

ATLAS ESTATES LIMITED
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
HALF YEAR 2020

Atlas Estates Limited
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey GY1 1WD
Company number: 44284

ATLAS ESTATES LIMITED

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Financial Highlights

| Selected Consolidated Financial Items | Six months ended | Year ended | Six months ended |
|--|-----------------------------|-------------------------------|---|
| | 30 June 2020 (unaudited) | 31 December 2019 (audited) | 30 June 2019 (unaudited) (restated) |
| | €'000 | €'000 | €'000 |
| Revenues | 8,890 | 38,451 | 23,482 |
| Gross profit | 3,693 | 16,162 | 8,897 |
| Increase in value of investment properties | 1,371 | 5,364 | 668 |
| Profit from operations | 1,542 | 43,494 | 5,817 |
| (Loss)/Profit before tax | (2,098) | 39,450 | 3,099 |
| (Loss)/Profit for the period | (2,554) | 32,722 | 2,164 |
| Net cash from operating activities | 1,934 | 5,464 | 7,982 |
| Net cash (used in)/ from investing activities | (2,516) | 30,625 | (2,736) |
| Net cash used in financing activities | (2,766) | (6,173) | (2,654) |
| Net (decrease)/ increase in cash | (5,361) | 30,422 | 2,879 |
| Non-current assets | 188,317 | 203,793 | 201,896 |
| Current assets | 63,578 | 66,521 | 41,513 |
| Total assets | 251,895 | 270,314 | 243,409 |
| Current liabilities | (35,137) | (29,725) | (25,515) |
| Non-current liabilities | (88,905) | (98,046) | (107,430) |
| Total liabilities | (124,042) | (127,771) | (132,945) |
| Basic net assets (1) | 127,853 | 142,543 | 110,464 |
| Number of shares outstanding | 46,852,014 | 46,852,014 | 46,852,014 |
| Basic and diluted (loss)/ earnings per share (eurocents) | (5.5) | 69.8 | 4.6 |
| Basic net asset value per share (€) | 2.7 | 3.0 | 2.4 |

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

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Chairman's Statement

Dear Shareholders,

I am pleased to announce the unaudited interim condensed consolidated report of Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings (together "the Group") for the six months ended 30 June 2020.

In the current financial market conditions and the disruption caused by the outbreak of COVID-19 coronavirus the key priorities are enhancing liquidity, gaining access to capital as well as monitoring the market to locate new investment projects. All of these objectives are vital for operations as they will underpin our drive to progress the growth of the operations.

Below are our main developments:

- On 27 January 2020 the Group concluded sale agreement of its investment in a Romanian subsidiary at the net sale price of €7.7 million. As of 30 June 2020 the book value of this investment (classified as assets held for sale and liabilities directly associated with assets held for sale) amounted to €3.4 million. This transaction is planned to be completed by 31 December 2020 and on April 8, 2020 the Group received a €0.3 million advance in respect of the sale price (note 12).
- In February 2020 the Group paid a refundable deposit of €2.4 million (disclosed as trade and other receivables as of 30 June 2020) in relation with potential acquisition of an office building in Warsaw. This purchase transaction was not completed and the deposit was returned to the Group in July 2020.

Reported Results

Half Year Reported Results

As of 30 June 2020 the Group has reported basic net assets of €127.8 million.

The decrease of basic net asset value by €14.7 million (i.e. 10%) from €142.5 million as at 31 December 2019 is primarily a result of:

- €5.1 million downward revaluation of *Hilton* as of 30 June 2020;
- 5% depreciation of PLN against EUR in the first half of 2020;

Majority of the Group assets are located in Poland and reporting in PLN functional currency. While preparing consolidated accounts of the Group, their balances were translated into EUR reporting currency, which resulted in €7.1 million loss reported in translation reserve;

- loss after tax amounts to €2.5 million for the six months period ended 30 June 2020;

Loss after tax amounts to €2.5 million for the six months period ended 30 June 2020 as compared to profit after tax of €2.2 million for the six months period ended 30 June 2019. The significant change of the noted results was mainly a joint effect of:

- €3.1 million deterioration of gross profit generated by hotel operations in 2020 (as explained on page 14) and,
- €2.2 million gross profit realized on one-off transaction, i.e. sale of Nakielska Apartment Project, in May 2019 (as explained in note 10).

Financing, Liquidity and Forecasts

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.

In determining the going concern basis of the Group the Board have considered worst case scenarios that can be anticipated and in all scenarios forecasts show that the Group shall have sufficient cash and cash equivalents to meet expected liabilities as they fall due for a period of not less than 12 months from the date of approval of these interim financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial information for the six months ended 30 June 2020, as set out in accounting policies to the condensed consolidated financial information.

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Investing Policy

Atlas invests mainly in Poland in a portfolio of real estate assets across a range of property types, where approximately 93% of its assets are located. We actively target Poland, where we believe we have the best capabilities and footprint. Atlas also operates in the Romanian and Bulgarian real estate markets.

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

Net Asset Value (“NAV”) and Adjusted Net Asset Value (“Adjusted NAV”)

In the six months to 30 June 2020, NAV per share decreased from €3.0 per share to €2.7 per share. The NAV per share as at 30 June 2019 was €2.4 (restated). The interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The significant increase in NAV per share during 2019 was mainly attributable to increase of net assets due to cash realisation of property assets in excess of the carrying value and the recognition of a right of use asset at fair value related to the rights of perpetual usufruct connected with *Hilton* hotel in Warsaw following the implementation of IFRS 16 as presented in 2019 annual consolidated financial statement.

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

For the interim accounts valuations of key assets located in Poland (*Hilton Hotel*, *Atlas Tower*- office building and *Galeria Platinum Towers*- retail property) were performed by an external expert. As of 30 June 2020 Jones Lang LaSalle - external independent qualified expert, was responsible for the valuation of these assets.

It should be underlined that the valuation of *Hilton* hotel as of 30 June 2020 was reported by Jones Lang LaSalle on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to this valuation than would normally be the case. This is the result of the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020 and its negative impact on hotel sector.

Corporate Governance

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

Risks and uncertainties

The Board and the Property Manager continually assess and monitor the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group’s performance for the rest of the financial year 2020 are summarised in the Property Manager’s Report on pages 13 and 14 below.

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Prospects

The outbreak of coronavirus in the world and its occurrence in Poland affects the economic growth of this country. At the end of 2019, Polish Ministry of Finance, when preparing the strategy for 2020-2023, estimated the GDP index at 3.7% in 2020. After the outbreak of the coronavirus, most banks in Poland decided to revise the GDP forecasts to decrease from -2% to -4.2%. International Monetary Fund predicts that GDP will decrease in Poland in 2020 by 4.6%, whereas in 2021 it anticipates GDP growth of 4.2%.

The Board's experience in Polish market cause us to believe that the Group should still focus on strengthening as well as expanding our real estate portfolio in Poland.

Mark Chasey
CHAIRMAN
23 September 2020

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Review of the Property Manager

In this review we present the financial and operating results for the six months ended 30 June 2020. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advise on new investment opportunities. At 30 June 2020, the Company held a portfolio of twelve properties comprising six investment properties of which three are income yielding properties, three are held for capital appreciation, two hotels and four development properties. One hotel is subject to sale agreement (see note 12).

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 93% (by value) of the Group's portfolio located there. The Polish economy has been one of most resilient economies in Europe with annual real GDP growth of 4.1% in 2019.

Hilton Hotel, Warsaw

The *Hilton* hotel in the Wola district of Warsaw is the Group's flagship asset. The hotel was continuously performing at a satisfactory level until the outbreak of COVID-19, as disclosed on page 14.

Atlas Tower (former name: Millennium Plaza), Warsaw

The *Atlas Tower* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 94% as of 30 June 2020 (95% as of 31 December 2019). The Group completed a renovation project in 2019 of some of the public spaces, which attracts new tenants.

Atlas Estates Tower

The Group was planning to build a mixed use (residential and office) Atlas Estates Tower, on the neighbouring plot alongside the *Hilton* hotel, however since the scale of the development exceeded the Group's investment abilities on 22 November 2018 the Group decided to enter into a preliminary sale agreement and dispose this property at the sale price of PLN147 million (i.e. equivalent of €34 million) to a third party. On 7 August 2019 a conditional sale agreement was concluded (increasing sale price to PLN 148 million) and by 30 September 2019 PLN 14.8 million (equivalent of ca €3.5 million) was received in respect of the sales price. This transaction was completed on 7 October 2019 and full sale price was received.

Galeria Platinum Towers

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

Apartamenty przy Krasińskiego

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

The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 30 June 2020 all apartments and retail units were sold or presold.

Capital Art Apartments

The *Capital Art Apartments* project in Warsaw is another development in Warsaw close to the city centre. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 30 June 2020 all apartments from all stages were either sold or presold, whereas 1 retail unit remains available for sale.

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Nakielska Apartments Project

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

Romania

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks – Voluntari and Solaris. The occupancy rates at the Golden Tulip decreased from 68% for the six months ended 30 June 2019 to 21% for the six months ended 30 June 2020 as a result of the implications of COVID-19. The Golden Tulip hotel is subject to a sale agreement and is expected to be sold during 2020, see note 12.

Bulgaria

The Group holds one income yielding property in Bulgaria, the Atlas House, 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 overexposed to, or reliant on, any one particular area. AMC evaluates the risks and rewards associated with a particular country, sector or asset class, in order to optimise the Company's return on investment and therefore the return that the Company is able to deliver to Shareholders over the longer term.

Portfolio valuation and valuation methods

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

Loans and valuations

As at 30 June 2020, the Company's share of bank debt associated with the portfolio of the Group was €72 million (31 December 2019: €74 million; 30 June 2019: €76 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

| | 30 June 2020 | | | 31 December 2019 | | | 30 June 2019 | | |
|---------------------|------------------------|-------------------------|--------------------|------------------------|-------------------------|--------------------|------------------------|-------------------------|--------------------|
| | Loans € millions | Valuation € millions | LTV Ratio* % | Loans € millions | Valuation € millions | LTV Ratio* % | Loans € millions | Valuation € millions | LTV Ratio* % |
| Investment property | 24 | 74 | 32% | 24 | 75 | 32% | 25 | 71 | 35% |
| Hotels | 48 | 91 | 53% | 50 | 103 | 49% | 51 | 101 | 50% |
| Total | 72 | 165 | 44% | 74 | 178 | 42% | 76 | 172 | 44% |

*LTV Ratio- Loan to Value Ratio

LTV ratio of investment property decreased from 35% as of 30 June 2019 to 32% as of 31 December 2019 and 30 June 2020 mainly due to increase in the valuation of *Atlas Tower*.

LTV ratio of hotels decreased from 50% as of 30 June 2019 to 49% as of 31 December 2019 mainly due to increases in the valuation of *Hilton* and *Golden Tulip* as well as partial repayments of these loans.

LTV ratio of hotels decreased from 49% as of 31 December 2019 to 53% as of 30 June 2020 mainly due to decreases in the valuation of *Hilton* as a result of COVID outbreak.

The gearing ratio is 15% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio increased as compared to 31 December 2019 (11%) mainly due to decrease in valuation of *Hilton* and €7.1 million loss reported in translation reserve (as explained at page 4).

Debt financing

Key developments were described in note 14.

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

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

| | Property Rental € millions | Development Properties € millions | Hotel Operations € millions | Other € millions | Six months ended 30 June 2020 € millions | Six months ended 30 June 2019 € millions |
|---|-------------------------------|--------------------------------------|--------------------------------|---------------------|--|--|
| Revenue | 4.2 | 0.4 | 4.2 | - | 8.8 | 23.5 |
| Cost of operations | (1.4) | (0.3) | (3.4) | - | (5.1) | (14.6) |
| Gross profit | 2.8 | 0.1 | 0.8 | - | 3.7 | 8.9 |
| Administrative expenses | (0.3) | (0.1) | (1.2) | (2.0) | (3.6) | (3.7) |
| Gross profit / (loss) less administrative expenses | 2.5 | - | (0.4) | (2.0) | 0.1 | 5.2 |
| Gross profit % | 67% | 25% | 19% | 0% | 42% | 38% |
| Gross profit/ (loss) less administrative expenses % | 60% | 0% | -10% | 0% | 1% | 22% |

Revenues and cost of operations

Total Group revenues decreased significantly to €8.8m for the six months ended 30 June 2020 compared to €23.5m for the same period in 2019 due to the hotel operations being significantly impacted by the COVID-19 pandemic (see page 14), as well as one off sale transaction which generated €7.8m proceeds in May 2019 (sale of Nakielska project as explained in note 10). The Group's principal revenue streams are from its hotel operations, property rental and from the sale of the residential apartments that the Group develops.

Cost of operations as at 30 June 2020 were €5.1 million compared to €14.6 million as at 30 June 2019.

Development Properties

| | Six months ended 30 June 2020 € millions | Six months ended 30 June 2019 € millions | Total change 2020 v 2019 € millions | Translation foreign exchange gain/ (loss) € millions | Operational change 2020 v 2019 € millions |
|---|--|--|---|---|---|
| Revenue | 0.4 | 8.6 | (8.2) | (0.2) | (8.0) |
| Cost of operations | (0.3) | (6.1) | 5.8 | 0.2 | 5.6 |
| Gross profit/ (loss) | 0.1 | 2.5 | (2.4) | - | (2.4) |
| Administrative expenses | (0.1) | (0.2) | 0.1 | - | 0.1 |
| Gross profit/ (loss) less administrative expenses | - | 2.3 | (2.3) | - | (2.3) |

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

As a result, as presented in the table below, in the six months ended 30 June 2020 the Group managed to complete the sale of 1 apartment (in *Apartamenty przy Krasińskiego stage II*) and 2 small size retail units (in *Capital Art Apartments*), whereas in 2019 the revenues from the sale of 2 retail units (in *Capital Art Apartments and Apartamenty przy Krasińskiego stage II*) projects were recognized. Additionally, as described in note 10, in May 2019 the Group sold *Nakielska Apartment Projects* realizing €2.2 million gross profit on this transaction.

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Apartment sales in developments in Warsaw

| | CAA stage I | CAA stage II | CAA stage III&IV | Apartamenty przy Krasieńskiego I | Apartamenty przy Krasieńskiego II | Concept House* |
|--|-------------|--------------|------------------|----------------------------------|-----------------------------------|----------------|
| Total apartments for sale | 219 | 300 | 265 | 303 | 123 | 160 |
| Sales completions in 2008-2018 | 218 | 298 | 265 | 303 | 120 | 160 |
| Sales completions in 2019 | - | 2 | - | - | 1 | - |
| Sales completions in 2020 | - | - | - | - | 1 | - |
| Total sales completions | 218 | 300 | 265 | 303 | 122 | 160 |
| Sales not completed as of 30 June 2020 (only preliminary agreements concluded) | 1 | - | - | - | 1 | - |
| Apartments available for sale as of 30 June 2020 | - | - | - | - | - | - |

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

Property Rental

| | Six months ended 30 June 2020 € millions | Six months ended 30 June 2019 € millions | Total change 2020 v 2019 € millions | Translation foreign exchange gain/ (loss) € millions | Operational change 2020 v 2019 € millions |
|---|---|---|--|---|--|
| Revenue | 4.2 | 4.7 | (0.5) | (0.1) | (0.4) |
| Cost of operations | (1.4) | (2.2) | 0.8 | 0.1 | 0.7 |
| Gross profit | 2.8 | 2.5 | 0.3 | - | 0.3 |
| Administrative expenses | (0.3) | (0.5) | 0.2 | - | 0.2 |
| Gross profit less administrative expenses | 2.5 | 2.0 | 0.5 | - | 0.5 |

In the first half of 2020 the gross margin realized by the Property Rental segment improved as compared to the first half of 2019, which was mainly attributable to *Atlas Tower* improved occupancy as well as deconsolidation of *Felikon* property in the first quarter of 2019.

Hotel operations

| | Six months ended 30 June 2020 € millions | Six months ended 30 June 2019 € millions | Total change 2020 v 2019 € millions | Translation foreign exchange gain/ (loss) € millions | Operational change 2020 v 2019 € millions |
|---|---|---|--|---|--|
| Revenue | 4.2 | 10.2 | (6.0) | (0.3) | (5.7) |
| Cost of operations | (3.4) | (6.3) | 2.9 | 0.2 | 2.7 |
| Gross profit | 0.8 | 3.9 | (3.1) | (0.1) | (3.0) |
| Administrative expenses | (1.2) | (1.3) | 0.1 | - | 0.1 |
| Gross profit less administrative expenses | (0.4) | 2.6 | (3.0) | (0.1) | (2.9) |

In the six months ended 30 June 2020 the hotel operation declined due to outbreak of COVID-19 (as disclosed on page 14), which resulted in sharp decrease of *Hilton* and *Golden Tulip* occupancy since mid-March 2020.

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Valuation movement

As of 30 June 2020 the increase of the market value of the investment properties portfolio was of €1.4 million as compared to an increase of €0.7 million as of 30 June 2019. The movements relate to change in value of *Atlas Tower and Galeria Platinum Towers* (in 2020) and *Atlas Tower* only (in 2019).

Foreign exchange

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

The movements in value of the functional currencies resulted in foreign exchange loss of €0.9 million in the consolidated income statement for the first half of 2020 (first half 2019: €0.3 million loss) and €7.1 million loss in other comprehensive income for the first half of 2020 (first half 2019: €1.5 million gain). The losses in the consolidated income statement were mainly due to the unrealised foreign exchange gains and losses on EUR denominated liabilities (bank loans, intra group financing) in Polish, Romanian and Hungarian subsidiaries. In the first half of 2019 the foreign exchange losses occurred mainly as a result of depreciation of RON and HUF against EUR, whereas gains mainly as a result of appreciation of PLN against EUR in this period. In the first half 2020 the foreign exchange losses occurred mainly as a result of depreciation of PLN against EUR.

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

| | Polish Zloty | Hungarian Forint | Romanian Lei | Bulgarian Lev |
|----------------------|--------------|------------------|--------------|---------------|
| Closing rates | | | | |
| 30 June 2020 | 4.4660 | 356.57 | 4.8423 | 1.95583 |
| 31 December 2019 | 4.2585 | 330.52 | 4.7793 | 1.95583 |
| % Change | 5% | 8% | 1% | 0% |
| 30 June 2019 | 4.2520 | 323.54 | 4.7351 | 1.95583 |
| 31 December 2018 | 4.3000 | 321.51 | 4.6639 | 1.95583 |
| % Change | -1% | 1% | 2% | 0% |
| Average rates | | | | |
| H1 2020 | 4.4146 | 345.15 | 4.8393 | 1.95583 |
| Year 2019 | 4.2980 | 325.35 | 4.7773 | 1.95583 |
| % Change | 3% | 6% | 1% | 0% |
| H1 2019 | 4.2933 | 320.57 | 4.7252 | 1.95583 |

Net Asset Value

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

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment (“PPE”) operated by the Group to produce income, such as the Hilton hotel – revaluation movements are taken directly to reserves, net of deferred tax; and
- Property developments, including the land to be used to build property for sale – held as inventory, with no increase in value recognised in the financial statements unless where an increase represents the reversal of previously recognized deficit below cost.
- Land held for possible future development of as yet undetermined use – classed as investment properties with valuation movements being recognised in the Income Statement.

The Property Manager's management and performance fees are based on the adjusted NAV. For the six months to 30 June 2020 the combined fee payable to AMC by the Group was €1.4 million (€1.2 million in the first six months to 30 June 2019 (more details are presented in note 16a).

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In 2020 the Board of Directors of the Company (the Board) conducted a review of the Property Management Agreement (“PMA”) and in particular the means by which performance fee is calculated. Of primary concern to the Board were the following issues:

- the drafting of the clauses and definitions in the PMA as regards the calculation of performance fee are not concise and ambiguity can lead to multiple interpretations and thus differing calculations;
- the lack of a properly constructed high-water mark mechanism has led to performance fees being paid multiple times on NAV gains in the same bracket, i.e. performance fees have been paid or accrued on certain gains in NAV, but due to subsequent reductions in NAV in a following period, upon the NAV increasing again in the next period, performance fees have been paid or accrued again on the same NAV increase for which performance fees have been paid previously;
- performance fee calculations appear to be disproportionate to the intention of the PMA which is to set a 12% hurdle rate.

Having concluded its review, and taken external legal advice on the interpretation of the PMA, the Board was of the view that it does not agree with the interpretation which has been taken previously in respect of performance fee calculations and it disputed the amounts which have been paid or accrued. Past Performance Fees which have accrued, but which are yet to be paid amount to €10.8m. The amount due to AMC is subject to change that is contingent on the resolution of the dispute. No asset has been recognised in respect of any reduction of the said balance. AEL and AMC have agreed that no performance fee will be due for 2019. On the basis of the above, the Board was in a position to approve the financial statements of the Company and the consolidated financial statements of the Group for the year ending December 2019, without accruing for a performance fee for 2019 and at the same time the Board commenced discussions with AMC to discuss the above concerns and agree a mechanism which will ensure a fair and appropriate remuneration structure for both parties going forward from 2020. The value of performance fee for 2019 and 2020 which has not been accrued by the Company (if historical interpretation of calculation method is applied) amounts to €0.4 million. The Board have not yet agreed a mechanism for 2020 onwards and accordingly no performance fee has been accrued for the period to 30 June 2020.

Ongoing activities

During the first half of 2020, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio.

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

A key management objective is to monitor operations of hotel activity as well as enhance occupancy of income yielding assets.

Financial management, operational management and material risks

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

Global economic conditions

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

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

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Impact of COVID-19 coronavirus on the Group's operations

As of today, there has been an impact on the business of:

a. Hotel sector

Hilton hotel:

- March 2020 occupancy was 76% lower as compared to the same period of 2019;
- Following Polish government decision hotel was closed in the period from April 2 until May 3, 2020;
- On May 4, 2020 the hotel's management concluded that closure of the hotel should be extended until the end of May 2020 (insufficient expected occupancy of the hotel would not cover additional costs associated with hotel reopening);
- the Board together with Hilton's management have taken significant actions to decrease the operating expenses of the hotel, nevertheless some costs were unavoidable and continued to be incurred while the hotel was closed;
- In the period June- August 2020 the hotel occupancy was 79% lower as compared to the same period of 2019;
- No income from conference organization was earned from April till August 2020;

Golden Tulip hotel:

- was also temporarily closed in April and May 2020;
- In the period June- August 2020 the hotel occupancy was 84% lower as compared to the same period of 2019.

The revenues from the hotel activity amounted to €0.8 million in the second quarter 2020 as compared to €5.3 million in the second quarter 2019.

As of 30 June 2020 the valuation of Hilton hotel, as assessed by external experts Jones Lang LaSalle, has dropped by 8% as compared to the previous valuation as of 31 December 2019.

The timing when the hospitality sector will achieve historical results is unknown as it depends on several factors e.g. on timing of relaxing the international flights restrictions or restrictions on public gatherings.

b. Rental income from tenants:

Following Polish government decision to close the restaurants, fitness clubs etc. several of the Group's tenants suffered from these restrictions. As a result in the second quarter 2020 the Group offered certain rent reliefs to these tenants in return for lease term extensions.

The Group was also in contact with the banks financing its projects:

- *Hilton*

The Group obtained a waiver from the bank and as of 30 June 2020 there were no breaches of the bank covenants in respect of this facility;

- *Golden Tulip*

The Group signed the annex with the bank based on which loan repayments scheduled in the period April- June 2020 were suspended till 1 July 2020. Additionally the loan maturity date was extended from June 2026 till September 2026;

- *Galeria Platinum Towers*

Although the Group commenced a discussion with the bank already in the second quarter of 2020, the response from the bank confirming acceptance of the waiver effective from 30 June 2020 was received in August 2020. As a result the facility was in breach as of 30 June 2020. However this has not resulted in any adjustments to the interim financial information since this bank facility matures in June 2021 and is presented as short term bank loan.

Financing and liquidity

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

ATLAS ESTATES LIMITED

Cash is managed both at local and head office levels, ensuring that rent collection is prompt, surplus cash is suitably invested or distributed to other parts of the Group, as necessary, and balances are held in the appropriate currency. Where possible, the Company will use debt facilities to finance its projects, which the Company will look to secure at appropriate times and when available, depending on the nature of the asset – yielding or development.

Currency and foreign exchange

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

Most of the income from the Group's investment properties are denominated in Euro and our policy is to arrange debt to fund these assets in the same currency. Where possible, the Group looks to match the currency of the flow of income and outgoings. Some expenses are still incurred in local currency and these are planned for in advance. Development of residential projects has created receipts largely denominated in local currencies and funding facilities are arranged accordingly. "Free cash" available for distribution within the Group is identified and appropriate translation mechanisms are 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 properties and provide the Company with local market knowledge and expertise. AMC currently focuses its efforts on monitoring the risks posed by the COVID-19 coronavirus and searching new investment opportunities in Poland, mainly in Warsaw.

Ziv Zviel

Chief Executive Officer

Atlas Management Company Limited

23 September 2020

ATLAS ESTATES LIMITED

Key Property Portfolio Information

| Location/Property | Description | Company's ownership |
|-------------------------|--|---------------------|
| Poland | | |
| Hilton Hotel | First <i>Hilton</i> Hotel in Poland – a 4 star hotel with 314 luxury rooms, large convention centre, fitness club and spa Holmes Place Premium, casino and retail outlets. Location close to the central business district in the Wola area of Warsaw. | 100% |
| Galeria Platinum Towers | Commercial area on the ground and first floors of Platinum Towers with 1,904 square meters of gallery and 208 parking places almost fully let to tenants. | 100% |
| Atlas Tower | 39,138 square meters of office and retail space in the central business district of Warsaw. | 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 78 room hotel in central Bucharest. As of 30 June 2020 and 31 December 2019 this property is classified as non-current assets held for sale as disclosed in note 12. | 100% |
| Bulgaria | | |
| The Atlas House | Office building in Sofia's city centre with 3,472 square meters of lettable area. | 100% |

ATLAS ESTATES LIMITED

Independent Review Report on the Interim Condensed Consolidated and non-consolidated Financial Information for the six month period ended 30 June 2020

To Atlas Estates Limited

Independent Review to Atlas Estates Limited

Introduction

We have been engaged by the company to review the interim condensed consolidated and non-consolidated financial information in the half-yearly financial report for the six months ended 30 June 2020, which comprises the consolidated income statement, the consolidated and non-consolidated statements of comprehensive income, the consolidated and non-consolidated statements of financial position, the consolidated and non-consolidated statements of changes in equity, the consolidated and non-consolidated statements of cash flows and the related explanatory notes.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK & Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matter: Property valuations – Hilton Hotel

We draw attention to note 8, which explains that as a result of the impact of the outbreak of the Novel Coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to their valuation of the Hilton property than would normally be the case. The inputs to the valuation of the Hilton include the forecast of performance of the hotel that has been prepared based on a number of assumptions including occupancy levels and average room rates which are affected by the uncertainty of the continued impact of Covid-19. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated and non-consolidated financial information in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union and the rules of the Warsaw Stock Exchange.

ATLAS ESTATES LIMITED

Use of our report

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

BDO LLP, Chartered Accountants
London, United Kingdom

23 September 2020

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

ATLAS ESTATES LIMITED

Declarations of the Board of Directors

Declaration concerning accounting policies

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

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

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

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

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

23 September 2020

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED INCOME STATEMENT For the six months ended 30 June 2020

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 | Note |
|---|--|--|------|
| Revenues | 8,890 | 23,482 | 3 |
| Cost of operations | (5,197) | (14,585) | 4.1 |
| Gross profit | 3,693 | 8,897 | |
| <i>Property manager fee</i> | <i>(1,426)</i> | <i>(1,219)</i> | |
| <i>Central administrative expenses</i> | <i>(714)</i> | <i>(271)</i> | |
| <i>Property related expenses</i> | <i>(1,408)</i> | <i>(2,167)</i> | |
| Administrative expenses | (3,548) | (3,657) | 4.2 |
| Other operating income | 60 | 70 | |
| Other operating expense | (34) | (161) | |
| Increase in value of investment properties | 1,371 | 668 | |
| Profit from operations | 1,542 | 5,817 | |
| Finance income | 87 | 226 | 4.3 |
| Finance costs | (2,813) | (2,643) | 4.3 |
| Other (losses)/gains – foreign exchange | (871) | (303) | 4.3 |
| Share of losses from equity accounted joint ventures | (43) | 2 | |
| (Loss)/ Profit before taxation | (2,098) | 3,099 | |
| Tax charge | (456) | (935) | 5 |
| (Loss)/ Profit for the period | (2,554) | 2,164 | |
| Attributable to: | | | |
| Owners of the parent | (2,554) | 2,164 | |
| Non-controlling interests | - | - | |
| | (2,554) | 2,164 | |
| (Loss)/ Profit per €0.01 ordinary share – basic (eurocents) | (5.5) | 4.6 | 7 |
| (Loss)/ Profit per €0.01 ordinary share – diluted (eurocents) | (5.5) | 4.6 | 7 |

All amounts relate to continuing operations.
The notes on pages 26 to 50 form part of this condensed consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2020

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) (restated) €'000 |
|---|--|--|
| (LOSS)/ PROFIT FOR THE PERIOD | (2,554) | 2,164 |
| Other comprehensive income: | | |
| <i>Items that will not be recycled through profit or loss</i> | | |
| Revaluation of buildings | (6,327) | 6,919 |
| Deferred tax on revaluation | 1,202 | (1,324) |
| Total | (5,125) | 5,595 |
| <i>Items that may be recycled through profit or loss</i> | | |
| Exchange adjustments | (7,128) | 1,497 |
| Deferred tax on exchange adjustments | 117 | (78) |
| Total | (7,011) | 1,419 |
| Other comprehensive (loss)/ income for the period (net of tax) | (12,136) | 7,014 |
| TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD | (14,690) | 9,178 |
| Total comprehensive (loss)/ income attributable to: | | |
| Owners of the parent | (14,690) | 9,178 |

The notes on pages 26 to 50 form part of this condensed consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2020

| | 30 June 2020 (unaudited) | 31 December 2019 (audited) | 30 June 2019 (unaudited) (restated) | Note |
|---|-----------------------------|-------------------------------|---|--------|
| | €'000 | €'000 | €'000 | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 14 | 19 | 20 | |
| Total investment in equity accounted joint ventures | - | - | - | |
| Property, plant and equipment | 92,507 | 104,724 | 108,986 | 8 |
| Investment property | 87,673 | 89,396 | 82,655 | 9 |
| Deferred tax asset | 8,123 | 9,654 | 10,235 | |
| | 188,317 | 203,793 | 201,896 | |
| Current assets | | | | |
| Inventories | 2,255 | 2,688 | 2,974 | 10 |
| Trade and other receivables | 5,788 | 2,827 | 3,280 | Page 4 |
| Cash and cash equivalents | 49,219 | 54,513 | 27,322 | 11 |
| | 57,262 | 60,028 | 33,576 | |
| Assets held within disposal groups classified as held for sale | 6,316 | 6,493 | 7,937 | 12 |
| | 63,578 | 66,521 | 41,513 | |
| TOTAL ASSETS | 251,895 | 270,314 | 243,409 | |
| Non-current liabilities | | | | |
| Other payables | (11,849) | (12,611) | (18,349) | 13 |
| Bank loans | (63,703) | (69,415) | (72,782) | 14 |
| Deferred tax liabilities | (13,353) | (16,020) | (16,299) | |
| | (88,905) | (98,046) | (107,430) | |
| Current liabilities | | | | |
| Trade and other payables | (23,411) | (22,103) | (19,082) | 13 |
| Bank loans | (5,777) | (2,726) | (2,824) | 14 |
| Derivative financial instruments | (3,024) | (2,042) | (2,254) | 15 |
| | (32,212) | (26,871) | (24,160) | |
| Liabilities held within disposal groups classified as held for sale | (2,925) | (2,854) | (1,355) | 12 |
| | (35,137) | (29,725) | (25,515) | |
| TOTAL LIABILITIES | (124,042) | (127,771) | (132,945) | |
| NET ASSETS | 127,853 | 142,543 | 110,464 | |

The notes on pages 26 to 50 form part of this consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2020

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) (restated) €'000 |
|--|--------------------------------------|--|--|
| EQUITY | | | |
| Share capital account | 6,268 | 6,268 | 6,268 |
| Revaluation reserve | 34,895 | 40,020 | 37,917 |
| Other distributable reserve | 194,817 | 194,817 | 194,817 |
| Translation reserve | (14,979) | (7,968) | (8,625) |
| Accumulated loss | (93,148) | (90,594) | (119,913) |
| Issued capital and reserves attributable to owners of the parent - total equity | 127,853 | 142,543 | 110,464 |
| Basic net asset value per share | € 2.7 | € 3.0 | € 2.4 |

The notes on pages 26 to 50 form part of this consolidated financial information. The condensed consolidated financial information on pages 20 to 50 was approved by the Board of Directors on 23 September 2020 and signed on its behalf by:

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

23 September 2020

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the six months ended 30 June 2020

| | Share capital account €'000 | Revaluation reserve €'000 | Other distributable reserve €'000 | Translation reserve €'000 | Accumulated loss €'000 | Total equity €'000 |
|--|-----------------------------------|---------------------------------|--|---------------------------------|------------------------------|--------------------------|
| Six months ended 30 June 2020 | | | | | | |
| (unaudited) | | | | | | |
| As at 1 January 2020 | 6,268 | 40,020 | 194,817 | (7,968) | (90,594) | 142,543 |
| Loss for the period | - | - | - | - | (2,554) | (2,554) |
| Other comprehensive loss for the period | - | (5,125) | - | (7,011) | - | (12,136) |
| As at 30 June 2020 | 6,268 | 34,895 | 194,817 | (14,979) | (93,148) | 127,853 |
| Year ended 31 December 2019 (audited) | | | | | | |
| As at 1 January 2019 (restated after adoption of IFRS 16) | 6,268 | 32,322 | 194,817 | (10,044) | (122,077) | 101,286 |
| Profit for the period | - | - | - | - | 32,722 | 32,722 |
| Other comprehensive income for the period | - | 7,341 | - | 1,194 | - | 8,535 |
| Transfer | - | 357 | - | 882 | (1,239) | - |
| As at 31 December 2019 | 6,268 | 40,020 | 194,817 | (7,968) | (90,594) | 142,543 |
| Six months ended 30 June 2019 | | | | | | |
| (unaudited) (restated) | | | | | | |
| As at 1 January 2019 (restated after adoption of IFRS 16) | 6,268 | 32,322 | 194,817 | (10,044) | (122,077) | 101,286 |
| Profit for the period | - | - | - | - | 2,164 | 2,164 |
| Other comprehensive income for the period | - | 5,595 | - | 1,419 | - | 7,014 |
| As at 30 June 2019 | 6,268 | 37,917 | 194,817 | (8,625) | (119,913) | 110,464 |

The notes on pages 26 to 50 form part of this condensed consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended 30 June 2020

| | Note | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 |
|---|-------|--|--|
| (Loss)/ Profit for the period | | (2,554) | 2,164 |
| Adjustments for: | | | |
| Effects of foreign currency | | 1,768 | (478) |
| Finance costs | | 2,754 | 2,129 |
| Finance income | | (51) | (35) |
| Tax charge | | 456 | 935 |
| Share of losses from equity accounted joint ventures | | 43 | (2) |
| Depreciation of property, plant and equipment | 8 | 1,139 | 1,163 |
| Amortisation charges | | 2 | 133 |
| Increase in value of investment properties | 9 | (1,593) | (668) |
| | | 1,964 | 5,341 |
| Changes in working capital | | | |
| Decrease in inventory | | 443 | 5,984 |
| Increase in trade and other receivables | | (490) | (350) |
| Increase/ (Decrease) in trade and other payables | | 612 | (2,174) |
| Effects of foreign currency on working capital translation | | (487) | 498 |
| | | 78 | 3,958 |
| Cash inflow from operations | | 2,042 | 9,299 |
| Tax paid | | (108) | (1,317) |
| Net cash from operating activities | | 1,934 | 7,982 |
| Investing activities | | | |
| Interest received | | 43 | 35 |
| Deposits paid to secure future property acquisitions | | (2,357) | - |
| Deposit received in relation with sale of assets held for sale | | 300 | - |
| Development of investment property | 9 | (403) | (575) |
| Purchase of property, plant and equipment | 8, 12 | (99) | (1,579) |
| Assets and liabilities of deconsolidated subsidiary- net of cash disposed | 19 | - | (617) |
| Net cash used in investing activities | | (2,516) | (2,736) |
| Financing activities | | | |
| Interest paid | 4.3 | (1,371) | (1,239) |
| Repayments of lease liabilities | | (76) | - |
| Repayments of bank loans | 14 | (1,319) | (1,415) |
| Net cash used in financing activities | | (2,766) | (2,654) |
| Net (decrease) / increase in cash and cash equivalents in the period | | (3,348) | 2,592 |
| Effect of foreign exchange rates | | (2,013) | 287 |
| Net (decrease) / increase in cash and cash equivalents in the period | | (5,361) | 2,879 |
| Cash and cash equivalents at the beginning of the period | | 54,865 | 24,443 |
| Cash and cash equivalent at the end of the period | | 49,504 | 27,322 |

The notes on pages 26 to 50 form part of this condensed consolidated financial information.

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This condensed interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" ("IAS 34"). The financial information has been prepared on a going concern basis and on a historical cost basis as amended by the revaluation of land and buildings and investment property. The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity are unaudited. This unaudited interim condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2019. The six months financial results are not necessarily indicative of the full year results.

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment as a result of the impact of COVID-19 coronavirus continues to present a lot of challenges for the Group and its management.

As at 30 June 2020 the Group held land and building assets with a market value of €165 million, compared to external debt of €72 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value ratio" gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, may be subject to repossession by the bank in case of a default of loan terms but will not result in additional financial liabilities for the Company or for the Group. There are also unencumbered assets, which could potentially be leveraged to raise additional finance.

In assessing the going concern basis of preparation of the condensed consolidated interim financial information for the six months ended 30 June 2020, the directors have taken into account the fact of the ongoing working capital management and noted the following:

- Assets held for sale included in current assets are held at cost with a net carrying value of €3.4m and are forecasted to realise proceeds of €7.7 million during 2020;
- Within trade payables of the Group is a performance fee payable to the Property Manager (as disclosed in note 13). The payment terms of this fee are subject to consultation between the parties (see note 17.5), and the actual payment will be subject to available cash flows of the Group.

Although the Directors are aware that the management of the liquidity position of the Group is a high priority considering the impact of COVID-19 coronavirus, the Company underlines that the Group holds significant cash reserves and over the past years proved their abilities in managing its cash position carefully and will continue to do so.

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the date of approval of these interim financial statements. Accordingly the Directors continue to adopt the going concern basis in preparing the consolidated financial statements for the six months ended 30 June 2020.

2. Accounting policies

The accounting policies adopted and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in the annual financial statements for the year ended 31 December 2019, and with those expected to be applied to the financial statements for the year ended 31 December 2020.

As disclosed in the consolidated annual financial statements for the year ended 31 December 2019 at pages 52-54 the Group implemented IFRS 16 and used the modified retrospective approach with 1 January 2019 being the date of initial application. Two of these adjustments applied as of 1 January 2019 were not included in the previously reported condensed consolidated interim report for the six months ended 30 June 2019, therefore in order to ensure comparativeness of the financial information the below balances had to be restated:

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

| | 30 June 2019 (as previously reported) (unaudited) | | IFRS 16 adjustment | | 30 June 2019 (restated) (unaudited) |
|-------------------------------|---|-------------------|-------------------------------------|---|--|
| | €'000 | Transfer €'000 | Revaluation At 1 January 2019 | Revaluation 6 months ended 30 June 2019 | €'000 |
| | | | €'000 | €'000 | |
| Right of use of leased asset | 14,937 | (14,937) | - | - | - |
| Property, plant and equipment | 82,174 | 14,937 | 11,707 | 168 | 108,986 |
| <i>Total assets</i> | | | 11,707 | 168 | |
| Revaluation reserve | (28,298) | - | (9,483) | (136) | (37,917) |
| Deferred tax liabilities | (14,043) | - | (2,224) | (32) | (16,299) |
| <i>Total liabilities</i> | | | (11,707) | (168) | |

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. Segmental information

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

| Six months ended 30 June 2020 (unaudited) | Property rental | Development properties | Hotel operations | Other | Total |
|---|-----------------|------------------------|------------------|----------------|----------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Revenues | 4,251 | 446 | 4,193 | - | 8,890 |
| Cost of operations | (1,420) | (352) | (3,425) | - | (5,197) |
| Gross profit | 2,831 | 94 | 768 | - | 3,693 |
| Administrative expenses | (256) | (51) | (1,231) | (2,010) | (3,548) |
| Gross profit/ (loss) less administrative expenses | 2,575 | 43 | (463) | (2,010) | 145 |
| Other operating income | 2 | 5 | 49 | 4 | 60 |
| Other operating expenses | (7) | (8) | (9) | (10) | (34) |
| Increase in value of investment properties | 1,371 | - | - | - | 1,371 |
| Profit/ (Loss) from operations | 3,941 | 40 | (423) | (2,016) | 1,542 |
| Finance income | 22 | 32 | 25 | 8 | 87 |
| Finance cost | (557) | (10) | (2,197) | (49) | (2,813) |
| Finance costs - other gains – foreign exchange | (1,006) | 237 | (61) | (41) | (871) |
| Share of losses from equity accounted joint ventures | - | (43) | - | - | (43) |
| Segment result before tax | 2,400 | 256 | (2,656) | (2,098) | (2,098) |
| Tax (expense)/ credit | (767) | (14) | 318 | 7 | (456) |
| Profit for the period as reported in the income statement as attributable to non-controlling interests | | | | | (2,554) |

| Six months ended 30 June 2020 (unaudited) | Property rental | Development properties | Hotel operations | Other | Total |
|--|-----------------|------------------------|------------------|-----------------|------------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Reportable segment assets | 100,289 | 5,487 | 110,497 | - | 216,273 |
| Unallocated assets | - | - | - | 35,622 | 35,622 |
| Total assets | 100,289 | 5,487 | 110,497 | 35,622 | 251,895 |
| Reportable segment liabilities | (36,165) | (789) | (68,499) | - | (105,453) |
| Unallocated liabilities | - | - | - | (18,589) | (18,589) |
| Total liabilities | (36,165) | (789) | (68,499) | (18,589) | (124,042) |

| Six months ended 30 June 2020 (unaudited) | Property rental | Development properties | Hotel operations | Other | Total |
|--|-----------------|------------------------|------------------|-------|-------|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Other segment items | | | | | |
| Capital expenditure | 403 | - | 63 | 36 | 502 |
| Depreciation | - | - | 1,129 | 12 | 1,141 |
| Amortisation | - | - | 2 | - | 2 |

ATLAS ESTATES LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

| Six months ended 30 June 2019 (restated) | Property rental | Development Properties | Hotel operations | Other | Total |
|---|-----------------|------------------------|------------------|-----------------|------------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Reportable segment assets | 95,480 | 13,268 | 122,784 | - | 231,532 |
| Unallocated assets | - | - | - | 11,877 | 11,877 |
| Total assets | 95,480 | 13,268 | 122,784 | 11,877 | 243,409 |
| Reportable segment liabilities | (37,587) | (5,828) | (72,378) | - | (115,793) |
| Unallocated liabilities | - | - | - | (17,152) | (17,152) |
| Total liabilities | (37,587) | (5,828) | (72,378) | (17,152) | (132,945) |

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

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There are immaterial sales between the business segments.

Segment assets include investment property, property, plant and equipment, intangible assets, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and financing liabilities.

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

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

Regional Analysis

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

| Revenue | Six months ended | Year ended | Six months ended |
|--------------|------------------|------------------|------------------|
| | 30 June 2020 | 31 December 2019 | 30 June 2019 |
| | (unaudited) | (audited) | (unaudited) |
| | €'000 | €'000 | €'000 |
| Poland | 8,271 | 36,093 | 22,063 |
| Hungary | - | 260 | 415 |
| Bulgaria | 164 | 370 | 164 |
| Romania | 233 | 1,728 | 840 |
| Total | 8,668 | 38,451 | 23,482 |

4. Analysis of expenditure

4.1 Cost of operations

| | Six months ended | Six months ended |
|--|------------------|------------------|
| | 30 June 2020 | 30 June 2019 |
| | (unaudited) | (unaudited) |
| | €'000 | €'000 |
| Costs of sale of residential property | (309) | (6,087) |
| Utilities, services rendered and other costs | (2,599) | (4,170) |
| Legal and professional expenses | (191) | (810) |
| Staff costs | (1,641) | (2,732) |
| Sales and direct advertising costs | (201) | (497) |
| Depreciation and amortisation | (256) | (289) |
| Cost of operations | (5,197) | (14,585) |

4.2 Administrative expenses

| | Six months ended | Six months ended |
|--|------------------|------------------|
| | 30 June 2020 | 30 June 2019 |
| | (unaudited) | (unaudited) |
| | €'000 | €'000 |
| Audit and tax service | (111) | (129) |
| Incentive and management fee | (1,426) | (1,219) |
| Legal and other professional fees | (239) | (259) |
| Utilities, services rendered and other costs | (244) | (212) |
| Staff costs | (488) | (570) |
| Depreciation and amortisation | (885) | (1,007) |
| Other administrative expenses | (155) | (261) |
| Administrative expenses | (3,548) | (3,657) |

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4.3 Finance income and finance costs - net

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 |
|--|--|--|
| Gain on interest rate derivative | 8 | - |
| Other | 79 | 226 |
| Finance income | 87 | 226 |
| Interest payable on bank borrowings | (1,371) | (1,239) |
| Loss on interest rate derivative | (1,097) | (895) |
| Interests on obligations under leases | (190) | - |
| Other similar charges | (155) | (509) |
| Finance costs | (2,813) | (2,643) |
| Finance (costs)/ income, excluding foreign exchange – net | (2,726) | (2,417) |
| Other gains and (losses) – foreign exchange | (871) | (303) |
| Finance income/ (costs), including foreign exchange – net | (3,597) | (2,720) |

5. Tax

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 |
|----------------------------------|--|--|
| Continuing operations | | |
| Current tax | 23 | (621) |
| Deferred tax | (479) | (314) |
| Tax charge for the period | (456) | (935) |

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

6. Dividends

There were no dividends declared or paid in the six months ended 30 June 2020 (2019: €nil).

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

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

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

| Six months ended 30 June 2020 | Loss €'000 | Weighted average number of shares | Per share amount Eurocents |
|---|---------------|--------------------------------------|----------------------------------|
| Continuing operations | | | |
| Basic LPS | | | |
| Loss attributable to equity shareholders of the Company | (2,554) | 46,852,014 | (5.5) |
| Diluted LPS | | | |
| Adjusted loss | (2,554) | 46,852,014 | (5.5) |

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

8. Property, plant and equipment

| | Buildings | Plant and equipment | Motor vehicles | Total |
|--|----------------|---------------------|----------------|-----------------|
| | €'000 | €'000 | €'000 | €'000 |
| Cost or valuation | | | | |
| At 1 January 2019 | 79,115 | 10,693 | 62 | 89,870 |
| Transfer from land held under operating lease | 8,172 | - | - | 8,172 |
| Effect of adoption of IFRS 16 | 19,770 | - | - | 19,770 |
| Additions at cost | 228 | 19 | - | 247 |
| Exchange adjustments | 752 | 89 | - | 841 |
| Revaluation | 8,006 | - | - | 8,006 |
| Transfer to assets classified as held for sale (note 12) | (7,847) | - | - | (7,847) |
| At 31 December 2019 | 108,196 | 10,801 | 62 | 119,059 |
| Additions at cost | 66 | 33 | - | 99 |
| Revaluation | (6,327) | - | - | (6,327) |
| Exchange adjustments | (5,842) | (465) | (2) | (6,309) |
| At 30 June 2020 | 96,093 | 10,369 | 60 | 106,522 |
| Accumulated depreciation | | | | |
| At 1 January 2019 | (5,285) | (8,729) | (61) | (14,075) |
| Transfer from land held under operating lease | (1,279) | - | - | (1,279) |
| Charge for the year | (1,886) | (574) | (1) | (2,461) |
| Adjustment due to revaluation | 1,886 | - | - | 1,886 |
| Exchange adjustments | (177) | (76) | - | (253) |
| Transfer to assets classified as held for sale (note 12) | 1,847 | - | - | 1,847 |
| At 31 December 2019 | (4,894) | (9,379) | (62) | (14,335) |
| Charge for the year | (884) | (255) | - | (1,139) |
| Exchange adjustments | 1,053 | 404 | 2 | 1,459 |
| At 30 June 2020 | (4,725) | (9,230) | (60) | (14,015) |
| Net book value at 30 June 2020 | 91,368 | 1,139 | - | 92,507 |
| Net book value at 31 December 2019 | 103,302 | 1,422 | - | 104,724 |

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| | Buildings €'000 | Plant and equipment €'000 | Motor vehicles €'000 | Total €'000 |
|---|--------------------|---------------------------------|----------------------------|-----------------|
| Cost or valuation | | | | |
| At 1 January 2019 | 79,115 | 10,693 | 62 | 89,870 |
| Transfer from land held under operating lease | 8,172 | - | - | 8,172 |
| Effect of adoption of IFRS 16 | 19,770 | - | - | 19,770 |
| Additions at cost | 78 | 12 | - | 90 |
| Revaluation | 5,946 | - | - | 5,946 |
| Exchange adjustments | 975 | 108 | - | 1,083 |
| At 30 June 2019 | 114,056 | 10,813 | 62 | 124,931 |
| Accumulated depreciation | | | | |
| At 1 January 2019 | (5,285) | (8,729) | (61) | (14,075) |
| Transfer from land held under operating lease | (1,279) | - | - | (1,279) |
| Charge for the period | (973) | (287) | - | (1,260) |
| Adjustment due to revaluation | 973 | - | - | 973 |
| Exchange adjustments | (214) | (90) | - | (304) |
| At 30 June 2019 | (6,778) | (9,106) | (61) | (15,945) |
| Net book value at 30 June 2019 | 107,278 | 1,707 | 1 | 108,986 |

As of 30 June 2019 Hotels Hilton in Warsaw and Golden Tulip in Bucharest constituted the majority of the total property, plant and equipment balance. As of 31 December 2019 and as of 30 June 2020 Golden Tulip hotel in Bucharest is classified to assets classified as held for sale (note 12).

The latest valuation of hotels was performed as of 30 June 2020 (Hilton hotel) and 31 December 2019 (Golden Tulip hotel) by qualified professional valuers, acting in the capacity of external valuers. The results of valuation:

- revaluation adjustments, net of applicable deferred taxes, have been taken to the revaluation reserve in shareholders' equity,
- impairment adjustments have been taken to other operating expenses/ reversal of impairment adjustments have been taken to other operating income.

It should be underlined that the valuation of *Hilton* hotel as of 30 June 2020 was reported by Jones Lang LaSalle on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to this valuation than would normally be the case. This is the result of the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020 and its negative impact on hotel sector. The inputs to the valuation of the Hilton include the forecast of performance of the hotel that has been prepared based on a number of assumptions including occupancy levels and average room rates which are affected by the uncertainty of the continued impact of Covid-19.

The fair value of hotels is level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) (restated) €'000 |
|--|--------------------------------------|--|--|
| Opening balance (level 3 recurring fair values) | 110,632 | 75,700 | 75,700 |
| Transfer from land held under operating lease | - | 6,893 | 6,893 |
| Effect of adoption of IFRS 16 | - | 19,770 | 19,770 |
| Additions at cost | 63 | 228 | 73 |
| Revaluation (losses)/ gains included in other comprehensive income | (6,327) | 9,063 | 6,919 |
| Profit included in other operating income | - | 829 | - |
| Depreciation charge for the year | (1,129) | (2,438) | (1,250) |
| Exchange adjustments | (4,927) | 587 | 785 |
| Closing balance (level 3 recurring fair values) | 98,312* | 110,632* | 108,890 |

* including Golden Tulip hotel presented as assets classified as held for sale in the amount of €5.9 million (31 December 2019: €6.0 million)

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

| Valuation Techniques used | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value |
|---|---|--|
| Income approach The valuation has been undertaken using DCF valuation methodology. | Exit Capitalisation Rate (6.75% - 8.5%) Discount Rate (10.25% - 11.6%) | The higher the exit capitalisation and discounts rates the lower the fair value. |

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

As of 30 June 2020 the Group has pledged property, plant and equipment (including property, plant and equipment classified as held for sale) of €98.3 million (31 December 2019: €110.6 million, 30 June 2019: €82.1 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €47.8 million (31 December 2019: €49.9 million, 30 June 2019: €50.7 million) are secured on these properties.

9. Investment property

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|--|--------------------------------------|--|--------------------------------------|
| At beginning of the year | 89,396 | 91,625 | 91,625 |
| Right of use of land in perpetual usufruct | 89 | 1,021 | 1,021 |
| Disposal of subsidiary (note 19) | - | (11,611) | (11,862) |
| Control regain of subsidiary | - | 1,423 | - |
| Capitalised subsequent expenditure | 403 | 1,328 | 575 |
| Exchange movements | (3,808) | 249 | 628 |
| PV of annual perpetual usufruct fees | - | (3) | - |
| Fair value gains | 1,593 | 5,364 | 668 |
| At the end of the period | 87,673 | 89,396 | 82,655 |

The fair value of the Group's investment properties located in Poland, Romania and Bulgaria has been arrived at on the basis of the latest valuation carried out at 31 December 2019 (except for key properties in Poland: *Atlas Tower* and *Galeria Platinum Towers*, which are based on the valuation carried out as at 30 June 2020) by Jones Lang LaSalle Sp. z o.o. external independent qualified valuer with recent experience valuing the properties in these locations.

All properties were valued on the basis of Market Value and the external valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The fair value of the investment property has not been adjusted for the purposes of financial reporting. In the directors' view, the properties are stated at fair value.

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

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|--|--------------------------------------|--|--------------------------------------|
| Opening balance (level 3 recurring fair values) | 89,396 | 91,625 | 91,625 |
| Control regain of subsidiary | - | 1,423 | - |
| Capitalised subsequent expenditure | 492 | 2,349 | 1,596 |
| Disposals- other | - | (11,614) | (11,862) |
| Unrealized change in fair value | 1,593 | 5,364 | 668 |
| Unrealized foreign exchange movements | (3,808) | 249 | 628 |
| Closing balance (level 3 recurring fair values) | 87,673 | 89,396 | 82,655 |

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

| Valuation Techniques used | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value |
|--|--|---|
| <p>Income approach (Total value of properties at 30 June 2020: €76.3 million)</p> <p>Fair value is determined by applying the income approach based on the estimated rental value of the property.</p> | <p>Discount Rate (8% - 10.25%)</p> <p>Exit Yield (7% - 10%)</p> <p>Letting voids on vacant spaces (9 months)</p> <p>Rent - individually estimated per each property/type of leasable unit (€8/m² - €36/m²)</p> | <p>The higher the exit yield and discounts rates the lower the fair value.</p> <p>The higher the office rent the higher the fair value.</p> |
| <p>Comparable approach (Total value of properties at 30 June 2020: €8.4 million)</p> <p>The valuation technique that uses prices and other relevant information generated by market transactions involving comparable (i.e. similar) assets, adjusted for several factors to ensure comparability of the transactions.</p> | <p>The following adjusting factors were adopted:</p> <ul style="list-style-type: none"> ✓ Size (15% - 10%) ✓ Location (5%) ✓ Negotiation discount (5%-15%) | <p>The higher/ the lower the adjusting factor the higher/ the lower the fair value.</p> |

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

The Group has pledged investment property of €73.9 million (31 December 2019: €75.5 million; 30 June 2019: €70.7 million) to secure certain banking facilities granted to subsidiaries.

10. Inventories

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|-------------------------|--------------------------------------|---|--------------------------------------|
| Completed properties | 1,191 | 1,568 | 1,756 |
| Hotel inventory | 1,064 | 1,120 | 1,218 |
| As at period end | 2,255 | 2,688 | 2,974 |

€0.3 million (31 December 2019: €6.4 million; 30 June 2019: €6.1 million) of inventories was released to cost of operations in the income statement during six months ended 30 June 2020. €nil million was recognised in the income statement in relation to reversal of the impairment on inventories (31 December 2019: €0.1 million in relation to reversal of impairment on inventories; 30 June 2019: €nil).

Nakielska Apartments Project- sale agreement

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

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11. Cash and cash equivalents

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|---|--------------------------------------|--|--------------------------------------|
| Cash and cash equivalents | 42,754 | 23,902 | 24,274 |
| Short term bank deposits | 6,465 | 30,611 | 3,048 |
| As at period end | 49,219 | 54,513 | 27,322 |
| Cash presented as cash held for sale (note 12) | 285 | 352 | - |
| As at period end | 49,504 | 54,865 | 27,322 |

Included in cash and cash equivalents is €6.9 million (31 December 2019: €8.3 million; 30 June 2019: €8.4 million) restricted cash relating to security and customer deposits.

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

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

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|--|--------------------------------------|--|--------------------------------------|
| Assets: | | | |
| Property, plant and equipment | 5,919 | 6,000 | 7,937 |
| Inventory | 32 | 42 | - |
| Cash | 285 | 352 | - |
| Trade and other receivables | 80 | 99 | - |
| Non-current assets classified as held for sale | 6,316 | 6,493 | 7,937 |
| Liabilities: | | | |
| Deferred tax liability | (651) | (659) | - |
| Bank loan | (2,064) | (2,064) | - |
| Trade and other payables | (210) | (131) | (1,355) |
| Liabilities directly associated with non-current assets classified as held for sale | (2,925) | (2,854) | (1,355) |

On 22 November 2018 the Group concluded preliminary sale agreement of *Atlas Estates Tower* (undeveloped real estate property located in Warsaw) at the net sale price of PLN 147 million (which was increased to PLN 148 million based on conditional sale agreement concluded in August 2019). This transaction was completed on 7 October 2019, the full sale price was received and the Group realized a gross profit of €27.6 million.

| | |
|--|----------------|
| | €'000 |
| Proceeds from the sale (net of transaction costs) | 34,179 |
| <u>Book value of assets and liabilities sold</u> | <u>(6,548)</u> |
| Profit on disposal of asset and liabilities held for sale | 27,631 |

Since 31 December 2019 the Group classifies assets and liabilities associated with the Group's investment in D.N.B. - Victoria Towers SRL (i.e. Romanian subsidiary holding Golden Tulip hotel in Bucharest) as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale. On 27 January 2020 the Group concluded sale agreement of investment in D.N.B. - Victoria Towers SRL at the net sale price of €7.7 million. As of 30 June 2020 the book value of this investment (classified as assets held for sale and liabilities directly associated with assets held for sale) amounted to €3.4 million. This transaction is planned to be completed by 31 December 2020 and on April 8, 2020 the Group received a €0.3 million advance in respect of the sale price.

30 June 2020 31 December 2019 30 June 2019

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| | (unaudited) €'000 | (audited) €'000 | (unaudited) €'000 |
|--|----------------------|--------------------|----------------------|
| At beginning of the year | 6,493 | 5,054 | 5,054 |
| Additions (capitalized expenditures) | - | 1,540 | 1,489 |
| Exchange movements | (84) | (26) | 43 |
| Right of use of land in perpetual usufruct | - | 1,382 | 1,382 |
| Depreciation | - | (50) | (31) |
| Disposal | - | (7,900) | - |
| Disposal- other | (93) | - | - |
| Assets classified as held for sale during the period | - | 6,493 | - |
| As at period end | 6,316 | 6,493 | 7,937 |

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|---|--------------------------------------|--|--------------------------------------|
| At beginning of the year | (2,854) | - | - |
| Right of use of land in perpetual usufruct | - | (1,382) | (1,355) |
| Finance expense | (48) | (36) | - |
| Payment | 48 | 51 | - |
| Exchange movements | 37 | 15 | - |
| Disposal | - | 1,352 | - |
| Liabilities classified as held for sale during the period | (108) | (2,854) | - |
| As at period end | (2,925) | (2,854) | (1,355) |

13. Trade and other payables

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|--|--------------------------------------|--|--------------------------------------|
| Current | | | |
| Trade payables | (820) | (946) | (1,160) |
| Other tax and social security | (839) | (554) | (637) |
| Amounts due to Atlas Management Company Group in respect of management and performance fee | (11,578) | (10,802) | (10,694) |
| Other creditors | (516) | (190) | (22) |
| Amounts payable to related party (note 16b) | (240) | (240) | (240) |
| Accruals and deferred income | (2,895) | (3,182) | (6,307) |
| Income tax payable | - | (36) | (22) |
| Amounts payable to Felikon Kft (note 16c) | (6,196) | (6,153) | - |
| Leases payables | (327) | - | - |
| Total current trade and other payables | (23,411) | (22,103) | (19,082) |
| Non-current – other payables | | | |
| Amounts payable to Felikon Kft (note 16c) | - | - | (6,086) |
| Leases payables | (10,034) | (10,655) | (10,512) |
| Other third party non-current trade and other payables | (1,815) | (1,956) | (1,751) |
| Total non-current trade and other payables | (11,849) | (12,611) | (18,349) |
| Total trade and other payables | (35,260) | (34,714) | (37,431) |

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Included in trade and other payables is deferred income related to pre-sales of apartments. As the construction has now been completed, the amounts of cash paid into escrow accounts has now been released to the subsidiary. The value of the deferred income at 30 June 2020 amounts to €0.3 million (31 December 2019: €0.4 million; 30 June 2019: €0.5 million) and will be released to the income statement upon signing the notarial deeds. The value of deferred income related to hotel services as at 30 June 2020 amounts to €1.0 million (31 December 2019: €0.8m; 30 June 2019: €0.9m) and will be released to the income statement upon delivery of those services to the guest. For both types of deferred income this is expected to be recognised in revenue within 12 months.

14. Bank loans

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|---|---|---|---|
| Current | | | |
| <i>Bank loans and overdrafts due within one year or on demand</i> | | | |
| Secured | (5,777) | (2,726) | (2,824) |
| Non-current | | | |
| <i>Repayable within two years</i> | | | |
| Secured | (2,524) | (5,671) | (5,990) |
| <i>Repayable within three to five years</i> | | | |
| Secured | (61,179) | (23,343) | (25,605) |
| <i>Repayable after five years</i> | | | |
| Secured | - | (40,401) | (41,187) |
| | (63,703) | (69,415) | (72,782) |
| Total | (69,480) | (72,141) | (75,606) |

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

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

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

| | Euro €'000 | Zloty €'000 | Total €'000 |
|---|---------------|----------------|----------------|
| Bank loans and overdrafts – 30 June 2020 | 42,958 | 28,586 | 71,544* |
| Bank loans and overdrafts – 31 December 2019 | 43,855 | 30,350 | 74,205* |
| Bank loans and overdrafts – 30 June 2019 | 44,839 | 30,767 | 75,606 |

(* including loan balance presented as liabilities held for sale in note 12)

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Debt financing

Changes in the six months ended 30 June 2020

During six months ended 30 June 2020 the Group paid €1.3 million in respect of scheduled partial repayments of several loans extended to the Group's projects (*Hilton* and *Golden Tulip* hotels, *Atlas Tower*, *Galeria Platinum Towers*).

Other changes were described at page 14.

Changes in the year ended 31 December 2019

During 2019 the Group paid €2.8 million in respect of scheduled partial repayments of several loans extended to the Group's projects (*Hilton* and *Golden Tulip* hotels, *Atlas Tower*, *Galeria Platinum Towers*).

Following the deconsolidation of the Company's subsidiary Felikon Kft in the first quarter 2019 the loan facility extended to this subsidiary totalling €12.2 million was derecognized as being part of the Group's bank loans in the consolidated financial statements as of 31 December 2019.

15. Derivative financial instruments

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|--|--------------------------------------|--|--------------------------------------|
| <i>Derivatives not designated as hedging instruments:</i> | | | |
| - Interest rate swap | (3,024) | (2,042) | (2,254) |
| Total financial instruments classified as held for trading | (3,024) | (2,042) | (2,254) |
| <i>Less non-current portion:</i> | | | |
| - Interest rate swap | - | - | - |
| Current portion | (3,024) | (2,042) | (2,254) |

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

16. Related party transactions

(a) Key management compensation

| | 30 June 2020 (unaudited) €'000 | 30 June 2019 (unaudited) €'000 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Fees for non-executive directors | 31 | 31 |

The Company has appointed AMC, a company under common control, to manage its property portfolio. In consideration of the services provided, AMC charged a management fee of €1.4 million for the six months ended 30 June 2020 (year ended 31 December 2019: €2.5 million; six months ended 30 June 2019: €1.2 million). Under the agreement, AMC is also entitled to a performance fee based on the increase in value of the properties over the year. No performance fee has been accrued for the six months ended 30 June 2020 (year ended 31 December 2019: €nil million; six months ended 30 June 2019: €nil million) as discussed in note 18.5.

As of 30 June 2020, €11.6 million included in current trade and other payables was due to AMC (31 December 2019: €10.8 million; 30 June 2019: €10.7 million). In 2020 cash of €0.6 million was paid to AMC in respect of the management fee (31 December 2019 €4.4 million).

(b) On 22 November 2012, the Group acquired 24% interest in the voting shares of Zielono Sp. z o.o., increasing its interests to 100%. As of 30 June 2020 the purchase price of €0.2 million (31 December 2019: €0.2 million, 30 June 2019: €0.2 million) is due to former non-controlling shareholder (Coralcliff Limited).

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- (c) Following deconsolidation of the Company's subsidiary Felikon Kft (as described in note 19) the Group has a loan payable due to Felikon Kft. The loan repayment date is 31 December 2020 however it can be extended to 31 December 2025. As of 30 June 2020 the Group owes €6.2 million (31 December 2019: €6.2 million; 30 June 2019: €6.1 million).

17. Post balance sheet events

No specific significant events have occurred which would require an adjustment to this report, except of the waiver received in respect of *Galeria Platinum Tower* bank facility effective as of 30 June 2020 as disclosed at page 14.

18. Other items

18.1 Information about court proceedings

The Company is not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 15% the Company's net equity.

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.

18.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2020.

18.3 Substantial shareholdings

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

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

| Significant Shareholders | Number of Shares held | Voting Rights |
|--------------------------------------|-----------------------|---------------|
| Euroclear Nominees Limited <EOCO1> | 40,316,174 | 86.05 |
| Atlas International Holdings Limited | 6,461,425 | 13.79 |
| TOTAL | 46,777,599 | 99.84 |

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

| Significant Shareholders | Number of Shares held | Voting Rights |
|--------------------------------------|-----------------------|---------------|
| Fragiolig Holdings Limited | 37,197,437 | 79.39 |
| Atlas International Holdings Limited | 6,461,425 | 13.79 |
| TOTAL | 43,658,862 | 93.18 |

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

18.4 Directors' share interests

There have been no changes to the Directors' share interests during the six months ended 30 June 2020. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the six months ended 30 June 2020.

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18.5 Contingencies

The Board of Directors of the Company (the Board) conducted a review of the PMA and in particular the means by which performance fee is calculated. Of primary concern to the Board were the following issues:

- the drafting of the clauses and definitions in the PMA as regards the calculation of performance fee are not concise and ambiguity can lead to multiple interpretations and thus differing calculations;
- the lack of a properly constructed high-water mark mechanism has led to performance fees being paid multiple times on NAV gains in the same bracket, i.e. performance fees have been paid or accrued on certain gains in NAV, but due to subsequent reductions in NAV in a following period, upon the NAV increasing again in the next period, performance fees have been paid or accrued again on the same NAV increase for which performance fees have been paid previously;
- performance fee calculations appear to be disproportionate to the intention of the PMA which is to set a 12% hurdle rate.

Having concluded its review, and taken external legal advice on the interpretation of the PMA, the Board was of the view that it does not agree with the interpretation which has been taken previously in respect of performance fee calculations and it disputed the amounts which have been paid or accrued. Past Performance Fees which have accrued, but which are yet to be paid amount to €10.8m. The amount due to AMC is subject to change that is contingent on the resolution of the dispute. No asset has been recognised in respect of any reduction of the said balance. AEL and AMC have agreed that no performance fee will be due for 2019. On the basis of the above, the Board was in a position to approve the financial statements of the Company and the consolidated financial statements of the Group for the year ending December 2019, without accruing for a performance fee for 2019 and at the same time the Board commenced discussions with AMC to discuss the above concerns and agree a mechanism which will ensure a fair and appropriate remuneration structure for both parties going forward from 2020. The value of performance fee for 2019 and 2020 which has not been accrued by the Company (if historical interpretation of calculation method is applied) amounts to €0.4 million. The Board have not yet agreed a mechanism for 2020 onwards and accordingly no performance fee has been accrued for the period to 30 June 2020.

19. Principal subsidiary companies and joint ventures

The table below lists the current operating companies of the Group. In addition, the Group owns other entities which have no operating activities. In 2020 there were no changes in the Group structure. In 2019 there were no changes in the Group structure except for:

- Deconsolidation of the subsidiary over which the Group control was lost:
 - a Hungarian subsidiary, Felikon Kft., which received on 27 February 2019 a decision from the Metropolitan Companies' Court in Budapest ordering the compulsory strike off of Felikon Kft. The court's decision commenced a process of liquidation and deletion of Felikon Kft. from the companies register. No gain or loss was recognised in the consolidated financial statements for the year ended 31 December 2019 as a result of this event. Additionally, the liability of €6.2m in note 15c arose as it was no longer subject to elimination post de-consolidation of Felikon from the Group.

| | €'000 | €'000 |
|--|----------|-------|
| The fair value of any consideration received | | - |
| The carrying amount of the deconsolidated subsidiary's assets and liabilities: | | |
| - Investment property | 11,611 | |
| - Cash | 604 | |
| - Trade and other receivables | 6,063 | |
| - Trade and other payables | (5,616) | |
| - Deferred tax liability | (429) | |
| - Loans | (12,233) | |
| Nil gain or loss on the deconsolidation of Felikon Kft | - | - |

- consolidation of the subsidiary over which the Group control was lost in 2014:
 - a Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. which was under bank enforcement proceedings since 2014. In November 2019 following an agreement and part settlement of the outstanding liabilities owed by the company to the bank, the bank released the company of all obligations towards the bank, and the Group control over this subsidiary was regained. The gain was recognised in the consolidated financial statements for the year ended 31 December 2019 as a result of this event.

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| | €'000 | €'000 |
|--|-------|-------|
| The fair value of any consideration paid | | - |
| The carrying amount of the consolidated subsidiary's assets and liabilities: | | |
| - Investment property | 1,423 | |
| - Trade and other receivables | 328 | |
| - Trade and other payables | (543) | |
| Gain on the consolidation of Atlas Estates (Kokoszki) Sp. z o.o. | 1,208 | - |

| 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% |
| Holland | Atlas Residential BV | Holding | 100% |
| Holland | Atlas HPO BV | Holding | 100% |
| Guernsey | Atlas Finance (Guernsey) Limited | Holding | 100% |
| Curacao | Atlas Estates Antilles B.V. | Holding | 100% |
| Cyprus | Fernwood Limited | Holding | 100% |
| Poland | AEP Sp. z o.o. | Management | 100% |
| Poland | AEP Sp. z o.o. 2 SKA | Holding | 100% |
| Poland | AEP Sp. z o.o. 3 SKA | Holding | 100% |
| Poland | Platinum Towers AEP Sp. z o.o. SKA | Development | 100% |
| Poland | Zielono AEP Sp. z o.o. SKA | Development | 100% |
| Poland | Properpol Sp. z o.o. | Investment | 100% |
| Poland | Atlas Tower Sp. z o.o. (former name: Atlas Estates (Millennium) Sp. z o.o.) | Investment | 100% |
| Poland | Atlas Estates (Sadowa) Sp. z o.o. | Investment | 100% |
| Poland | Atlas Estates (Kokoszki) Sp. z o.o. | Investment | 100% |
| Poland | Capital Art Apartments AEP Sp. z o.o. Sp. j. | Development | 100% |
| Poland | HGC Gretna Investments Sp. z o.o. Sp. j. | Hotel operation | 100% |
| Poland | Mantezja 3 Sp. z o.o. | Hotel operation | 100% |
| Poland | HPO AEP Sp. z o.o. Sp. j. | Development | 100% |
| Poland | Atlas Estates (Cybernetyki) Sp. z o.o. | Development | 50% |
| Poland | Le Marin Sp. z o.o. | Development | 100% |
| Poland | Atlas Estates (Przasnyska 9) Sp. z o.o. | Development | 100% |
| Poland | La Brea Management Sp. z o.o. | Development | 100% |
| Poland | CAA Finance Sp. z o.o. | Development | 100% |
| Poland | Gretna Investments Sp. z o.o. | Holding | 100% |
| Poland | Gretna Investments Sp. z o.o. 4 SKA | Holding | 100% |
| Poland | Atlas Estates (Wilanów) Sp. z o.o. (former name: Negros 3Sp. z o.o.) | Holding | 100% |
| Hungary | CI-2005 Investment Kft. | Development | 100% |
| Hungary | Atlas Estates (Moszkva) Kft. | Investment | 100% |
| Romania | World Real Estate SRL | Investment | 100% |
| Romania | Atlas Solaris SRL | Development | 100% |
| Romania | D.N.B. - Victoria Towers SRL | Hotel operation | 100% |
| Bulgaria | Immobul EOOD | Investment | 100% |

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

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INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 | Note |
|--|--|---|------|
| Revenues | - | - | |
| Cost of operations | - | - | |
| Gross profit | - | - | |
| Administrative expenses | (1,430) | (1,104) | 1 |
| Other operating income | - | - | |
| Other operating expenses | (13,224) | - | 3 |
| Loss from operations | (14,654) | (1,104) | |
| Finance income | - | 4,000 | 2 |
| Finance costs | (39) | (36) | 2 |
| Other (losses) and gains – foreign exchange | 3 | 2 | 2 |
| (Loss)/ Profit before taxation | (14,690) | 2,862 | |
| Tax expense | - | - | |
| (Loss)/ Profit for the period | (14,690) | 2,862 | |
| Total comprehensive (loss)/ profit for the period | (14,690) | 2,862 | |

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INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2020

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 | Note |
|------------------------------------|--------------------------------------|---|--------------------------------------|------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Investment in subsidiaries | 145,255 | 158,779 | 142,376 | 3 |
| Loans receivable from subsidiaries | 87 | 81 | 75 | |
| | 145,342 | 158,860 | 142,451 | |
| Current assets | | | | |
| Trade and other receivables | 8 | 4 | 12 | |
| Cash and cash equivalents | 31 | 370 | 1,022 | |
| | 39 | 374 | 1,034 | |
| TOTAL ASSETS | 145,381 | 159,234 | 143,485 | |
| Non-current liabilities | | | | |
| Other payables | (5,834) | (5,796) | (5,308) | 4 |
| | (5,834) | (5,796) | (5,308) | |
| Current liabilities | | | | |
| Trade and other payables | (11,694) | (10,895) | (10,688) | 4 |
| | (11,694) | (10,895) | (10,688) | |
| TOTAL LIABILITIES | (17,528) | (16,691) | (15,996) | |
| NET ASSETS | 127,853 | 142,543 | 127,489 | |
| EQUITY | | | | |
| Share capital account | 6,268 | 6,268 | 6,268 | |
| Other distributable reserve | 194,817 | 194,817 | 194,817 | |
| Accumulated loss | (73,232) | (58,542) | (73,596) | |
| TOTAL EQUITY | 127,853 | 142,543 | 127,489 | |

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INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Six months ended 30 June 2020 (unaudited) | Share capital account | Other reserves | Accumulated loss | Total |
|--|----------------------------------|---------------------------|-----------------------------|----------------|
| | €'000 | €'000 | €'000 | €'000 |
| As at 1 January 2020 | 6,268 | 194,817 | (58,542) | 142,543 |
| Total comprehensive loss for the period | - | - | (14,690) | (14,690) |
| As at 30 June 2020 | 6,268 | 194,817 | (73,232) | 127,853 |

| Year ended 31 December 2019 | Share capital account | Other reserves | Accumulated loss | Total |
|---|----------------------------------|---------------------------|-----------------------------|----------------|
| | €'000 | €'000 | €'000 | €'000 |
| As at 1 January 2019 | 6,268 | 194,817 | (76,458) | 124,627 |
| Total comprehensive income for the year | - | - | 17,916 | 17,916 |
| As at 31 December 2019 | 6,268 | 194,817 | (58,542) | 142,543 |

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

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INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

NON-CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended 30 June 2020

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 |
|---|---|--|
| (Loss)/ Profit for the period | (14,690) | 2,862 |
| Adjustments for: | | |
| Finance costs | 38 | 35 |
| Finance income | - | (4,000) |
| Impairment on investments | 13,224 | - |
| | (1,428) | (1,103) |
| Changes in working capital | | |
| Increase in trade and other receivables | (4) | (8) |
| Increase/ (Decrease) in trade and other payables | 799 | (2,086) |
| Net cash used in operating activities | (633) | (3,197) |
| Investing activities | | |
| New loans advanced to subsidiaries | (6) | (7) |
| Income from subsidiary | 300 | 4,000 |
| Net cash from investing activities | 294 | 3,993 |
| Financing activities | | |
| Loan received from subsidiary | - | 200 |
| Net cash from financing activities | - | 200 |
| Net (decrease)/ increase in cash and cash equivalents in the year as a result of cashflows | (339) | 996 |
| Effect of foreign exchange rates | - | - |
| Net (decrease)/ increase in cash and cash equivalents in the period | (339) | 996 |
| Cash and cash equivalents at the beginning of the period | 370 | 26 |
| Cash and cash equivalents at the end of the period | 31 | 1,022 |
| Cash and cash equivalents | | |
| Cash at bank and in hand | 31 | 1,022 |
| Bank overdrafts | - | - |
| | 31 | 1,022 |

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INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

1. Administrative expenses

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 |
|-----------------------------------|--|--|
| Audit and tax services | (42) | (36) |
| Incentive and management fee | (1,287) | (980) |
| Legal and other professional fees | (63) | (49) |
| Insurance cost | (7) | (8) |
| Staff costs | (31) | (31) |
| Administrative expenses | (1,430) | (1,104) |

2. Finance income

| | Six months ended 30 June 2020 (unaudited) €'000 | Six months ended 30 June 2019 (unaudited) €'000 |
|--|--|--|
| Bank and other similar charges | (1) | (1) |
| Interest payable on loan received from subsidiary | (38) | (35) |
| Finance costs | (39) | (36) |
| Interest receivable on shareholder loans | - | - |
| Dividend income from subsidiary | - | 4,000 |
| Finance income | - | 4,000 |
| Finance income/ costs, excluding foreign exchange – net | (39) | 3,964 |
| Unrealised foreign exchange gains | 3 | 2 |
| Unrealised foreign exchange losses | - | - |
| Realised foreign exchange gains | - | - |
| Realised foreign exchange losses | - | - |
| Other gains and (losses) – foreign exchange | 3 | 2 |
| Finance income, including foreign exchange – net | (36) | 3,966 |

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3. Investment in subsidiaries

| | Six months ended 30 June 2020 | Year ended 31 December 2019 | Six months ended 30 June 2019 |
|--|----------------------------------|--------------------------------|----------------------------------|
| | (unaudited) €'000 | (unaudited) €'000 | (unaudited) €'000 |
| Shares in subsidiary undertakings | | | |
| <i>Cost</i> | | | |
| At beginning of period | 217,681 | 217,681 | 217,681 |
| Decrease | (300) | - | - |
| At the end of the period | 217,381 | 217,681 | 217,681 |
| <i>Impairment</i> | | | |
| At beginning of period | (58,902) | (75,305) | (75,305) |
| Additions | (13,224) | - | - |
| Reversal | - | 16,403 | - |
| At the end of the period | (72,126) | (58,902) | (75,305) |
| At the end of the period | 145,255 | 158,779 | 142,376 |

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 19 of the interim condensed consolidated financial information.

The Company has carried out an impairment review of the carrying values of investments and loans receivable from subsidiaries. The Company considers the best indication of value of investments and loans to subsidiaries to be the valuation reports produced by the independent qualified experts.

In the six months period ended 30 June 2020 €13.2 million was recognised in other operating expenses in respect of impairment on investment in subsidiaries (in 2019 €16.4 million was recognised in other operating income in respect of reversal of impairment on investment in subsidiaries; in the six months period ended 30 June 2019: €nil million was recognised in other operating expenses in respect of impairment on investment in subsidiaries).

The method applied to assign value to the company's investments is fair value less costs to sell and has been based on the property valuations assessed by independent experts and, where appropriate, management. In assessing the value of each investment the Company has considered not only the asset value recognized 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. The Net Asset Value of the Group has decreased from €142.5m to €127.8m which facilitates an impairment of €13.2m such that the Company's net assets match and do not exceed the Group's Net Assets.

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INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

4. Trade and other payables

| | 30 June 2020 (unaudited) €'000 | 31 December 2019 (audited) €'000 | 30 June 2019 (unaudited) €'000 |
|--|--------------------------------------|--|--------------------------------------|
| Current | | | |
| Amounts due to Atlas Management Company Group in respect of management and performance fee | (11,547) | (10,720) | (10,603) |
| Trade payables | (147) | (175) | (85) |
| | (11,694) | (10,895) | (10,688) |
| Non-current | | | |
| Loan from subsidiary | (5,834) | (5,796) | (5,308) |
| | (5,834) | (5,796) | (5,308) |
| Total trade and other payables | (17,528) | (16,691) | (15,996) |

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

The loan payable to the subsidiary (HGC Gretna Investments Sp. z o.o Sp. J.) is interest bearing. The Company accrued interest of €38 thousand in the 6 months ended 30 June 2020 (year ending 31 December 2019: €73 thousand; 6 months ended 30 June 2019: €35 thousand). In the first half of 2020 the Company did not raise any funds in respect of this loan (€200 thousand in H1 2019). As at 30 June 2020 the loan balance including accrued interest due to the subsidiary amounted to €5.8 million (as of 31 December 2019: €5.8 million; 6 months ended 30 June 2019: €5.3million).