.Z.5.- Shareholders are not generally restricted from participating in General Meetings, but they may be restricted from voting in limited circumstances in accordance with Guernsey Law and Articles of Association. If, for example, they fail to comply with the obligation pursuant to Articles of Association to disclose the identity of any person (other than the registered shareholder) who has an interest in the shares they would be barred from voting. This may therefore mean that in certain circumstances the Company will not comply with this rule.

IV.Z.7.- The Chairman of general meeting may interrupt proceedings and adjourn the meeting, which can be reconvened at a later point. This would not be at the instruction of a shareholder but any request could be submitted to the Chairman at the meeting who would decide the action to be taken.

IV.Z.13.- Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies Articles of Association according to which the Board of Directors shall determine under what conditions the books and documents of the Company shall be open to inspection.

IV.Z.18.- Atlas Estates Limited share capital is divided into shares at nominal value of EUR0.01, which is below PLN 0.50 limit.

V.Z.2. and V.Z.6. - Pursuant to the Articles, the Company's directors may take part in the discussion and vote in certain circumstances provided, however, that such directors disclose their interest. Circumstances in which a director may vote notwithstanding their interest are presented in the Articles.

According to the current status of compliance with the Best Practice, the Company applies recommendations: II.R.1., II.R.2., II.R.3., II.R.4., II.R.5., II.R.6., II.R.7. however the Company added the following comment: Recommendation concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors.

According to the current status of compliance with the Best Practice, the Company applies below listed principles however the Company added the following comments:

I.Z.1.15. - Atlas Estates Limited Group has not adopted a diversity policy with respect to the Board of Directors and its key managers, however the process of selection of members of the Board of Directors and key managers is based on such elements as appropriate education, experience and expertise, as well as, the qualifications and competencies of candidates and in no way leads to the disqualification of any candidate due to the above-mentioned elements of a diversity policy.

II.Z.2. - Each Director of Atlas Estates Limited declare all directorship positions held and the Board of Directors consider and approve this at each meeting convened.

II.Z.3., II.Z.5., II.Z.6., II.Z.9., II.Z.10.1, II.Z.10.2, II.Z.10.3, II.Z.10.4, II.Z.11., III.Z.1., III.Z.2., III.Z.4., IV.Z.11., V.Z.5. - Rules concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body – the Board of Directors.

III.Z.5. - Rule concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates

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Limited as a Guernsey company has only one governing body– the Board of Directors. There is an audit committee which reports to the Board of Directors.

VI.Z.1. and VI.Z.2. - The property investments held by Atlas Group are externally managed by Atlas Management Company Group (“AMC” or “Property Manager”). AMC has been established for the sole purpose of providing the property management and ancillary services to the Company. On signing the agreement with the Property Manager, the Company looked to structure a remuneration package that combined a basic fee element with performance related rewards that motivate the Property Manager and align their interests with the performance and growth of the business and the long term enhancement of shareholder value. The details concerning remuneration package are disclosed in the Company’s annual financial statements.

VI.Z.3. - The rule is applicable to Board of Directors regarding the fact that rule concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors.

VI.Z.4. - Remuneration Report is part of the Company’s annual report.

Financial statements preparation process

DIRECTORS’ RESPONSIBILITIES

Guernsey company law requires that Directors prepare financial statements for each financial period. These must give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the results of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Ensure the financial statements comply with IFRS as adopted by the EU; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy the financial position of the Group, and that the financial statements comply with Guernsey Law. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

DIVISION OF RESPONSIBILITIES AND COMPETENCES IN THE PREPARATION OF FINANCIAL INFORMATION

The Group aspires to apply high standards of corporate governance in all material areas of its business. The Board and, where delegated, the Property Manager use a comprehensive system of controls, checks and reporting requirements that they consider provide the capability to maintain these standards. The systems mentioned are being designed to meet the requirements of the Company and its business and to assess and manage the opportunities and risks that may arise.

The Group’s reporting department prepares financial statements, interim reports of the Group and the Company under the supervision of the Property Manager (CFO).

The Group’s reports are drafted by highly qualified team of employees of the controlling and reporting departments on the basis of accounting information prepared by the financial and accounting department. The preparation process is supervised by the reporting department’s mid-level management. The financial statements, before they are delivered to the independent auditor, are verified by Group Financial Reporting Manager, then by the Property Manager (CFO).

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INTERNAL CONTROLS

The Directors assume overall responsibility for the Group's system of internal control designed to safeguard shareholders' investments and the Group's assets and for reviewing its effectiveness. The controls are designed to identify and manage risks faced by the Group and not to totally eliminate the risk of failure to achieve business objectives. To this end internal controls provide reasonable, but not absolute assurance against material misstatement or loss. The implementation and operation of such systems has been delegated to the Property Manager and the processes are communicated regularly to all of their staff who are made aware of the areas for which they are responsible. Such systems include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance and effective control over capital expenditure and investment.

The Group's key internal controls are centred on a system of comprehensive reporting on all of its business activities. The Property Manager meets on a monthly basis to review the control systems and to assess the performance and position of the Group. A separate risk management process is operated that engages the Directors and senior management of the Company and Property Manager that is aimed at identifying areas of risk faced by the Group and assessing the likely impact on operating activities. Significant risks that are identified by this process are communicated to the Board with recommendations for actions to mitigate them. The Group uses independent agents to undertake any specialist analysis, investigation or action that is needed. The Property Manager reports to the Directors at least annually that they have carried out a review of the system for internal controls.

Internal financial controlling department on a clearly defined set of control procedures and a comprehensive monthly and quarterly reporting structure. Detailed revenue, cash flow and capital forecasts are prepared for each asset and updated regularly throughout the year and reviewed by the Property Manager and the Board. The Property Manager agreement sets out clearly defined guidelines for all asset transactions. These require the approval of the Board of Directors.

The Audit Committee is responsible for reviewing the effectiveness of the system of internal financial control. A review of these processes is conducted on a regular basis and any significant issues raised by this review are communicated to the Board for their consideration.

Significant shareholders

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	Percentage of Issued Share Capital
Vidacos Nominees Limited <BJB>	34,969,645	74.64
Forest Nominees Limited <GC1>	6,461,425	13.79
Euroclear Nominees Limited <EOCO1>	5,308,396	11.33
TOTAL	46,739,466	99.76

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	Percentage of Issued Share Capital
Fragiolig	35,391,145	75.54
Atlas International Holdings Limited	6,461,425	13.79
TOTAL	41,852,570	89.33

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

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Indication of the holders of any and all securities which give special control rights along with a description of these rights

The Company's share capital is divided into 46,852,014 shares which give equal rights to shareholders. Additionally the Company holds 3,470,000 treasury shares, which have no voting rights.

Legal or statutory limitations in the exercise of voting rights

Each share gives the right to one vote at the General Meeting of the Company as indicated above. Shareholders are not generally restricted from participating in General Meetings, but they may be restricted from voting in limited circumstances in accordance with the Companies (Guernsey) Law, 2008, as amended ("the Companies Law") and Articles of Association. If, for example, they fail to comply with the obligation pursuant to Articles of Association to disclose the identity of any person (other than the registered shareholder) who has an interest in the shares they would be barred from voting (disclosed by the Company as non-compliance with WSE Best Practice rule IV.Z.5 on page 29)

Limitations in the transfer of the ownership rights of the Company's securities

The Articles of Association provide certain limitations with regard to the transfer of the ownership rights to the Company's shares as stated in article 13. The Directors shall have power to implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of the KDPW's system.

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the Company has a lien, provided, in the case of a listed share that this would not prevent dealings in the share from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer in respect of certificated shares if:

- (i) it is not fully paid up;
- (ii) it is in respect of more than one class of shares;
- (iii) it is not delivered for registration to the Company's registered office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

The Board may comment in its absolute discretion and without giving a reason, refuse to register any allotment or transfer of shares in favour of more than four joint transferees or a child, bankrupt or person of unsound mind.

If the Board refuses to register the transfer of a share they shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of share provided that the Board may not suspend the registration of transfers of any participating security without the consent of the operator of the relevant system.

Terms for the appointment and removal of Directors and the description of their powers

Terms of appointment removal of Directors are presented in the Company's Articles of Association in articles 23, 24 and 30. The current version of the Company's articles of Association is available at the Company website:

<http://www.atlasestates.pl/en/investor-relations/corporate-governance>

POWERS OF THE BOARD OF DIRECTORS

The Management Board exercises all powers in accordance with Guernsey Law, the Company's Articles of Association (especially articles 27 and 28).

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AUTHORISATION OF THE BOARD OF DIRECTORS TO MAKE DECISIONS CONCERNING THE ISSUE OF THE COMPANY'S SHARES

According to the Articles of Association (article 3) the unissued Shares within the scope of the authorised capital (pursuant to a resolution of the General Meeting) are at the disposal of the Board, which has the unconditional authority to allot, grant options or warrants over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into Shares to such persons on such terms and conditions and at such times as the Board determines but so that no share shall be allotted at a discount.

AUTHORISATION OF THE BOARD OF DIRECTORS TO MAKE DECISIONS CONCERNING THE REDEMPTION OF THE COMPANY'S SHARES

The Board has the power to issue redeemable shares pursuant to article 3.1 and may redeem any such shares in accordance with the terms of their issue.

Furthermore, the Board is authorised, on the basis of the article 8.4 of the Articles of Association to adopt a regulations governing the redemption of those redeemable shares.

Article 3.2(b) gives the company the power to buy back shares whether they are redeemable or not.

Annual General Meeting

The Annual General Meeting is usually scheduled in the period June/July. Detailed timing and agenda is communicated separately in accordance with WSE regulations and the Company's Articles of Association.

The Board encourages active communication with all of the Company's shareholders. The Chief Executive and Chief Financial Officer of the Property Manager are the main points of contact for shareholders and they endeavour to respond to enquiries on a timely basis either verbally or in writing. Provision is made on the Company's website for enquiries to be made of Directors.

As part of the communication process a series of meetings is held between the Property Manager and significant shareholders throughout the year. Directors are invited to attend these meetings and are available should shareholders request their attendance. All shareholders have at least twenty working days' notice of the Annual General Meeting, at which questions can be raised.

The rights of the shareholders are subject to Guernsey Law and the Articles of Association of the Company.

Amendment of the Company's articles of association

The Company's articles can be altered in accordance with provisions of Part IV of the Companies Law. Any amendment of the articles of association of the Company may be done by a special resolution of the General Meeting or a written special resolution of the shareholders.

A special resolution requires a majority of no less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy) in order to be passed. In the case of a resolution passed at a General Meeting, notice specifying the intention to propose the resolution has to have been duly given in accordance with article 18 of the Company's articles.

Where the amendment of the Company's articles will result in the variation of the rights of a class of shares, the consent in writing of three-quarters of the nominal amount of the issued shares of that class or a special resolution of the holders of the shares of that class is required.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In 2016 there were no changes of the Board of Directors. There is a clear separation of the role of the Directors and the Property Manager, governed by the Property Management Agreement that was entered into on 24 February 2006. The Board identifies the majority of its non-executive Directors, i.e. Mr Andrew Fox and Mr Mark Chasey as independent Directors and Mr Guy Indig as non-independent Director. The Directors provide strategic management and act as the final decision makers for all investment/divestment decisions. The executive and day to day management is provided by the Property Manager whose role and responsibilities are clearly defined in the Property Management Agreement.

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The Board meets formally at least four times a year and regular contact is made between the Board and the Property Manager in the intervening periods.

A formal schedule of matters reserved specifically for the Board's decision is approved and reviewed on an ongoing basis by the Board. Such matters include, but are not limited to:

- developing Group strategy and monitoring the progress towards objectives set for management;
- reviewing the Company's capital, operating and management structures;
- setting the system of internal and financial controls and accounting policies;
- communicating the aims and objectives of the Company to shareholders; and
- ensuring that the Group has effective risk management procedures in operation at all times.

A formal schedule of matters reserved for the Board of the Property Manager is also approved and reviewed on an ongoing basis by the Board.

All members of the Board have access to the advice and services of the Company's Administrator and full and timely access to all relevant information in an appropriate form and of sufficient quality to enable them to discharge their duties and responsibilities. Guidance is provided to Directors on obtaining independent professional advice when necessary and the Company maintains a comprehensive directors' and officers' liability insurance policy.

Appointments to the Board are subject to a formal process of selection involving the Board as a whole. The Directors are appointed for indefinite terms and a third of the Board retire by rotation each year. Directors' terms of appointment provide for prior approval of the Board for the acceptance of any outside appointments. In the event of a request for approval the Director in question is asked to confirm and demonstrate that they can continue to commit sufficient time to the fulfilment of their duties.

Directors and Directors' share interests

The non-executive Directors who served during the year are detailed in table below. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the year or the preceding year.

Non-executive Directors	
Mr Andrew Fox	Appointed 16 June 2010
Mr Mark Chasey	Appointed 16 June 2010
Mr Guy Indig	Appointed 16 June 2010

Biographical details for all current Directors are set out on page 19.

The Board is of the view that non-executive appointments for a fixed term would be inappropriate for each of the non-executive Directors due to the nature of the management of the Company. The Articles of the Company do provide for the retirement by rotation of a third of the Board each year.

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 36 to 37. No other Director had, during the accounting year or in the period to 29 March 2017, any material beneficial interest in any significant contract in the Group's business.

BOARD COMMITTEES

The Audit Committee comprises the whole of the Board and is chaired by Mr Andrew Fox. It meets at least two times a year to review the interim and year-end financial statements prior to their submission to the Board and to review the appointment of the independent auditors and the scope, performance and remuneration of services provided by them. Procedures are in place for the approval of non-audit services provided by the Company's auditors. The auditors will not be awarded non-audit work unless the Company is satisfied, through enquiry, that the provision of such services would not prejudice the independence and objectivity of the auditor.

The entire Board also forms the Investment Committee in order to appraise and approve or reject investment proposals made by the Property Manager. The Investment Committee meets as and when required.

The Company has not formed a separate Remuneration or Nominations Committee as the Property Management Agreement provides for the remuneration of the Manager and the Board as a whole considers any further appointments.

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Attendance at meetings		
	Board of Directors Meetings	Audit Committee Meetings
No. of meetings in the year	17	3
Mr Andrew Fox	15	3
Mr Mark Chasey	16	3
Mr Guy Indig	12	3

No Investment Committee meetings were held in the year because all discussions and decisions related to investment proposals were made during the Board meetings.

PROPERTY MANAGER

The Property Manager has also undertaken to maintain the highest standards of corporate governance in line with the direction set by the Board. Where delegated, the Property Manager has continued to put in place a comprehensive system of controls, checks and reporting requirements that they feel provides the ability to maintain these standards.

The Property Manager has a board ("PM board") comprising of two non-executive directors. Additionally it employs Chief Executive Officer and Chief Financial Officer who on daily basis are engaged in the management of the Group. A formal schedule of matters reserved for the decision of the PM board, derived from the role and responsibilities set out in the Agreement has been approved and is reviewed on an ongoing basis.

The PM board collectively approves the appointment of senior management within the Property Manager, details of which are then reported to the Company.

The Board of Directors assessment of risk control, compliance, and management systems

The Board of Directors has a positive opinion on the Company's and Group's existing risk control, compliance and risk management systems as being appropriate for the size of the Group and the complexity of its operations. The Board has no reservations concerning the correctness of its compliance systems introduced and operating in the Group, nor regarding the risk management system which is of particular importance to the Company and the Group.

Assessment of the Company's compliance with disclosure obligations

In the disclosure policy, providing investors with confidential, current, and periodic information, the Management Board takes the current requirements of the law into account. In the opinion of the Board of Directors, in 2016, the Company properly performed its disclosure obligations arising out of the provisions of the law and the Best Practices of the WSE Listed Companies.

The Company's policies regarding sponsoring and charitable activities

The Company does not pursue sponsorship, charity or other similar activities.

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Remuneration Report

The Directors present their report on their remuneration and that of the Property Manager (the 'Report') that has been prepared in a manner consistent with commonly accepted practice.

Non-executive Directors

All non-executive Directors have specific terms of appointment that include their membership of the Audit Committee and the fee payable to them for their services. Their remuneration is determined by the Board in accordance with the Articles of Association of the Company. Such fees are reviewed annually with regard to a Director's performance and those fees paid to non-executive directors of similar companies.

Details of the terms of appointment for those who served as non-executive Directors during the year are:

Non-executive Directors' service contracts			
	Appointment Date	Term	Notice Period
Mr Andrew Fox	16 June 2010	Indefinite	30 days
Mr Mark Chasey	16 June 2010	Indefinite	30 days
Mr Guy Indig	16 June 2010	Indefinite	3 months

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Directors' emoluments – representing fees only	2016
	€
Non-executive Directors	
Mr Andrew Fox (GBP17,500)	21,000
Mr Mark Chasey (GBP17,500)	21,000
Mr Guy Indig (GBP20,000)	24,000
Total	66,000
Directors' emoluments – representing fees only	2015
	€
Non-executive Directors	
Mr Andrew Fox (GBP17,500)	24,000
Mr Mark Chasey (GBP17,500)	24,000
Mr Guy Indig	-
Total	48,000

Property Manager

On signing the Property Management Agreement, the Company looked to structure a remuneration package that combined a basic fee element with performance related rewards that motivate the Property Manager (Atlas Management Company Limited "AMC") and align their interests with the performance and growth of the business and the long term enhancement of shareholder value. The Property Manager agreement provides for a formal process of performance evaluation that is based on the collective performance of the Manager rather than on an individual's performance. These performance criteria are based on financial measures over the life of the Property Management Agreement. In addition, procedures are in place to review the approach and resources applied by the Property Manager and its performance throughout the year.

Basic fee

In consideration of the services to be provided by AMC, AMC will receive an annual management fee of 2% of the previous year's closing adjusted NAV (less any un-invested net proceeds of the IPO or any subsequent equity capital raising).

In addition, AMC is entitled to be reimbursed by the Company for all costs and expenses incurred by it in the performance of its obligations under the Property Management Agreement (not including its own internal operating costs). In consideration of the services provided, AMC received a management fee of €1.6 million for the year ended 31 December 2016 (2015: €1.4 million).

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Performance fee

In addition, AMC will receive a performance fee payable if the Total Shareholder Return (means the sum of the growth in adjusted NAV per ordinary share plus an amount equal to the aggregate dividends or other distributions per ordinary share declared or paid in respect of such accounting period expressed as a percentage of the adjusted NAV per ordinary share at the end of the previous accounting period) in any year exceeds 12 per cent (adjusted to make up for any prior years where the Total Shareholder Return was negative – the “Hurdle Rate”). Once this threshold is exceeded, AMC is entitled to receive a fee equal to 25% of the amount by which the Total Shareholder Return for the relevant financial period exceeds the Hurdle Rate for such period multiplied by the previous year’s closing adjusted NAV after the deduction of any dividends declared or to be declared but not yet paid in respect of that period.

One third of any performance fee payable to AMC under the agreement may, at the option of the Company, be paid in the form of new Ordinary Shares issued to AMC at a price equal to the average closing price of the Company’s shares for the 45 days prior to the date of issue of such shares.

AMC performance fee payment

AMC’s performance fee accrual in respect of the financial year ended 31 December 2016 is €nil million (2015: €3.8 million- paid in cash in 2016).

Term and Termination

The Property Management Agreement was to run for an initial seven year term from 24 February 2006. Since the Company did not serve notice to Property Manager by 28 August 2012, the Agreement continues indefinitely after 24 February 2013. Currently the Agreement may be terminated on 12 months’ notice by either party.

The agreement may be terminated at any time for reasons of material breach by either party not remedied within a 90 day period (21 days if the breach relates to non-payment of sums due to the Property Manager) or on the insolvency of either party. The Company may also terminate the Agreement in the event that any of the AMC Shareholders sells (other than to certain categories of intra-group permitted transferees) more than 49 percent of their respective shareholdings in AMC as at the date of Admission or in the event that the AMC Shareholders (or their permitted transferees) between them cease to own collectively at least 75 percent of the issued share capital of AMC. The Company also has the right to terminate the agreement in the event that it becomes tax resident in the United Kingdom for any reason. Upon termination of this Agreement, the Manager shall be entitled to receive all fees and other moneys accrued to it (and unpaid) and a performance fee.

Members of the subsidiaries’ Management Boards

The following entities serve as members of the subsidiaries’ Management Board in addition to the Property Manger mentioned above:

- Cyproman Services Limited (representing Fernwood Limited) appointed for indefinite period with no notice period at the fixed annual fee of EUR1,400 (plus VAT);
- Euryton Trust Management B.V. (representing Dutch subsidiaries) appointed for indefinite period with 6 weeks’ notice period at the fixed fee of EUR65,000 (plus VAT- the fee also includes administration services provided to the subsidiaries);
- TMF Curacao N.V (representing Atlas Estates Antilles B.V.) appointed for indefinite period with 3 months’ notice period at the fixed annual fee of USD1,500;
- Altea Management S.A. (representing Luxembourg subsidiaries) appointed for indefinite period with 3 months’ notice period at the fixed annual fee of EUR6,000 (plus VAT);
- Investors TFI (representing Atlas Invest FIZ AN) appointed for indefinite period with 3 months’ notice period at the fixed annual fee of PLN135,000 (plus VAT).

Mark Chasey

Andrew Fox

Guy Indig

Chairman

Director

Director

29 March 2017

ATLAS ESTATES LIMITED

Declarations of the Board of Directors

Declaration concerning accounting policies

The Board of Directors of Atlas Estates Limited confirms that, to the best of its knowledge, the annual 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 Company for the period.

The Directors and Property Mangers Reports in this annual report give a true and fair view of the situation on the reporting date and of the developments during the financial year, and include a description of the major risks and uncertainties.

Declaration concerning election of the Company's auditor for the annual audit of the financial statement

The Company's auditor has been elected according to applicable rules. The audit firm and its chartered accountants engaged in the audit of the financial statements of Atlas Estates Limited meet the objectives to present an objective and independent report.

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

29 March 2017

ATLAS ESTATES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLAS ESTATES LIMITED

We have audited the financial statements of Atlas Estates Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Opinion on other matters prescribed by the regulations of the Warsaw Stock Exchange

In our opinion, the information contained in the Directors' Report on the company and its group's activities complies with the requirements of the regulations of the Warsaw Stock Exchange issuers and is consistent with the information presented in the accompanying consolidated financial statements.

Based on our knowledge obtained during the audit about the company and its environment we have identified no material misstatements in the Directors' Report on the company's activities.

In connection with our audit of the financial statements it was also our responsibility to read the company's declaration on the application of corporate governance, constituting a separate section of the Directors' Report on the Group's activities. In our opinion, the declaration contains the information required by the implementation provisions issued based on Article 60 par. 2 of the Act on Trading in Financial Instruments of 29 July 2005 (2016 Journal of Laws, item 1639, with subsequent amendments). The information presented therein is consistent with the applicable regulations and with the information presented in the accompanying consolidated financial statements.

ATLAS ESTATES LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Ian Clayden

For and on behalf of BDO LLP, recognised auditor

London, United Kingdom

29 March 2017

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

ATLAS ESTATES LIMITED
STATEMENT OF COMPREHENSIVE (LOSS)/ INCOME
For the year ended 31 December 2016

	2016	2015	
	€'000	€'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	-	-	
Administrative expenses	(1,371)	(4,751)	3
Other operating income	-	18,505	4
Other operating expenses	(1,074)	-	5
(Loss)/ Profit from operations	(2,445)	13,754	
Finance income	1,408	104	6
Finance costs	(56)	(61)	6
Other (losses) and gains – foreign exchange	(9)	(3)	6
(Loss)/ Profit before taxation	(1,102)	13,794	
Tax expense	-	-	
(Loss)/ Profit for the year	(1,102)	13,794	
Total comprehensive (loss)/ income for the year	(1,102)	13,794	
(Loss)/ Profit per €0.01 ordinary share - basic (eurocents)	(2.4)	29.4	7
(Loss)/ Profit per €0.01 ordinary share - diluted (eurocents)	(2.4)	29.4	7

All amounts relate to continuing operations.

The notes on pages 45 to 58 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	2016 €'000	2015 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	89,930	87,500	8
Loans receivable from subsidiaries	180	3,114	9
	90,110	90,614	
Current assets			
Trade and other receivables	7	6	9
Cash and cash equivalents	113	1,118	10
	120	1,124	
TOTAL ASSETS	90,230	91,738	
Non-current liabilities			
Other payables	(3,709)	(3,655)	11
	(3,709)	(3,655)	
Current liabilities			
Trade and other payables	(3,963)	(4,423)	11
	(3,963)	(4,423)	
TOTAL LIABILITIES	(7,672)	(8,078)	
NET ASSETS	82,558	83,660	
EQUITY			
Share capital account	6,268	6,268	12
Other distributable reserve	194,817	194,817	13
Accumulated loss	(118,527)	(117,425)	
TOTAL EQUITY	82,558	83,660	

The notes on pages 45 to 58 form part of these financial statements. The financial statements on pages 41 to 58 were approved by the Board of Directors on 29 March 2017 and signed on its behalf by:

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

29 March 2017

ATLAS ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital account	Other reserves	Accumulated loss	Total
	€'000	€'000	€'000	€'000
As at 1 January 2015	6,268	194,817	(131,219)	69,866
Total comprehensive income for the year	-	-	13,794	13,794
As at 31 December 2015	6,268	194,817	(117,425)	83,660
Total comprehensive loss for the year	-	-	(1,102)	(1,102)
As at 31 December 2016	6,268	194,817	(118,527)	82,558

The notes on pages 45 to 58 form part of these financial statements.

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2016

	Year ended 31 December 2016	Year ended 31 December 2015	Notes
	€'000	€'000	
(Loss)/ Profit for the year	(1,102)	13,794	
Adjustments for:			
Effects of foreign currency	-	-	
Finance costs	54	60	
Finance income	(1,408)	(104)	
Profit on assignment of loans receivable	-	(18,286)	
Impairment /(Reversal of impairment)/on investments	1,070	(219)	
	(1,386)	(4,755)	
Changes in working capital			
(Increase)/ Decrease in trade and other receivables	(1)	2	
(Decrease)/ Increase in trade and other payables	(3,960)	1,038	
Net cash from operating activities	(5,347)	(3,715)	
Investing activities			
Purchase of loans receivable	-	(2,250)	
New loans advanced to subsidiaries	(2,873)	(442)	
Repayment of loans with subsidiary undertakings	5,815	7,468	
Dividend income from subsidiary	1,400	-	
Cash contribution to subsidiary undertaking	(3,500)	-	
Net cash from investing activities	842	4,776	
Financing activities			
Loan received from shareholder	3,500	-	
Interest received	-	-	
Interest paid	-	-	
Net cash (from)/ used in financing activities	3,500	-	
Net (decrease)/ increase in cash and cash equivalents in the year as a result of cashflows	(1,005)	1,061	
Effect of foreign exchange rates	-	-	
Net (decrease)/ increase in cash and cash equivalents in the year	(1,005)	1,061	
Cash and cash equivalents at the beginning of the year	1,118	57	
Cash and cash equivalents at the end of the year	113	1,118	
Cash and cash equivalents			
Cash at bank and in hand	113	1,118	10
Bank overdrafts	-	-	
	113	1,118	10

The notes on pages 45 to 58 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2016

Basis of preparation

These financial statements have been prepared in accordance with applicable Guernsey law and International Financial Reporting Standards (“IFRS”) and IFRIC interpretations adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have 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 principal accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The going concern of the Company is dependent on the going concern of its subsidiaries. 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 Company and its management. The Company obtained loss of €1.1 million as compared to prior year profit of €13.8 million.

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

As at 31 December 2016 the Group held land and building assets with a market value of €179 million, compared to external debt of €120 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 consolidated financial statements for the year ended 31 December 2016, the directors have taken into account the fact that the Group is in a net current liability position and the Board is aware that the Group will have to continue negotiations with the banks.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2016.

The financial statements present the individual financial data of the Company for the year ended 31 December 2016. The financial information is prepared in Euro and presented in thousands of Euro (“€’000”). Atlas Estates Limited also prepares separate consolidated financial statements, which incorporate the financial statements of the Company and its subsidiaries up to 31 December 2016.

Foreign currencies

The functional currency of the Company and the presentation currency for the financial statements is Euro.

Transactions in foreign currencies other than the Company’s functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement for the year.

The following exchange rates were used in preparation of these financial statements:

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2016	4.424	311.02	4.5411	1.95583
31 December 2015	4.2615	313.12	4.5245	1.95583
% Change	4%	-1%	0%	0%
Average rates				
Year 2016	4.3625	311.46	4.5173	1.95583
Year 2015	4.1839	309.90	4.5040	1.95583
% Change	4%	1%	0%	0%

Finance income

Interest-bearing loans receivable are initially recorded at fair value, net of direct issue costs, and are then subsequently measured at amortised cost with interest being calculated using the effective interest rate method. All lending income is recognised in the income statement in the year in which it is incurred.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables', 'other loan receivables' or 'loans receivable from minority investors' in the balance sheet (note 9). Cash and cash equivalents (note 10) are classified as loans and receivables. Cash and cash equivalents are a separate position in the balance sheet.

Impairment

The carrying amounts of the Company's non-monetary assets are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable value of an asset is assessed by obtaining an independent assessment of its market value less any costs that would be incurred to realise its value.

Investments in subsidiaries

Investments in subsidiary companies are recognised initially at cost. The carrying amounts of the investments are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment of investments in subsidiaries is recognised when there is objective evidence that the market value of the investment less any costs that would be incurred to realise its value is less than the carrying value. Significant financial difficulties of the subsidiary, probability that the subsidiary will enter bankruptcy or financial reorganisation, and default or delinquency in payments on loans receivable from the subsidiary are considered indicators that the investment is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Other loans receivable

Other loans receivable are recognised initially at fair value and subsequently measured at amortised cost method. The carrying amounts of other loans receivable are reviewed at each reporting date. If any indication of

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment of other loans receivable is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. As at 31 December 2015 and 2014, no such financial liabilities were held by the Company.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs.

Treasury shares

The costs of purchasing Treasury shares are shown as a deduction against equity. The purchase of own shares does not lead to a gain or loss being recognised in the income statement.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Taxation

With effect from 1 January 2008, Guernsey's corporate tax regime has changed. From that date the exempt company and international business regimes have been abolished as a consequence of which the Company is treated as resident for tax purposes subject to 0% tax. These changes do not adversely affect the tax efficiency of the AEL group corporate structure.

Dividends

Final dividend payments in respect of a financial year are recognised as a liability in the year in which the dividend payment is approved by the Company's shareholders.

Interim dividends paid are recognised in the year in which the payment is made.

Changes to accounting policies since the last period

The accounting policies adopted and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2015.

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are also effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position for the current reporting period:

- Annual improvements to IFRSs 2012-2014 Cycle (effective date for accounting periods from 1 January 2016)

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as these are not effective for the current year. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods; those that may have a material impact on the financial statements are:

- (a) IFRS 9 'Financial Instruments' (effective date for accounting periods from 1 January 2018).
- (b) IFRS 15 'Revenue from contracts with Customers' (effective date for accounting periods from 1 January 2018).
- (c) IFRS 16 'Leases' (effective date for accounting periods from 1 January 2019). This amendment has not yet been endorsed for use in the EU.
- (d) Clarifications to IFRS 15 revenue from Contracts with Customers. (effective date for accounting periods from 1 January 2018). This amendment has not yet been endorsed for use in the EU.
- (e) Annual improvements to IFRSs 2014-2016 Cycle (effective date for accounting periods from 1 January 2017 and 1 January 2018). This amendment has not yet been endorsed for use in the EU.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Financial risk management

1.1 Financial risk factors

The activities of the Company's subsidiaries exposes the Group to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. As a result, the Company is also exposed to the same financial risks. The Company's financial risks relate to the following financial instruments: loans and receivables, cash and cash equivalents and trade and other payables. The accounting policy with respect to these financial instruments is described above.

Risk management is carried out by the Property Manager under policies approved by the Board of Directors. The Property Manager identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board approves written principles for overall risk management, and is overseeing the development of policies covering specific areas such as foreign exchange risk and interest-rate risk. The Property Manager may call upon the services of a retained risk management consultant in order to assist with its risk assessment tasks.

Reports on risk management are produced periodically on an entity and territory level to the key management personnel of the Group and of the Company.

(a) Market risk

(i) Foreign exchange risk

Through its subsidiaries, the Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Polish Zloty, Hungarian Forint, Romanian Lei, and Bulgarian Lev, the Bulgarian Lev is pegged to the Euro at a fixed rate of exchange of 1.95583. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

In the year covered by these financial statements the Group has not entered into any currency hedging transactions. Foreign exchange risk is monitored and the cost benefits of any potential currency hedging transactions are reviewed to determine their effectiveness for the Group.

The majority of the Company's assets and liabilities are Euro-based, minimising the Company's individual exposure to foreign exchange risk. The tables below summarise the Company's exposure to foreign currency risk. The Company's financial assets and liabilities at carrying amounts are included in the table, categorised by the currency at their carrying amount.

2016	€'000	PLN'000	Other'000	Total'000
Loans receivable from subsidiaries	180	-	-	180
Trade receivables	-	-	7	7
Cash and cash equivalents	113	-	-	113
Total financial assets	293	-	7	300
Trade and other payables	(7,672)	-	-	(7,672)
Total financial liabilities	(7,672)	-	-	(7,672)
Net financial assets / (liabilities)	(7,379)	-	7	(7,372)
2015	€'000	PLN'000	Other'000	Total'000
Loans receivable from subsidiaries	3,114	-	-	3,114
Trade receivables	6	-	-	6
Cash and cash equivalents	1,118	-	-	1,118
Total financial assets	4,238	-	-	4,238
Trade and other payables	(8,078)	-	-	(8,078)
Total financial liabilities	(8,078)	-	-	(8,078)
Net financial assets / (liabilities)	(3,840)	-	-	(3,840)

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The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated – for example, change in interest rate and change in foreign currency rates. The Company manages foreign currency risk on an overall basis. The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

If the euro weakened / strengthened by 10% against either of the Polish Zloty, Hungarian Forint or Romanian Lei, with all other variables held constant, post-tax loss for the year would have remained the same (2015: post-tax loss for the year would have remained the same).

(ii) Price risk

Through its subsidiaries, the Company is exposed to property price and property rentals risk. It is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities, other than its investment in subsidiaries.

(iii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term receivables from subsidiaries. Loans issued at variable rates expose the Company to cash flow interest rate risk.

The Company's cash flow and fair value interest rate risk is periodically monitored by the Property Manager. The Property Manager analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

An increase in 100 basis points in interest yields would result in a decrease in the post-tax profit for Company for the year of €35 thousand (2015: decrease in the post-tax loss for the year of €0.1 million). A decrease in 100 basis points in interest yields would result in an increase in post-tax profit for the year of €35 thousand (2015: increase in post-tax loss for the year of €0.1million).

(b) Credit risk

The Company's credit risk arises from cash and cash equivalents as well as credit exposures with respect to outstanding receivables from subsidiaries (note 9). Credit risk is managed on a local and Group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual and more frequent review. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

As at 31 December 2016, the Company had one major counterparty, ABN AMRO (Guernsey) Limited. Given that ABN AMRO is a high-credit-quality financial institution, with a rating of A+ in 2016 and A in 2015, as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents is estimated as low.

The maximum exposure of the Company in respect of cash and cash equivalents and outstanding receivables is equal to their gross value at the balance sheet date.

(c) Liquidity risk

Prudent liquidity risk management for the Company implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Property Manager aims to maintain flexibility in funding by keeping cash and committed credit lines available.

The Company's liquidity position is monitored on a weekly basis by the management and is reviewed quarterly by the Board of Directors.

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NOTES TO THE FINANCIAL STATEMENTS

1.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2. Critical accounting estimates and judgements

Management makes estimates and judgements concerning the future that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and various other factors that are deemed to be reasonable based on knowledge available at that time.

3. Administrative expenses

	2016	2015
	€'000	€'000
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(91)	(91)
Fees payable to the Group's auditor for the other services:		
- Non audit services – interim reviews	(34)	(34)
Incentive and management fee	(1,002)	(4,512)
Legal and other professional fees	(159)	(45)
Insurance cost	(19)	(21)
Staff costs	(66)	(48)
Administrative expenses	(1,371)	(4,751)

4. Other operating income

	2016	2015
	€'000	€'000
Profit on assignment of loan receivable	-	18,286
Reversal of impairment of investments in subsidiaries	-	219
Other operating income	-	18,505

5. Other operating expenses

	2016	2015
	€'000	€'000
Impairment of investments in subsidiaries	(1,070)	-
Other expenses	(4)	-
Other operating expenses	(1,074)	-

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6. Finance income and finance costs – net

	2016 €'000	2015 €'000
Bank and other similar charges	(2)	(1)
Interest payable on loan received from subsidiary	(54)	(60)
Finance costs	(56)	(61)
Interest receivable on shareholder loans	8	104
Dividend income from subsidiary	1,400	-
Finance income	1,408	104
Finance income, excluding foreign exchange – net	1,352	43
Unrealised foreign exchange gains	-	-
Unrealised foreign exchange losses	-	-
Realised foreign exchange gains	-	-
Realised foreign exchange losses	(9)	(3)
Other gains and (losses) – foreign exchange	(9)	(3)
Finance income, including foreign exchange – net	1,343	40

7. Earnings/ (Loss) per share

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

For diluted earnings/ (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The difference in the number of ordinary shares between the basic and diluted earnings/ (loss) per share reflects the impact were the outstanding share warrants to be exercised.

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

Year ended 31 December 2016	Loss	Weighted average number of shares	Per share amount
	€'000		Eurocents
Continuing operations			
Basic LPS			
Loss attributable to equity shareholders of the Company	(1,102)	46,852,014	(2.4)
Diluted LPS			
Adjusted loss	(1,102)	46,852,014	(2.4)
Year ended 31 December 2015	Profit	Weighted average number of shares	Per share amount
	€'000		Eurocents
Continuing operations			
Basic EPS			
Profit attributable to equity shareholders of the Company	13,794	46,852,014	29.4
Diluted EPS			
Adjusted profit	13,794	46,852,014	29.4

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8. Investments in subsidiaries

	2016 €'000	2015 €'000
Shares in subsidiary undertakings		
<i>Cost</i>		
At beginning of period	210,433	189,897
Additions in year (note 14f/ 14e)	3,500	20,536
At the end of the period	213,933	210,433
<i>Impairment</i>		
At beginning of period	(122,933)	(123,152)
Additions	(1,070)	-
Reversal	-	219
At the end of the period	(124,003)	(122,933)
As at 31 December	89,930	87,500

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.

The Company has carried out an annual 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 produced by the independent qualified experts.

In 2016: €1.1 million was recognised in other operating expenses in respect of impairment of investment in subsidiaries. In 2015: €0.2 million was recognised in other operating income in respect of reversal of impairment of 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.

9. Trade and other receivables

	2016 €'000	2015 €'000
<i>Amounts falling due within one year:</i>		
Trade and other receivables	7	6
As at 31 December	7	6
<i>Non-current – loans receivable from subsidiaries:</i>		
Loans receivable from subsidiaries	180	3,114
As at 31 December	180	3,114

All trade and other receivables are financial assets, with the exception of prepayments and accrued income.

Loans receivable from subsidiaries are interest-bearing, with interest charged at EURIBOR plus an agreed margin. These loans have agreed maturity dates in excess of five years.

The book values of trade and other receivables, other loans receivable and loans receivable from subsidiaries are considered to be approximately equal to their fair value.

For fair value considerations see note 8.

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The carrying amounts of trade and other receivables are denominated in the following currencies:

	2016 €'000	2015 €'000
Euro	-	6
Other	7	-
	7	6

The maximum amount of exposure of the Company to credit risk at the balance sheet date approximates the total of loans receivable from subsidiaries.

10. Cash and cash equivalents

	2016 €'000	2015 €'000
Cash and cash equivalents	113	1,118
	113	1,118

11. Trade and other payables

	2016 €'000	2015 €'000
Current		
Trade payables	(461)	(4,421)
Other creditors	(2)	(2)
Loan from shareholder	(3,500)	-
	(3,963)	(4,423)
Non-current		
Loan from subsidiary	(3,709)	(3,655)
	(3,709)	(3,655)
Total trade and other payables	(7,672)	(8,078)

Loan payable to shareholder was received by the Company in November 2016 and is no interest bearing with maturity date in January 2017.

Loan payable from the subsidiary is interest-bearing, with interest charged at EURIBOR plus an agreed margin. This loan has agreed maturity date in 2045.

12. Share capital account

	Number of shares	Ordinary shares - share capital account €'000	Total €'000
Authorised			
Ordinary shares of €0.01 each	100,000,000	1	1
Issued and fully paid			
At 1 January 2008	44,978,081	484	484
Issued as part settlement of the performance fee	1,430,954	4,537	4,537
Issued under the Scrip Dividend Offer	442,979	1,247	1,247
As at 31 December 2015 and 2016	46,852,014	6,268	6,268

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During 2007, 3,470,000 ordinary shares of €0.01 each with an aggregate nominal value of €34,700 were purchased and are held in Treasury. Distributable reserves were reduced by €16,023,000, being the consideration paid for these shares.

On 11 July 2008 the Company issued 1,430,954 new ordinary shares to AMC as part settlement of the performance fee earned by AMC under the Property Management Agreement ("PMA") for the financial year ending 31 December 2007. €4,537,442 (or £3,629,953 at the agreed exchange rate of £1 equalling €1.25) was settled by the issue to AMC of 1,430,954 new ordinary shares issued as follows:

- 699,141 new ordinary shares issued at £2.6842 per ordinary share (being the price per ordinary share calculated by the formula set out in the PMA using data derived from the London Stock Exchange Daily Official List) in settlement of one third of the 2007 performance fee as Atlas is entitled to do under the terms of the PMA; and
- 731,813 new ordinary shares issued at £2.3958 per ordinary share (being the price per ordinary share calculated as the average closing price of the ordinary shares for the 45 days prior to (but not including) the date (being 15 May 2008) of the results for the first quarter of 2008).

This had been approved at the AGM held on 24 June 2008.

On 28 July 2008 the Company announced that it had issued 442,979 new ordinary shares under the Scrip Dividend Offer which had been approved at the AGM held on 24 June 2008.

13. Other distributable reserve

The Other Distributable Reserve includes amounts relating to cancellation of share premium, shares bought back and cancelled or held in Treasury, and dividends paid.

	€'000
At 1 January 2008	202,320
Dividend paid in 2008	(7,503)
At 31 December 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016	194,817

14. Related party transactions

- (a) Key management compensation

	2016	2015
	€'000	€'000
Fees for non-executive directors	66	48

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC charged a basic management fee of €1.0 million for the year ended 31 December 2016 (2015: €0.7 million). Under the agreement, AMC are entitled to a performance fee based on the increase in value of the properties over the year. The Company has accrued a performance fee of €nil million for the year ended 31 December 2016 (2015: €3.8 million).

As of 31 December 2016, €0.3 million included in in current trade and other payables was due to AMC (2015: €4.3 million). In 2016 €5.0 million was paid to AMC in respect of management and performance fees (in 2015: €1.1 million).

- (b) The loan receivable from the subsidiary (Atlas Estates Investment BV) is interest bearing and the Company charged its subsidiary €6.9 thousand as interest (2015: €0.1 million). As at 31 December 2016 the loan balances including capitalised interest due from subsidiary amounted to €132.4 thousand (2015: €3.1 million).
- (c) The loan payable from the subsidiary (HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna) is interest bearing and the Company was charged €54 thousand as interest (2015: €60 thousand as interest). As at 31 December 2016 the loan balance including capitalised interest due to subsidiary were €3.7 million (as of 31 December 2015: €3.6 million).
- (d) The loan receivable from the subsidiary (Atlas Estates Antilles B.V.) is interest bearing and the Company charged €0.5 thousand (2015: €1 thousand) as interest. As at 31 December 2016 the loan balance including capitalised interest due from subsidiary were €48.1 thousand (2015: €36.8 thousand).

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- (e) In 2015 Erste Group Bank AG in Austria and the Company entered into an agreement based on which the bank transferred its entire contractual position resulting from the loan facilities totalling €24.5 million (and extended to the Company's subsidiaries in Romania- Atlas Solaris S.R.L and World Real Estate S.R.L) in return for €2.2 million cash payment. €22.5 million profit realized on the transaction with the bank was netted with €4.0 million loss on the further assignment of Romanian loans totalling €24.5 million to another Company's subsidiary- Atlas Finance Limited in return for the €20.5 million increase in equity.
- (f) In November 2016 Atlas Estates Limited ("AEL") received a loan from its majority shareholder Fragiolig Holdings Limited ("Fragiolig") amounting to €3.5 million. The loan repayment date was 30 January 2017 however in January 2017 it was subsequently extended till 30 November 2017. In March 2017 AEL received additional €3.75 million and as a result the loan amount was increased to €7.25 million. The loan bears no interests until the repayment date. Moreover on 31 January 2017 AEL concluded an option agreement with Fragiolig based on which AEL granted to Fragiolig an option to acquire (through AEL's subsidiaries) whole or part of the partnership interest in the partnership in its indirect subsidiary- HPO AEP Spółka z ograniczoną odpowiedzialnością spółka jawna with its seat in Warsaw ("HPO"). The option may be executed by Fragiolig by 30 November 2017. Upon execution of the option by Fragiolig, AEL will sell the whole or part of partnership interest in HPO for the price determined in the valuation conducted by the evaluation firm appointed by AEL in consultation with Fragiolig.
- (g) The ultimate parent company is RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

15. Post balance sheet events

There are no significant post balance sheet events that require disclosure except for events described in note 14 (f).

16. Significant Agreements

In 2015 the Company did not conclude any significant agreements except for the agreement with Erste Group Bank AG (as described in note 14e). In 2016 the Company entered into settlement agreement (as described in note 17.1)

17. Other items

17.1 Information about court proceedings

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

Atlas Estates Limited and Atlas Estates Investment B.V.

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

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

On 18 February 2016 AEL and AEI B.V. entered into the settlement agreement with Stronginfo Consultants Ltd and Columbia Enterprises Ltd ("Settlement"). The purpose of the Settlement was to specify the exact amount

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

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

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

17.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2016.

18. 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 Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. which is under bank enforcement proceedings. Deconsolidation of this subsidiary started on 24 December 2014, i.e. from the moment when Group control was lost.

In November 2015 Atlas completed the sale of two Hungarian subsidiaries- Ligetvaros and Varosliget. The Group realized €1.7 million in net proceeds. The result on disposal of these operations amounting to €1 million was recognised in the consolidated financial statements for the year ended 31 December 2015.

In 2016 Atlas completed sale of Hungarian subsidiary – Metropol. The Group realized €1.8 million in net proceeds. In April 2016 Atlas was obliged to refund part of the price received in relation with the sale of Ligetvaros and Varosliget in amount of €0.1 million. The loss on disposal of these operations amounting to €0.1 million was recognised in the consolidated financial statements for the year ended 31 December 2016.

Country of incorporation	Name of subsidiary/ joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investment B.V.	Holding	100%
Holland	Atlas Projects B.V.	Holding	100%
Guernsey	Atlas Finance (Guernsey) Limited	Holding	100%
Curacao	Atlas Estates Antilles B.V.	Holding	100%
Cyprus	Fernwood Limited	Holding	100%
Poland	AEP Sp. z o.o.	Management	100%
Poland	AEP Sp. z o.o. 2 SKA	Holding	100%
Poland	AEP Sp. z o.o. 3 SKA	Holding	100%
Poland	Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Zielono AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Properpol Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Millennium) Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Development	100%
Poland	HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Hotel operation	100%
Poland	Mantezja 3Sp. z o.o.	Hotel operation	100%

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Poland	HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Le Marin Sp. z o.o.	Development	100%
Poland	Atlas Estates (Przasnyska 9) Sp. z o.o.	Development	100%
Poland	La Brea Management Sp. z o.o.	Development	100%
Poland	CAA Finance Sp. z o.o.	Development	100%
Poland	Atlas Invest FIZ AN	Holding	100%
Poland	Gretna Investments Sp. z o.o.	Holding	100%
Poland	Gretna Investments Sp. z o.o. 4 SKA	Holding	100%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Investment	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Atlas Estates (Moszkva) Kft.	Investment	100%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Development	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%
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%