# ATLAS ESTATES LIMITED
# CONDENSED CONSOLIDATED QUARTERLY REPORT
# THIRD QUARTER 2014

Atlas Estates Limited
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Guernsey GY1 3HB
Company number: 44284

# ATLAS ESTATES LIMITED

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# ATLAS ESTATES LIMITED

## Financial Highlights

| Selected Consolidated Financial Items | Nine months ended 30 September 2014 | Three months ended 30 September 2014 | Nine months ended 30 September 2013 restated | Three months ended 30 September 2013 restated |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Revenues | 28,092 | 7,445 | 23,905 | 8,491 |
| Gross profit | 10,279 | 3,023 | 8,926 | 3,066 |
| (Decrease)/ Increase in value of investment properties | (14,409) | - | 4,553 | - |
| (Loss)/ Profit from operations | (9,336) | 1,195 | 6,434 | 1,447 |
| (Loss)/ Profit before tax | (14,697) | (771) | 489 | 3,205 |
| (Loss)/ Profit for the period | (14,874) | (837) | 137 | 3,177 |
| (Loss)/ Profit attributable to owners of the parent | (14,874) | (837) | 137 | 3,177 |
| | | | | |
| Cash flow from operating activities | 2,642 | (5,681) | 19,192 | 11,994 |
| Cash flow from investing activities | (10) | (234) | (1,013) | (475) |
| Cash flow from financing activities | (6,977) | (1,449) | (13,120) | (3,249) |
| Net (decrease)/ increase in cash | (4,446) | (7,419) | 4,552 | 8,481 |
| | | | | |
| Non-current assets | 225,910 | 225,910 | 234,843 | 234,843 |
| Current assets | 56,956 | 56,956 | 80,029 | 80,029 |
| Total assets | 283,440 | 283,440 | 315,572 | 315,572 |
| Current liabilities | (106,857) | (106,857) | (160,321) | (160,321) |
| Non-current liabilities | (114,869) | (114,869) | (81,671) | (81,671) |
| Total liabilities | (221,726) | (221,726) | (241,992) | (241,992) |
| Basic net assets (1) | 61,714 | 61,714 | 73,580 | 73,580 |
| | | | | |
| Number of shares outstanding | 46,852,014 | 46,852,014 | 46,852,014 | 46,852,014 |
| | | | | |
| (Loss)/ Earnings per share (eurocents) | (31.7) | (1.8) | (0.3) | 6.8 |
| Basic net asset value per share (€) | 1.3 | 1.3 | 1.6 | 1.6 |

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

# ATLAS ESTATES LIMITED

## Chairman's Statement

Dear Shareholders,

I am pleased to announce the unaudited financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the nine and three months ended 30 September 2014.

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

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

- the residential projects that the Group is currently developing in Warsaw (*Apartamenty przy Krasińskiego*, *Concept House* and *Capital Art Apartments III & IV*) are well placed to meet the ongoing demand for quality residential property, which is demonstrated by a high level of sales and pre-sales (as presented in the Property Manager's Report on page 12);

- the above described success in the development sector contributed to the full repayment of the loan facilities extended to *Apartamenty przy Krasińskiego, Platinum Towers* and *Concept House* projects in July 2013, December 2013 and February 2014, respectively;

- in July and August 2014, the Group signed the agreements on the purchase of the right of perpetual usufruct of real estate properties situated in Żoliborz and Wola districts of Warsaw, with a total area of over 18,990 sqm, for use in future residential development projects. The Company estimates that approximately 410 apartments can be developed on these properties.

**Reported Results**

As of 30 September 2014 the Group has reported basic net assets of €61.7 million.

The decrease of basic net asset value by €14.6 million (i.e. by 19%) from €76.3 million as at 31 December 2013 is primarily a result of decrease in fair value of investment properties amounting to €14.4 million. The significant decrease in the fair value of investment properties recorded as at 30 September 2014 mainly represents the fair value loss on land banks in Romania as a result of the valuation performed as of 30 June 2014.

The Market Comparison Method has been used to obtain an initial value for these investment properties. The values were determined directly by reference to observable asking prices and recent realised arm's length transactions. However, these initial valuations have been modified through changes in the assumed orderly sale period between willing participants in order to establish the fair value under current market conditions, resulting in a decrease in valuation of 70%.

The recorded valuations are based on assumed orderly sale periods, of 6 months, rather than 18 months as per the initial and previous valuations, and takes into account the following factors:

- limited development financing available in Romania,
- limited numbers of investors prepared to invest in Romania assets,
- developers in Romania reducing their pipeline of scheduled projects and looking to exist planned projects rather than to acquiring new projects,
- active investors taking an opportunistic approach to acquire properties under distressed situations.

There remains a risk that eventual disposal prices of these properties could differ significantly from those included in the financial statements.

Managing working capital is an important challenge for the management. Over the last quarter we have observed sudden working capital deterioration from €6.1 million as of 31 December 2013 and €6.3 million as of 30 June 2014 to negative balance of (€49.9 million) as of 30 September 2014. In the preparation of the interim condensed consolidated financial statements for the nine months period ended 30 September 2014 the bank facility extended to *Hilton* hotel in Poland amounting to €54.2m was classified as short term liability as it is due in September 2015 (whereas as of 30 June 2014 and 31 December 2013 it was classified as long term liability). The intention of the Company's management is to arrange new financing in order to refiance this facility before its due date.

Loss after tax amounts to €14.9 million for the nine months period ended 30 September 2014 as compared to profit after tax of €0.1 million for the nine months period ended 30 September 2013. The loss increase amounting to €15.4 million is mainly attributable to:

- the above described fair value loss of investment properties of €14.4 million, whereas in the first nine months of 2013 fair value gain of €4.5 million was recorded;

- drop of finance income from €2.9 million in the first nine months of 2013 to €0.2 million in the first nine months of 2014. €2.4 million bank loan write off was recorded in 2013 as the Group reached a settlement with the bank financing its property in Bulgaria based on which the Group received €2.4 million discount on the one off repayment of the outstanding loan facility;

offset by:

- increase in gross profit achieved (€10.3 million in the first nine months of 2014 as compared to €8.9 million in the first nine months of 2013);

- decrease of the other operating expenses by €2.9 million is mainly due to €2.9 million impairment of property, plant and equipment recognized in 2013;

- decrease in the foreign currency exchange losses from €4.6 million in the first nine months of 2013 to €1.2 million in the first nine months of 2014 mainly as a result of the stabilisation in the foreign exchange rates.

**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.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the interim condensed consolidated financial information for the nine months ended 30 September 2014, as set out in note 1.

**Investing Policy**

Atlas mainly invests in Poland in a portfolio of real estate assets across a range of property types. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets. We actively target Poland, where the economy is believed to be the most attractive amongst CEE economies. The Group is searching there for new plots to commence new development projects.

We invest both on our own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects. We may employ leverage to enhance returns on equity. Wherever possible, the Directors intend to seek financing on a non-recourse, asset by asset basis. The Company has no set limit on its overall level of gearing. However, it is anticipated that the Company shall employ a gearing ratio of up to 75% of the total value of its interest in income-generating properties within its property portfolio.

Given the positive prospects for the residential sector in Poland (and in Warsaw specifically), we currently attribute significant efforts in locating lands on which we can develop residential projects.

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

The Company has used NAV per share and Adjusted NAV per share as key performance measures since its IPO. In the nine months to 30 September 2014, NAV per share, as reported in the interim condensed consolidated financial information, which has been prepared in accordance with International Financial Reporting Standards ("IFRS"), has decreased from the level of €1.6 per share as at 31 December 2013 to €1.3 per share 30 September 2014.

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

The latest valuation was performed as of 30 June 2014 and comprised key assets (*Hilton* Hotel and *Millennium Plaza*-office building located in Warsaw) as well as land banks in Romania. As of 30 June 2014 Jones Lang LaSalle was used as an independent external expert.

**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. The Group's annual financial statements for the year ended 31 December 2013 set out how Atlas applies the standards of corporate governance.

**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 2014 are summarised in the Property Manager's Report on pages 15 and 16 below.

**Prospects**

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

**Andrew Fox**
**CHAIRMAN**
**14 November 2014**

# ATLAS ESTATES LIMITED

## Review of the Property Manager

In this report we present the operating results for the nine and three months ended 30 September 2014. 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 September 2014, the Company held a portfolio of twenty two properties comprising twelve investment properties of which eight are income yielding properties, three are held for capital appreciation and one is held for sale, two hotels and eight development properties.

It could be a long road to recovery for the real estate market in Central & Eastern Europe (CEE). Before the global financial crisis, investors perceived the individual countries of the CEE more as one region, resulting in narrowing differences between the individual countries' investment markets. In reaction to the global financial crisis and the reappraising of risk, investors are increasingly tending to look at each country and its economy individually. This divergence and a search for quality have produced a mixed picture in the region, albeit since 2009 the time has been challenging for everyone.

As a result of these uncertainties and changing conditions, management has taken measures to mitigate risks across the portfolio. This has included reducing costs and staffing levels and putting on hold higher risk investment activity. Nevertheless, key development projects have been completed on time and several new developments have commenced in the latest periods.

**Markets and Key Properties**

**Poland**

This is the major market of operation for the Group, with approximately 80% of the Group's portfolio located there. The Polish economy has been one of the most resilient economies in Europe with GDP growth of 1.6% in 2013 (3.1% expected in 2014). There had been significant increases in property prices in previous years. These were reversed in 2009, which showed significant drop in assets values. Starting at 2010 a trend of stabilisation at the lower levels of valuations was noted on the market, which is continued till now.

**Hilton Hotel, Warsaw**

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

**Platinum Towers**

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

**Capital Art Apartments**

The *Capital Art Apartments* project in Warsaw is another development in the Wola district of Warsaw close to the city centre. It is a four stage development which will release 784 apartments in the city with parking and amenities, including retail facilities.

With both the first and the second stage completed, the Company has, to date, sold all of the 219 apartments in the first stage, with a further 297 out of 300 apartments in the second stage having been sold. Construction of the third and fourth stages, comprising 265 apartments, is in progress and as of 30 September 2014 the Company pre-sold 220 apartments. Construction of the third stage should be completed by December 2014 and of the fourth stage by August 2015.

**Concept House**

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

The construction of the development was completed in 2013 and as of 30 September 2014 only 15 apartments are unsold.

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

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

The first stage of this development includes 303 apartments in the city with parking as well as amenities, including retail facilities. The construction of the first stage was completed in 2013 and as of 30 September 2014 only 9 apartments are unsold.

*Apartamenty przy Krasińskiego II is* the second stage of this successful development project. This stage is in an early planning phase and it is estimated that it will release approximately 170 apartments with underground parking and retail facilities.

**Nakielska Apartment Project (NAP)**

*Nakielska Apartment Project* is a residential development in the Wola district of Warsaw. It will be a two stage development which will release 240 apartments with parking and amenities, including retail facilities. This project is an early planning phase.

**Other properties in Poland**

The Group also owns two investment properties in Poland.

The *Millennium Plaza* is a 32,700 sqm office and retail building centrally located in Warsaw with occupancy rate of 66% as of 30 September 2014.

The *Sadowa* office is a 6,550 sqm office building in Gdańsk. During the year its occupancy ratio remains high (100% as of 30 September 2014 and 99% as of 31 December 2013).

The Group's portfolio also contains valuable land assets in Warsaw and Gdańsk.

**Hungary**

In Hungary, the Group's portfolio is comprised of seven properties, all of which are located in Budapest. Five are income producing assets. One of them – *Moszkva* office building – has been classified as an asset held for sale – as disclosed in note 15 of the interim condensed consolidated financial statements.

The Hungarian economy has suffered from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and has experienced client losses and pricing pressures affecting its income yielding assets. In 2013 a slight increase in GDP of 1.1% was noted. In 2014 GDP increase of 2.0% is expected.

**Romania**

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks. The Romanian GDP increased by 3.5% in 2013 (GDP increase of 2.2% is expected in 2014). Despite the difficult trading conditions, occupancy rates at the Golden Tulip remained stable and amounted to 75% for the nine month period ended 30 September 2014 (71% for the nine months period ended 30 September 2013).

As of 30 September 2014 the market value of the two land banks in Romania was significantly reduced as further discussed on page 38.

**Bulgaria**

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

**Financial Review**

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

**Portfolio valuation and valuation methods**

An independent valuation of the entire property portfolio is carried out on an annual basis. For the interim semi-annual accounts the external experts performed the valuations of the key assets held at market value (i.e. *Millennium Plaza*-office building and *Hilton* hotel) as well as Romanian land banks. As of 30 June 2014 Jones Lang LaSalle was acting as independent expert.

**Loans**

As at 30 September 2014, the Company's bank debt was €185 million (31 December 2013: €188 million; 30 September 2013: €187 million). Loans, valuations and Loan to Value ratios ("LTV") for those periods may be analysed as follows:

| | Loans | Valuation | Loan to Value Ratio | Loans | Valuation | Loan to Value Ratio | Loans | Valuation | Loan to Value Ratio |
|---|---|---|---|---|---|---|---|---|---|
| | 30 September 2014 | | | 31 December 2013 | | | 30 September 2013 | | |
| | € millions | € millions | % | € millions | € millions | % | € millions | € millions | % |
| Investment property | 127 | 130 | 98% | 129 | 145 | 89% | 113 | 141 | 80% |
| Hotels | 57 | 91 | 63% | 58 | 90 | 64% | 59 | 89 | 66% |
| Development property in construction | 1 | 12 | 8% | 1 | 13 | 8% | 1 | 12 | 8% |
| Other development property | - | - | 0% | - | - | 0% | 14 | 12 | 117% |
| **Total** | **185** | **233** | **79%** | **188** | **248** | **76%** | **187** | **254** | **74%** |

The valuations in the table above differ from the values included in the consolidated balance sheet as at 30 September 2014, 31 December 2013 and 30 September 2013 due to the treatment under IFRS of land held under operating leases and development property.

LTV ratio of investment property increased from 80% as of 30 September 2013 to 89% as of 31 December 2013 mainly due to reclassification of one Romanian property and its related loan balance from the development to investment property (as disclosed in note 10). The further increase of this ratio to 98% as of 30 September 2014 was mainly impacted by the significant decrease in the valuation of Romanian land banks as described on page 38.

As of 30 September 2014 The LTV ratio of hotels amounted to 63% and remained at a similar level as compared to 31 December 2013 (64%) and 30 September 2013 (66%).

The LTV ratio of development property under construction remains low and represents the loan extended to the development project in construction *Capital Art Apartments.*

As of 30 September 2014 the LTV ratio of other development property decreased as compared to 31 December 2013 and 30 September 2013 due to the above mentioned reclassification of property from other development to investment property line.

The gearing ratio is 73% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratios remained at the similar levels as compared to 31 December 2013 (69%).

**Debt financing**

*New loans*

On 2 September 2013 the Group obtained financing for *Galeria Platinum Towers* project located in Warsaw. The loan facility amounted to €4.3 million and is to be repaid by 30 June 2018. This facility was used as refinancing of the facility extended to *Platinum Towers* project.
In 2014 no new loans were extended to the Group.

*Repaid loans*

On 31 July 2013 and 4 December 2013 the Group fully repaid the loan facilities extended to the development projects: *Apartamenty przy Krasińskiego* and *Platinum Towers*.

On 11 February 2014 the loan facility extended to *Concept House* residential development was repaid.

*Portfolio of cross* collateralised *banking facilities*

The Group has four facilities that have been cross collateralised since February 2010 totalling €90.8 million (31 December 2013: €90.9 million; 30 June 2013: €91.7 million). Since two of these facilities were due but not paid as of 30 September 2013 all four facilities totalling €90.8million were presented as bank loans and overdrafts due within one year or on demand in the statement of financial position as of 30 September 2013.

On 15 October 2013 the Company signed the amendment to the existing bank loan agreements extending repayment date of unpaid facilities to 31 December 2015. Since 15 October 2013 all four facilities are not in default and are classified as non-current liabilities in the consolidated statement of financial position as of 31 December 2013, 30 June 2014 and 30 September 2014.

*Hotel Hilton bank facility*

In the preparation of the interim condensed consolidated financial statements for the nine months period ended 30 September 2014 the bank facility extended to *Hilton* hotel in Poland amounting to €54.2m was classified as short term liability as it is due in September 2015. The intention of the Company's management is to arrange new financing in order to refinance this facility before its due date.

*Other loans*

In the preparation of the interim condensed consolidated financial statements for the nine months period ended 30 September 2014, the directors have classified:
- loan facility totalling €15.5 million as bank loans and overdrafts due within one year or on demand, since covenant breaches or defaults arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan;
- loan facility totalling €10.3 million as bank loans and overdrafts due within one year or on demand since this facility is overdue. On 4 March 2014 the Company signed the compromise agreement with the bank, based on which the Company repaid €1.2 million (PLN5.0 million) and the bank was obliged not to execute any collaterals resulting from the loan facility agreement till 31 March 2014. We attribute efforts in order to try agreeing the way forward with the bank.

**Review of the operational performance**

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

# ATLAS ESTATES LIMITED

**Review of the nine and three months ended 30 September 2014**

| | Property Rental € millions | Development Properties € millions | Hotel Operations € millions | Other € millions | Nine months ended 30 September 2014 € millions | Nine months ended 30 September 2013 € millions |
|---|---|---|---|---|---|---|
| Revenue | 9.0 | 5.8 | 13.1 | 0.2 | 28.1 | 23.9 |
| Cost of operations | (4.1) | (4.9) | (8.8) | - | (17.8) | (15.0) |
| **Gross profit** | 4.9 | 0.9 | 4.3 | 0.2 | 10.3 | 8.9 |
| Administrative expenses | (0.6) | (0.3) | (2.3) | (2.2) | (5.4) | (5.2) |
| **Gross profit less administrative expenses** | 4.3 | 0.6 | 2.0 | (2.0) | 4.9 | 3.7 |
| Gross profit % | 54% | 16% | 33% | 100% | 37% | 37% |
| Gross profit less administrative expenses % | 48% | 10% | 15% | -1000% | 17% | 15% |

| | Property Rental € millions | Development Properties € millions | Hotel Operations € millions | Other € millions | Three months ended 30 September 2014 € millions | Three months ended 30 September 2013 € millions |
|---|---|---|---|---|---|---|
| Revenue | 2.9 | 0.6 | 3.9 | 0.1 | 7.5 | 8.5 |
| Cost of operations | (1.3) | (0.6) | (2.5) | - | (4.4) | (5.4) |
| **Gross profit** | 1.6 | - | 1.4 | 0.1 | 3.1 | 3.1 |
| Administrative expenses | (0.3) | - | (0.7) | (0.8) | (1.8) | (5.2) |
| **Gross profit less administrative expenses** | 1.3 | - | 0.7 | (0.7) | 1.3 | (1.7) |
| Gross profit % | 55% | 0% | 36% | 100% | 41% | 36% |
| Gross profit less administrative expenses % | 45% | 0% | 18% | -700% | 17% | 16% |

**Revenues and cost of operations**

Total revenues for nine months ended 30 September 2014 were €28.1 million compared to €23.9 million for the nine months ended 30 September 2013. The Group's principal revenue streams are from its hotel operations, property rental income and income from the sale of the residential apartments that the Group develops. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicality of yielded income or results is also highly diversified.

Cost of operations were €17.8 million in the nine months ended 30 September 2014 compared to €15.0 million for the nine months ended 30 September 2013. €2.8 million increase is principally due to higher number of apartments handed over in residential projects in 2014 (30 September 2014: 40 apartment) as compared to 2013 (30 September 2013: 5 apartments).

Development Properties

| | 9 months period ended 30 September 2014 € millions | 9 months period ended 30 September 2013 € millions | **Total change 2014 v 2013 € millions** | Translation foreign exchange effect € millions | Operational change 2014 v 2013 € millions |
|---|---|---|---|---|---|
| Revenue | 5.8 | 1.4 | **4.4** | - | 4.4 |
| Cost of operations | (4.9) | (2.0) | **(2.9)** | - | (2.9) |
| Gross profit | 0.9 | (0.7) | **1.6** | | 1.6 |
| Administrative expenses | (0.3) | (0.5) | **0.2** | - | 0.2 |
| Gross profit less administrative expenses | 0.6 | (1.2) | **1.8** | | 1.8 |

Proceeds from the sale of residential apartments developed by the Group are only recognised when apartments have been handed over to new owners with notarial deed signed. At this moment the economic risks and rewards are transferred to the new owner and in accordance with the Group's accounting policy, the revenue and associated costs of these apartment are recognised in the income statement. Please note that:
- *Apartamenty przy Krasińskiego* projects construction was finalized in 2013 and the Group has been recognizing the sales and associated costs in the consolidated income statement starting from the fourth quarter of 2013 as the above mentioned criteria have been met;
- *Capital Art Apartments III&IV* project no sales and associated costs have been recognized in the income statement as the project is under construction;
- *Concept House* is a joint venture project and therefore differently accounted as compared to other development projects. The revenues and associated costs of this development are netted and disclosed separately as a single line item as "total investment in equity accounted joint ventures" on the consolidated statement of financial position.

The increase in gross profit realised in the nine months ended 30 September 2014 as compared to the same period in 2013 is mainly a result of an increase in the number of apartments sold. As presented in the table below as of 30 September 2014 the Group managed to complete the sale of 40 apartments (in *Apartamenty przy Krasińskiego, Platinum Tower* and *Capital Art Apartments I&II* projects), whereas in the first nine months of 2013 only the revenues from the sale of the apartments in *Capital Art Apartments II and Platinum Towers* were recognized.

Apartment sales in developments in Warsaw

| | **CAA stage 1** | **CAA stage 2** | **CAA stage 3&4** | **Platinum Towers** | **Apartamenty przy Krasińskiego** | **Concept House*** |
|---|---|---|---|---|---|---|
| Total apartments for sale | 219 | 300 | 265 | 396 | 303 | 160 |
| | | | | | | |
| Sales completions in 2008-2012 | 216 | 287 | - | 388 | - | - |
| Sales completions in 2013 | 1 | 6 | - | 4 | 255 | 53 |
| Sales completions in 2014 | - | 3 | - | 4 | 33 | 84 |
| Total sales completions | 217 | 296 | - | 396 | 288 | 137 |
| | | | | | | |
| Sales not completed as of 30 September 2014 (only preliminary agreements concluded) | 2 | 1 | 220 | - | 6 | 8 |
| | | | | | | |
| Apartments available for sale as of 30 September 2014 | - | 3 | 45 | - | 9 | 15 |
| | | | | | | |

** Joint venture project*

Property Rental

| | 9 months period ended 30 September 2014 € millions | 9 months period ended 30 September 2013 € millions | **Total change 2014 v 2013 € millions** | Translation foreign exchange effect € millions | Operational change 2014 v 2013 € millions |
|---|---|---|---|---|---|
| Revenue | 9.0 | 9.4 | **(0.4)** | - | (0.4) |
| Cost of operations | (4.1) | (4.5) | **0.4** | - | 0.4 |
| Gross profit | 4.9 | 4.9 | **-** | | - |
| Administrative expenses | (0.6) | (0.8) | **0.2** | - | 0.2 |
| Gross profit less administrative expenses | 4.3 | 4.1 | **0.2** | | 0.2 |

In the first nine months of 2014 the gross margin realized by the Property Rental segment remained at similar level to the first nine months of 2013.

Hotels

| | 9 months period ended 30 September 2014 € millions | 9 months period ended 30 September 2013 € millions | **Total change 2014 v 2013 € millions** | Translation foreign exchange effect € millions | Operational change 2014 v 2013 € millions |
|---|---|---|---|---|---|
| Revenue | 13.1 | 13.1 | **-** | - | - |
| Cost of operations | (8.8) | (8.5) | **(0.3)** | - | (0.3) |
| Gross profit | 4.3 | 4.6 | **(0.3)** | - | (0.3) |
| Administrative expenses | (2.3) | (2.3) | **-** | - | - |
| Gross profit less administrative expenses | 2.0 | 2.3 | **(0.3)** | - | (0.3) |

In the first nine months of 2014 the hotel operations slightly deteriorated as compared to the first nine months of 2013 mainly due to higher depreciation of fixtures and fittings. The higher depreciation in 2014 is an effect of capitalized expenditures for Hilton hotel renovation in the last quarter of 2013.

Administrative expenses

Administrative expenses increased by €0.2 million as compared to the nine months ended 30 September 2013 mainly due to increase of property manager fee as a result of higher adjusted NAV (i.e. base of the performance manager fee).

Other operating income and expenses

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

The decrease of other operating income by €0.8 million is mainly due to €0.6 million refund of VAT received in 2013.

The decrease of the other operating expenses by €2.9 million is mainly due to €2.9 million impairment of property, plant and equipment recognized in 2013. The impairment resulted from €1.3 million decrease in the valuation of the hotel in Romania and €1.6 million tangible assets write off (associated with liquidated subsidiary).

Valuation movement

As of 30 September 2014 the decrease of the market value of the investment properties portfolio was of €14.4 million as compared to increase of €4.6 million as of 30 September 2013. This significant movement in 2014 is mainly impacted by the valuation losses recognised in relation to the assets located in Romania as further discussed on page 38.

Finance income and costs

Finance income decreased by €2.8 million primarily due to a previous €2.4 million bank loan write off. In the first quarter 2013 the Group reached a settlement with the bank financing its property in Bulgaria based on which the Group received €2.4 million discount on the one off repayment of the outstanding loan facility.

The income statement includes finance costs of €4.2 million for the nine months ended 30 September 2014, compared with €4.1 million in comparative period in 2013, representing mainly interests on bank loans and related bank charges.

**Foreign exchange**

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

In the nine months ended 30 September 2014 the Group reported exchange losses of €1.2 million as compared to €4.6 million losses in the nine months ended 30 September 2013. These losses were due to the unrealised foreign exchange losses on EUR denominated bank loans in Polish subsidiaries. The foreign exchange losses occurred as a result of depreciation of HUF against EUR in the first half of 2014 and PLN, HUR and RON in the first half of 2013.

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

| | Polish Zloty | Hungarian Forint | Romanian Lei | Bulgarian Lev |
|---|---|---|---|---|
| **Closing rates** | | | | |
| 30 September 2014 | 4.1755 | 310.36 | 4.4114 | 1.9558 |
| 31 December 2013 | 4.1472 | 296.91 | 4.4847 | 1.9558 |
| % Change | 1% | 5% | -2% | 0% |
| 30 September 2013 | 4.2163 | 298.48 | 4.4604 | 1.9558 |
| 31 December 2012 | 4.0882 | 291.29 | 4.4287 | 1.9558 |
| % Change | 3% | 2% | 1% | 0% |
| **Average rates** | | | | |
| 1.1-30.09.2014 | 4.1757 | 308.76 | 4.4100 | 1.9558 |
| Year 2013 | 4.1850 | 289.42 | 4.4895 | 1.9558 |
| % Change | 0% | 7% | -2% | 0% |
| 1.1-30.09.2013 | 4.2017 | 296.70 | 4.4627 | 1.9558 |

**Net Asset Value**

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

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

The Property Manager's basic fee and performance fee are determined by the annual adjusted NAV. For the nine months to 30 September 2014 the basic fee payable to AMC was €1.5 million - based on the adjusted NAV as of 31 December 2013 (€1.1 million for the nine months period ended 30 September 2013- based on the adjusted NAV as of 31 December 2012).

**Ongoing activities**

During the first nine months of 2014, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

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

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

**Financial management, operational management and material risks**

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

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

**Global economic conditions**

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

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

**Financing and liquidity**

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

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

**Currency and foreign exchange**

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

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

**Conclusions and Prospects**

AMC's key strategic objective is the maximisation of value for the Company's Shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with local market knowledge and expertise. Good progress has been made with the sales of key development projects in Warsaw (*Apartamenty przy Krasińskiego*, *Concept House* and *Capital Art Apartments III&IV*). The last apartments in *Platinum Towers* were sold in 2014. In April and July 2013 the constructions of *Concept House and Apartamenty przy Krasińskiego* were successfully completed and as of 30 September 2014 the construction of the third and fourth stage of *Capital Art Apartments* is in progress. Moreover in the third quarter of 2013 the Company managed to purchase two plots in Warsaw for use in future residential development projects.

**Reuven Havar**
**Chief Executive Officer**

**Ziv Zviel**
**Chief Financial Officer**
**Chief Operating Officer**

Atlas Management Company Limited
14 November 2014

**Property Portfolio Information**

| Location/Property | Description | Company's ownership |
|---|---|---|
| **Poland** | | |
| Hilton Hotel | First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large convention centre, fitness club and spa Holmes Place Premium, casino and retail outlets. Location close to the central business district in Wola area of Warsaw. | 100% |
| Platinum Towers | 396 apartments in two towers; the residential development has been completed in the 3rd quarter of 2009 with two residential towers and a piazza. Location close to the central business district in Wola area of Warsaw. | 100% |
| Atlas Estates Tower *(former name: Platinum Towers – offices)* | Land with zoning for an office/residential tower planned over 42 floors. | 100% |
| Galeria Platinum Towers | Commercial area on the ground and first floors Platinum Towers with 1,842 square meters of gallery and 208 parking places almost fully let to tenants. | 100% |
| Capital Art Apartments | 784 apartments, four stage development, with Stage 1 completed in 4th quarter 2008 and all apartments sold. Stage 2, with the construction of 300 apartments, completed in 2009, out of which 297 have already been sold. Construction of stages 3 and 4 commenced in 4th quarter 2012 and 3rd quarter 2013. Location close to the central business district in Wola area of Warsaw. | 100% |
| Nakielska Apartment Project | *Nakielska Apartment Project* is a residential development in the Wola district of Warsaw. It will be a two stage development which will release 240 apartments with parking and amenities, including retail facilities. This project is an early planning phase. | 100% |
| Apartamenty przy Krasińskiego, stage I | Residential project in Warsaw. The construction was completed in July 2013. The project released 303 apartments out of which 294 were sold or presold till 30 September 2014. | 100% |
| Apartamenty przy Krasińskiego, stage II | The second stage of the successful development project in Warsaw. This stage is in an early planning phase and it is estimated that it will release approximately 170 apartments with underground parking and retail facilities. | 100% |
| Millennium Tower | 32,700 square meters of office and retail space in the central business district of Warsaw with 6,100 square meters of retail and 26,600 square meters of office space. | 100% |
| Concept House | The construction of this residential project was completed in April 2013. Location in Mokotow district close to the central business district of Warsaw. As of 30 September 2014 only 15 apartments out of 160 apartments were still available for sale. | 50% |
| Sadowa project | 6,550 square meters office building with 100% occupancy close to the city centre of Gdansk. | 100% |
| Kokoszki, Gdansk | 431,591 square meters plot in Gdansk with zoning for construction of 125,000 square meters of mixed use development, situated on the outskirts of Gdansk. | 100% |

| Location/Property | Description | Company's ownership |
|---|---|---|
| **Hungary** | | |
| Ikarus Business Park | 283,000 square meters plot with 110,000 square meters of built business space and 70,000 of currently lettable, located in the 16th district, a suburban area of Budapest | 100% |
| Metropol Office Centre | 7,600 square meters office building in the 13th district of central Budapest. | 100% |
| Atrium Homes | Two phase development of 22,000 square meters of 456 apartments with 235 apartments in phase 1 with building permits, located in the 13th district in central Budapest. | 100% |
| Ligetvaros Centre | 6,300 square meters of office/retail space with rights to build extra 6,400 square meters, located in the 7th district, a central district in Budapest. | 100% |
| Varosliget Centre | 12,000 square meters plot in the 7th district in central Budapest, with zoning for a mixed use development of 31,000 gross square meters. | 100% |
| Moszkva Square | 600 square meters of office and retail space in the Buda district of Budapest. | 100% |
| **Romania** | | |
| Voluntari | 86,861 square meters of land in three adjacent plots at the pre-zoning stage, in the north eastern suburbs of the city, known as Pipera. | 100% |
| Solaris Project | 32,000 square meters plot for re-zoning to mixed-use development in a central district of Bucharest. | 100% |
| Golden Tulip Hotel | 4 star 83 room hotel in central Bucharest in the city centre of Bucharest. | 100% |
| **Bulgaria** | | |
| The Atlas House | Office building in Sofia's city centre with 3,472 square meters of lettable area. | 100% |

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED INCOME STATEMENT**
**For the nine and three months ended 30 September 2014**

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited restated) €'000 | Three months ended 30 September 2013 (unaudited restated) €'000 | Note |
|---|---|---|---|---|---|
| Revenues | 28,092 | 7,445 | 23,905 | 8,491 | 3 |
| Cost of operations | (17,813) | (4,422) | (14,979) | (5,425) | 4.1 |
| **Gross profit** | **10,279** | **3,023** | **8,926** | **3,066** | |
| *Property manager fee* | *(1,555)* | *(532)* | *(1,095)* | *(366)* | |
| *Central administrative expenses* | *(275)* | *(75)* | *(317)* | *(87)* | |
| *Property related expenses* | *(3,601)* | *(1,148)* | *(3,806)* | *(1,246)* | |
| Administrative expenses | (5,431) | (1,755) | (5,218) | (1,699) | 4.2 |
| Other operating income | 490 | 10 | 1,344 | 81 | 5.1 |
| Other operating expense | (265) | (83) | (3,171) | (1) | 5.2 |
| (Decrease)/ Increase in value of investment properties | (14,409) | - | 4,553 | - | |
| **(Loss)/ Profit from operations** | **(9,336)** | **1,195** | **6,434** | **1,447** | |
| Finance income | 221 | 53 | 2,999 | 115 | |
| Finance costs | (4,245) | (1,392) | (4,100) | (1,468) | |
| Other (losses)/ gains – foreign exchange | (1,243) | (578) | (4,618) | 3,111 | |
| Share of losses from equity accounted joint ventures | (94) | (49) | (226) | - | |
| **(Loss)/ Profit before taxation** | **(14,697)** | **(771)** | **489** | **3,205** | |
| Tax charge | (177) | (66) | (352) | (28) | 6 |
| **(Loss)/ Profit for the period** | **(14,874)** | **(837)** | **137** | **3,177** | |
| **Attributable to:** | | | | | |
| Owners of the parent | (14,874) | (837) | 137 | 3,177 | |
| Non-controlling interests | - | - | - | - | |
| | **(14,874)** | **(837)** | **137** | **3,177** | |
| (Loss)/ Profit per €0.01 ordinary share – basic (eurocents) | (31.7) | (1.8) | 0.3 | 6.8 | 8 |
| (Loss)/ Profit per €0.01 ordinary share – diluted (eurocents) | (31.7) | (1.8) | 0.3 | 6.8 | 8 |

All amounts relate to continuing operations.
The notes on pages 25 to 48 form part of this condensed consolidated financial information.

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the nine and three months ended 30 September 2014**

| | Nine months ended 30 September 2014 (unaudited) | Three months ended 30 September 2014 (unaudited) | Nine months ended 30 September 2013 (unaudited) | Three months ended 30 September 2013 (unaudited) |
|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** |
| **LOSS FOR THE PERIOD** | **(14,874)** | **(837)** | **137** | **3,177** |
| **Other comprehensive income:** | | | | |
| *Items that will not be recycled through profit or loss* | | | | |
| Revaluation of buildings | 1,155 | - | 1,943 | 51 |
| Total | 1,155 | - | 1,943 | 51 |
| *Items that may be recycled through profit or loss* | | | | |
| Exchange adjustments | (986) | (124) | (2,390) | 1,776 |
| Deferred tax on exchange adjustments | 122 | 3 | 176 | (84) |
| Total | (864) | (121) | (2,214) | 1,692 |
| **Other comprehensive income/ (loss) for the period (net of tax)** | **291** | **(121)** | **(271)** | **1,743** |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | **(14,583)** | **(958)** | **(134)** | **4,920** |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | (14,583) | (958) | (134) | 4,920 |
| Non-controlling interests | - | - | - | - |
| | **(14,583)** | **(958)** | **(134)** | **4,920** |

The notes on pages 25 to 48 form part of this condensed consolidated financial information.

## ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 30 September 2014**

| | 30 September 2014 (unaudited) €'000 | 30 June 2014 (unaudited) €'000 | 31 December 2013 (restated) €'000 | 30 September 2013 (restated) €'000 | Note |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 150 | 170 | 225 | 199 | |
| Land under operating lease - prepayments | 11,557 | 11,633 | 11,743 | 11,586 | |
| Total investment in equity accounted joint ventures | 1,726 | 2,192 | 3,195 | 2,841 | |
| Property, plant and equipment | 79,491 | 80,070 | 79,934 | 80,761 | 9 |
| Investment property | 128,413 | 128,580 | 143,937 | 135,308 | 10 |
| Deferred tax asset | 4,573 | 4,476 | 4,138 | 4,148 | |
| | **225,910** | **227,121** | **243,172** | **234,843** | |
| **Current assets** | | | | | |
| Inventories | 33,279 | 24,263 | 24,784 | 56,653 | 11 |
| Trade and other receivables | 7,402 | 5,191 | 4,050 | 5,047 | |
| Cash and cash equivalents | 16,275 | 23,694 | 20,721 | 18,329 | 12 |
| | **56,956** | **53,148** | **49,555** | **80,029** | |
| Assets held within disposal groups classified as held for sale | 574 | 574 | 600 | 700 | 15 |
| | **57,530** | **53,722** | **50,155** | **80,729** | |
| **TOTAL ASSETS** | **283,440** | **280,843** | **293,327** | **315,572** | |
| **Current liabilities** | | | | | |
| Trade and other payables | (25,703) | (17,846) | (13,866) | (41,293) | |
| Bank loans | (81,103) | (28,922) | (29,506) | (118,646) | 14 |
| Derivative financial instruments | (51) | (43) | (28) | (382) | |
| | **(106,857)** | **(46,811)** | **(43,400)** | **(160,321)** | |
| **Non-current liabilities** | | | | | |
| Other payables | (3,524) | (7,850) | (8,150) | (5,830) | |
| Bank loans | (104,117) | (156,435) | (158,715) | (68,580) | 14 |
| Derivative financial instruments | (132) | (135) | (119) | (949) | |
| Deferred tax liabilities | (7,096) | (6,940) | (6,646) | (6,312) | |
| | **(114,869)** | **(171,360)** | **(173,630)** | **(81,671)** | |
| **TOTAL LIABILITIES** | **(221,726)** | **(218,171)** | **(217,030)** | **(241,992)** | |
| **NET ASSETS** | **61,714** | **62,672** | **76,297** | **73,580** | |

The notes on pages 25 to 48 form part of this consolidated financial information.

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 30 September 2014**

| | 30 September 2014 | 30 June 2014 | 31 December 2013 | 30 September 2013 |
|---|---|---|---|---|
| | (unaudited) | (unaudited) | (audited) | (unaudited) |
| | €'000 | €'000 | €'000 | €'000 |
| **EQUITY** | | | | |
| Share capital account | 6,268 | 6,268 | 6,268 | 6,268 |
| Revaluation reserve | 15,866 | 15,866 | 14,711 | 16,960 |
| Other distributable reserve | 194,817 | 194,817 | 194,817 | 194,817 |
| Translation reserve | (8,511) | (8,390) | (7,647) | (9,023) |
| Accumulated loss | (146,726) | (145,889) | (131,852) | (135,442) |
| **Issued capital and reserves attributable to owners of the parent** | **61,714** | **62,672** | **76,297** | **73,580** |
| Non-controlling interests | - | - | - | - |
| **TOTAL EQUITY** | **61,714** | **62,672** | **76,297** | **73,580** |
| Basic net asset value per share | €1.3 | €1.3 | €1.6 | €1.6 |

The notes on pages 25 to 48 form part of this consolidated financial information. The condensed consolidated financial information on pages 19 to 48 were approved by the Board of Directors on 14 November 2014 and signed on its behalf by:

**Andrew Fox**
**Chairman**

**Mark Chasey**
**Director**

**Guy Indig**
**Director**

**14 November 2014**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**As at 30 September 2014**

| Nine months ended 30 September 2014 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Non-controlling interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| As at 1 January 2014 | 6,268 | 201,881 | (131,852) | 76,297 | - | 76,297 |
| Loss for the period | - | - | (14,874) | (14,874) | - | (14,874) |
| Other comprehensive income for the period | - | 291 | - | 291 | - | 291 |
| **As at 30 September 2014** | **6,268** | **202,172** | **(146,726)** | **61,714** | **-** | **61,714** |

| Three months ended 30 September 2014 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Non-controlling interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| As at 1 July 2014 | 6,268 | 202,293 | (145,889) | 62,672 | - | 62,672 |
| Loss for the period | - | | (837) | (837) | - | (837) |
| Other comprehensive income for the period | - | (121) | - | (121) | - | (121) |
| **As at 30 September 2014** | **6,268** | **202,172** | **(146,726)** | **61,714** | **-** | **61,714** |

| Year ended 31 December 2013 (audited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Non-controlling interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2013** | 6,268 | 203,025 | (135,579) | 73,714 | - | 73,714 |
| Profit for the year | - | - | 3,727 | 3,727 | - | 3,727 |
| Other comprehensive loss for the year | - | (1,144) | - | (1,144) | - | (1,144) |
| **As at 31 December 2013** | **6,268** | **201,881** | **(131,852)** | **76,297** | **-** | **76,297** |

| Nine months ended 30 September 2013 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Non-controlling interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| As at 1 January 2013 | 6,268 | 203,025 | (135,579) | 73,714 | - | 73,714 |
| Loss for the period | - | - | 137 | 137 | - | 137 |
| Other comprehensive loss for the period | - | (271) | - | (271) | - | (271) |
| **As at 30 September 2013** | **6,268** | **202,754** | **(135,442)** | **73,580** | **-** | **73,580** |

The notes on pages 25 to 48 form part of this condensed consolidated financial information.

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**For the nine and three months ended 30 September 2014**

| | Note | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (restated) €'000 | Three months ended 30 September 2013 (restated) €'000 |
|---|---|---|---|---|---|
| **Cash inflow generated from operations** | 12 | **2,586** | **(5,681)** | **19,197** | **11,994** |
| Tax paid | | 56 | - | (5) | - |
| **Net cash inflow/ (outflow) from operating activities** | | **2,642** | **(5,681)** | **19,192** | **11,994** |
| **Investing activities** | | | | | |
| Interest received | | 132 | - | 115 | 45 |
| Purchase of investment property | | (392) | (253) | (568) | (213) |
| Purchase of intangible assets | | (33) | (6) | (8) | (8) |
| Purchase of property, plant and equipment | | (1,092) | (392) | (552) | (299) |
| Loans repaid by equity accounted joint ventures | | 1,375 | 417 | - | - |
| **Net cash (used in)/ from investing activities** | | **(10)** | **(234)** | **(1,013)** | **(475)** |
| **Financing activities** | | | | | |
| Interest paid | | (3,231) | (1,256) | (3,418) | (917) |
| New bank loans raised | | 5,285 | 1,563 | 12,197 | 6,894 |
| Repayments of bank loans | | (9,031) | (1,756) | (21,899) | (9,226) |
| **Net cash used in financing activities** | | **(6,977)** | **(1,449)** | **(13,120)** | **(3,249)** |
| **Net (decrease)/ increase in cash and cash equivalents in the period** | | **(4,345)** | **(7,364)** | **5,059** | **8,270** |
| Effect of foreign exchange rates | | (101) | (55) | (507) | 211 |
| **Net (decrease)/ increase in cash and cash equivalents in the period** | | **(4,446)** | **(7,419)** | **4,552** | **8,481** |
| **Cash and cash equivalents at the beginning of the period** | | **20,721** | **23,694** | **13,777** | **9,848** |
| **Cash and cash equivalent at the end of the period** | | **16,275** | **16,275** | **18,329** | **18,329** |
| **Cash and cash equivalents** | | | | | |
| Cash at bank and in hand | | 16,275 | 16,275 | 18,329 | 18,329 |
| | | **16,275** | **16,275** | **18,329** | **18,329** |

The notes on pages 25 to 48 form part of this condensed consolidated financial information.

# SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**For the nine and three months ended 30 September 2014**

### 1. Basis of preparation

This condensed quarterly financial information for the nine and three months ended 30 September 2014 has been prepared in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" ("IAS 34"). The financial information has been prepared on a going concern basis and on a historical cost basis as amended by the revaluation of land and buildings and investment property, and financial assets and financial liabilities at fair value. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement 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 2013. The nine month financial results are not necessarily indicative of the full year results.

In assessing the going concern basis of preparation of the condensed consolidated interim financial information for the nine months ended 30 September 2014, the directors have taken into account the status of current negotiations on loans. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies. These are disclosed in note 14 as part of the bank loans note.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated financial statements for the nine and three months ended 30 September 2014.

### 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 2013, as described in the annual financial statements for the year ended 31 December 2013, except from the implementation of IFRS 11 Joint Agreements, and with those expected to be applied to the financial statements for the year ended 31 December 2014.

The Group changed its accounting policy on joint ventures from 1 January 2014 following the introduction of IFRS 11 Joint Arrangements, which applies to the current period. Under IFRS 11, the group's share of joint ventures have been accounted for using the equity method rather than proportionally consolidated, from the beginning of the earliest period presented (1 January 2013). As a result the previously reported consolidated statement of financial position, consolidated income statement and consolidated cash flow statement had to be restated.

The group's share of joint ventures is now disclosed as a single line item as "total investment in equity accounted joint ventures" on the consolidated statement of financial position measured at the aggregate of the carrying amounts of the assets and liabilities that had previously been proportionally consolidated (shown on each line of the statement of financial position) together with the group's subsequent share of profits and losses of the joint ventures, its share of other comprehensive income and expenses, loans granted less any impairment.

Consolidated Income Statement (impact of change in accounting policy)

| | 30 September 2014 (unaudited) as per previously reported accounting policy | Adjustment | 30 September 2014 (unaudited) as per new accounting policy | 31 December 2013 (audited) as previously reported | Adjustment | 31 December 2013 (unaudited) as per new accounting policy | 30 September 2013 (unaudited) as previously reported | Adjustment | 30 September 2013 (unaudited) as per new accounting policy |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Revenues | 32,953 | (4,861) | 28,092 | 68,261 | (3,304) | 64,957 | 23,928 | (23) | 23,905 |
| Cost of operations | (22,577) | 4,764 | (17,813) | (45,625) | 3,265 | (42,360) | (15,156) | 177 | (14,979) |
| **Gross profit** | **10,376** | **(97)** | **10,279** | **22,636** | **(39)** | **22,597** | **8,772** | **154** | **8,926** |
| Administrative expenses | (5,508) | 77 | (5,431) | (10,194) | 8 | (10,186) | (5,218) | - | (5,218) |
| Other operating income | 544 | (54) | 490 | 1,900 | (230) | 1,670 | 1,599 | (255) | 1,344 |
| Other operating expense | (290) | 25 | (265) | (3,065) | - | (3,065) | (3,171) | - | (3,171) |
| (Decrease)/ Increase in value of investment properties | (14,409) | - | (14,409) | (892) | - | (892) | 4,553 | - | 4,553 |
| **(Loss)/ Profit from operations** | **(9,287)** | **(49)** | **(9,336)** | **10,385** | **(261)** | **10,124** | **6,535** | **(101)** | **6,434** |
| Finance income | 221 | - | 221 | 3,040 | 21 | 3,061 | 2,999 | - | 2,999 |
| Finance costs | (4,311) | 66 | (4,245) | (6,117) | 186 | (5,931) | (4,251) | 151 | (4,100) |
| Other (losses)/ gains – foreign exchange | (1,346) | 103 | (1,243) | (2,977) | 160 | (2,817) | (4,817) | 199 | (4,618) |
| Share of profits from equity accounted joint ventures | - | (94) | (94) | - | (138) | (138) | - | (226) | (226) |
| **(Loss)/ Profit before taxation** | **(14,723)** | **26** | **(14,697)** | **4,331** | **(32)** | **4,299** | **466** | **23** | **489** |
| Tax charge | (151) | (26) | (177) | (604) | 32 | (572) | (329) | (23) | (352) |
| **(Loss)/ Profit for the period** | **(14,874)** | **-** | **(14,874)** | **3,727** | **-** | **3,727** | **137** | **-** | **137** |

# SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**For the nine and three months ended 30 September 2014**

Consolidated Statement of Comprehensive Income (impact of change in accounting policy)

| | 30 September 2014 (unaudited) as per previously reported accounting policy | Adjustment | 30 September 2014 (unaudited) as per new accounting policy | 31 December 2013 (audited) as previously reported | Adjustment | 31 December 2013 (unaudited) as per new accounting policy | 30 September 2013 (unaudited) as previously reported | Adjustment | 30 September 2013 (unaudited) as per new accounting policy |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Other comprehensive (loss)/ income:** | | | | | | | | | |
| Revaluation of buildings | 1,155 | | 1,155 | (306) | | (306) | 1,943 | | 1,943 |
| Exchange adjustments | (986) | | (986) | (920) | | (920) | (2,390) | | (2,390) |
| Deferred tax on exchange adjustments | 122 | | 122 | 82 | | 82 | 176 | | 176 |
| **Other comprehensive (loss)/ income for the period (net of tax)** | **291** | **-** | **291** | **(1,144)** | **-** | **(1,144)** | **(271)** | **-** | **(271)** |
| **TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD** | **(14,583)** | **-** | **(14,583)** | **2,583** | **-** | **2,583** | **(134)** | **-** | **(134)** |
| **Total comprehensive (loss)/ income attributable to:** | | | | | | | | | |
| Owners of the parent | (14,583) | - | (14,583) | 2,583 | - | 2,583 | (134) | - | (134) |
| Non-controlling interests | - | - | - | - | - | - | - | - | - |
| | **(14,583)** | **-** | **(14,583)** | **2,583** | **-** | **2,583** | **(134)** | **-** | **(134)** |
| (Loss)/ Profit per €0.01 ordinary share – basic (eurocents) | (31.7) | - | (31.7) | 8.0 | - | 8.0 | 0.3 | - | 0.3 |
| (Loss)/ Profit per €0.01 ordinary share – diluted (eurocents) | (31.7) | - | (31.7) | 8.0 | - | 8.0 | 0.3 | - | 0.3 |

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**For the nine and three months ended 30 September 2014**

Consolidated Statement of Financial Position (impact of change in accounting policy)

| | 30 September 2014 (unaudited) as per previously reported accounting policy | Adjustment | 30 September 2014 (unaudited) as per new accounting policy | 31 December 2013 (audited) as previously reported | Adjustment | 31 December 2013 (unaudited) as per new accounting policy | 30 September 2013 (unaudited) as previously reported | Adjustment | 30 September 2013 (unaudited) as per new accounting policy |
|---|---|---|---|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Intangible assets | 150 | - | 150 | 225 | - | 225 | 199 | - | 199 |
| Land under operating lease - prepayments | 11,557 | - | 11,557 | 11,743 | - | 11,743 | 11,586 | - | 11,586 |
| Interests in equity accounted joint ventures | - | 1,726 | 1,726 | - | 3,195 | 3,195 | - | 2,841 | 2,841 |
| Property, plant and equipment | 79,538 | (47) | 79,491 | 80,072 | (138) | 79,934 | 80,761 | - | 80,761 |
| Investment property | 128,413 | - | 128,413 | 143,937 | - | 143,937 | 135,308 | - | 135,308 |
| Other loans receivable | 1,629 | (1,629) | - | 2,358 | (2,358) | - | 3,362 | (3,362) | - |
| Deferred tax asset | 4,813 | (240) | 4,573 | 4,366 | (228) | 4,138 | 4,410 | (262) | 4,148 |
| | **226,100** | **(190)** | **225,910** | **242,701** | **471** | **243,172** | **235,626** | **(783)** | **234,843** |
| **Current assets** | | | | | | | | | |
| Inventories | 35,096 | (1,817) | 33,279 | 31,202 | (6,418) | 24,784 | 69,710 | (13,057) | 56,653 |
| Trade and other receivables | 7,434 | (32) | 7,402 | 4,077 | (27) | 4,050 | 5,101 | (54) | 5,047 |
| Cash and cash equivalents | 16,284 | (9) | 16,275 | 21,310 | (589) | 20,721 | 18,816 | (487) | 18,329 |
| | **58,814** | **(1,858)** | **56,956** | **56,589** | **(7,034)** | **49,555** | **93,627** | **(13,598)** | **80,029** |
| Assets held within disposal groups classified as held for sale | 574 | - | 574 | 600 | - | 600 | 700 | - | 700 |
| | **59,388** | **(1,858)** | **57,530** | **57,189** | **(7,034)** | **50,155** | **94,327** | **(13,598)** | **80,729** |
| **TOTAL ASSETS** | **285,488** | **(2,048)** | **283,440** | **299,890** | **(6,563)** | **293,327** | **329,953** | **(14,381)** | **315,572** |

| | 30 September 2014 (unaudited) as per previously reported accounting policy | Adjustment | 30 September 2014 (unaudited) as per new accounting policy | 31 December 2013 (audited) as previously reported | Adjustment | 31 December 2013 (unaudited) as per new accounting policy | 30 September 2013 (unaudited) as previously reported | Adjustment | 30 September 2013 (unaudited) as per new accounting policy |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Current liabilities** | | | | | | | | | |
| Trade and other payables | (26,130) | 427 | (25,703) | (17,075) | 3,209 | (13,866) | (47,125) | 5,832 | (41,293) |
| Bank loans | (81,103) | - | (81,103) | (30,509) | 1,003 | (29,506) | (123,635) | 4,989 | (118,646) |
| Derivative financial instruments | (51) | - | (51) | (28) | - | (28) | (382) | - | (382) |
| | **(107,284)** | **427** | **(106,857)** | **(47,612)** | **4,212** | **(43,400)** | **(171,142)** | **10,821** | **(160,321)** |
| **Non-current liabilities** | | | | | | | | | |
| Other payables | (5,145) | 1,621 | (3,524) | (10,501) | 2,351 | (8,150) | (9,189) | 3,359 | (5,830) |
| Bank loans | (104,117) | - | (104,117) | (158,715) | - | (158,715) | (68,580) | - | (68,580) |
| Derivative financial instruments | (132) | - | (132) | (119) | - | (119) | (949) | - | (949) |
| Deferred tax liabilities | (7,096) | - | (7,096) | (6,646) | - | (6,646) | (6,513) | 201 | (6,312) |
| | **(116,490)** | **1,621** | **(114,869)** | **(175,981)** | **2,351** | **(173,630)** | **(85,231)** | **3,560** | **(81,671)** |
| **TOTAL LIABILITIES** | **(223,774)** | **2,048** | **(221,726)** | **(223,593)** | **6,563** | **(217,030)** | **(256,373)** | **14,381** | **(241,992)** |
| **NET ASSETS** | **61,714** | **-** | **61,714** | **76,297** | **-** | **76,297** | **73,580** | **-** | **73,580** |
| **EQUITY** | | | | | | | | | |
| Share capital account | 6,268 | - | 6,268 | 6,268 | - | 6,268 | 6,268 | - | 6,268 |
| Revaluation reserve | 15,866 | - | 15,866 | 14,711 | - | 14,711 | 16,960 | - | 16,960 |
| Other distributable reserve | 194,817 | - | 194,817 | 194,817 | - | 194,817 | 194,817 | - | 194,817 |
| Translation reserve | (8,511) | - | (8,511) | (7,647) | - | (7,647) | (9,023) | - | (9,023) |
| Accumulated loss | (146,726) | - | (146,726) | (131,852) | - | (131,852) | (135,442) | - | (135,442) |
| **Issued capital and reserves attributable to owners of the parent** | **61,714** | **-** | **61,714** | **76,297** | **-** | **76,297** | **73,580** | **-** | **73,580** |
| Non-controlling interests | - | - | - | - | - | - | - | - | - |
| **TOTAL EQUITY** | **61,714** | **-** | **61,714** | **76,297** | **-** | **76,297** | **73,580** | | **73,580** |

Consolidated Cash Flow Statement (impact of change in accounting policy)

| | 30 September 2014 (unaudited) as per previously reported accounting policy | Adjustment | 30 September 2014 (unaudited) as per new accounting policy | 31 December 2013 (audited) as previously reported | Adjustment | 31 December 2013 (unaudited) as per new accounting policy | 30 September 2013 (unaudited) as previously reported | Adjustment | 30 September 2013 (unaudited) as per new accounting policy |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash flows from operating activity | 3,065 | (423) | 2,642 | 26,753 | 2,760 | 29,513 | 20,967 | (1,775) | 19,192 |
| Net cash flows from investing activity | (10) | - | (10) | (1,811) | - | (1,811) | (1,013) | - | (1,013) |
| Net cash flows from financing activity | (7,980) | 1,003 | (6,977) | (17,962) | (2,613) | (20,575) | (15,144) | 2,024 | (13,120) |
| Effect of foreign exchange rates | (101) | - | (101) | (183) | - | (183) | (507) | - | (507) |
| Net increase/ (decrease) in cash and cash equivalents | (5,026) | 580 | (4,446) | 6,797 | 147 | 6,944 | 4,303 | 249 | 4,552 |

**3. Business segments**

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 divisions is presented below:

| **Nine months ended 30 September 2014 (unaudited)** | **Property rental €'000** | **Residential sales €'000** | **Hotel operations €'000** | **Other €'000** | **2014 €'000** |
|---|---|---|---|---|---|
| Revenues | 8,965 | 5,839 | 13,133 | 155 | 28,092 |
| Cost of operations | (4,062) | (4,920) | (8,831) | - | (17,813) |
| **Gross profit** | **4,903** | **919** | **4,302** | **155** | **10,279** |
| Administrative expenses | (613) | (337) | (2,343) | (2,138) | (5,431) |
| **Gross profit/ (loss) less administrative expenses** | **4,290** | **582** | **1,959** | **(1,983)** | **4,848** |
| Other operating income | 184 | 306 | - | - | **490** |
| Other operating expenses | (27) | (45) | (122) | (71) | **(265)** |
| Decrease in value of investment properties | (14,409) | - | - | - | **(14,409)** |
| **(Loss)/ profit from operations** | **(9,962)** | **843** | **1,837** | **(2,054)** | **(9,336)** |
| Finance income | 46 | 138 | 37 | - | **221** |
| Finance costs | (2,943) | (139) | (1,163) | - | **(4,245)** |
| Other gains and (losses) – foreign exchange | (1,051) | 141 | (290) | (43) | **(1,243)** |
| Share of profits from equity accounted joint ventures | - | (94) | - | - | **(94)** |
| **Segment result before tax** | **(13,910)** | **889** | **421** | **(2,097)** | **(14,697)** |
| Tax charge | - | - | - | - | (177) |
| **Loss for the period as reported in the income statement** | - | - | - | - | **(14,874)** |
| **Net loss attributable to owners of the parent** | **-** | **-** | **-** | **-** | **(14,874)** |

| **Nine months ended 30 September 2014 (unaudited)** | **Property rental €'000** | **Residential sales €'000** | **Hotel operations €'000** | **Other €'000** | **2014 €'000** |
|---|---|---|---|---|---|
| Reportable segment assets | 139,987 | 49,620 | 92,437 | - | 282,044 |
| Unallocated assets | - | - | - | 1,396 | 1,396 |
| **Total assets** | **139,987** | **49,620** | **92,437** | **1,396** | **283,440** |
| Reportable segment liabilities | (140,611) | (15,214) | (61,444) | - | (217,269) |
| Unallocated liabilities | - | - | - | (4,457) | (4,457) |
| **Total liabilities** | **(140,611)** | **(15,214)** | **(61,444)** | **(4,457)** | **(221,726)** |

| **Nine months ended 30 September 2014 (unaudited)** | **Property rental €'000** | **Residential sales €'000** | **Hotel operations €'000** | **Other €'000** | **2014 €'000** |
|---|---|---|---|---|---|
| **Other segment items** | | | | | |
| Capital expenditure | 399 | 629 | 560 | 38 | **1,626** |
| Depreciation | 37 | 75 | 2,059 | 13 | **2,184** |
| Amortisation | 1 | 20 | 133 | 59 | **213** |

Segment information about these businesses for the three months ended 30 September 2014 and 2013 is presented below:

| Three months ended 30 September 2014 (unaudited) | Property rental €'000 | Residential sales €'000 | Hotel operations €'000 | Other €'000 | 2014 €'000 |
|---|---|---|---|---|---|
| Revenues | 2,839 | 690 | 3,893 | 23 | 7,445 |
| Cost of operations | (1,245) | (647) | (2,530) | - | (4,422) |
| **Gross profit** | **1,594** | **43** | **1,363** | **23** | **3,023** |
| Administrative expenses | (265) | (97) | (679) | (714) | (1,755) |
| **Gross profit less administrative expenses** | **1,329** | **(54)** | **684** | **(691)** | **1,268** |
| Other operating income | 22 | (24) | 12 | - | **10** |
| Other operating expenses | (8) | (14) | (8) | (53) | **(83)** |
| Decrease in value of investment properties | - | - | - | - | **-** |
| **Profit/ (loss) from operations** | **1,343** | **(92)** | **688** | **(744)** | **1,195** |
| Finance income | 13 | 39 | 3 | (2) | **53** |
| Finance costs | (952) | (44) | (396) | - | **(1,392)** |
| Other gains and (losses) – foreign exchange | (374) | 5 | (185) | (24) | **(578)** |
| Share of profits from equity accounted joint ventures | - | (49) | - | - | **(49)** |
| **Segment result before tax** | **30** | **(141)** | **110** | **(770)** | **(771)** |
| Tax charge | | | | | (66) |
| **Loss for the period as reported in the income statement** | | | | | **(837)** |
| **Net loss attributable to owners of the parent** | | | | | **(837)** |

| Three months ended 30 September 2014 (unaudited) | Property rental €'000 | Residential sales €'000 | Hotel operations €'000 | Other €'000 | 2014 €'000 |
|---|---|---|---|---|---|
| Reportable segment assets | 139,987 | 49,620 | 92,437 | - | 282,044 |
| Unallocated assets | - | - | - | 1,396 | 1,396 |
| **Total assets** | **139,987** | **49,620** | **92,437** | **1,396** | **283,440** |
| Reportable segment liabilities | (140,611) | (15,214) | (61,444) | - | (217,269) |
| Unallocated liabilities | - | - | - | (4,457) | (4,457) |
| **Total liabilities** | **(140,611)** | **(15,214)** | **(61,444)** | **(4,457)** | **(221,726)** |

| Three months ended 30 September 2014 (unaudited) | Property rental €'000 | Residential sales €'000 | Hotel operations €'000 | Other €'000 | 2014 €'000 |
|---|---|---|---|---|---|
| **Other segment items** | | | | | |
| Capital expenditure | 255 | 148 | 351 | 6 | **760** |
| Depreciation | 13 | 25 | 652 | 3 | **693** |
| Amortisation | - | 7 | 44 | 9 | **60** |

There are immaterial sales between the business segments. Unallocated costs represent corporate expenses. Segment assets include investment property, property, plant and equipment, intangible assets, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and financing liabilities.

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

Unallocated liabilities include accrued costs and deferred taxation liabilities within the Company and selected sub-holding companies as at the balance sheet date. Unallocated liabilities also include some borrowings, as these are non-operating activities.

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

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

## 4. Analysis of expenditure

### 4.1 Cost of operations

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) restated €'000 | Three months ended 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Costs of sale of residential property | (4,333) | (459) | (1,054) | (892) |
| Utilities, services rendered and other costs | (7,433) | (2,112) | (7,762) | (2,477) |
| Legal and professional expenses | (1,033) | (326) | (1,028) | (332) |
| Staff costs | (3,496) | (1,051) | (3,561) | (1,136) |
| Sales and direct advertising costs | (692) | (201) | (959) | (340) |
| Depreciation and amortisation | (926) | (271) | (713) | (248) |
| Reversal of impairment/ (impairment on inventory) | 100 | (2) | 98 | - |
| **Cost of operations** | **(17,813)** | **(4,422)** | **(14,979)** | **(5,425)** |

### 4.2 Administrative expenses

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) restated €'000 | Three months ended 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Audit and tax services | (154) | (33) | (164) | (52) |
| Incentive and management fee | (1,555) | (532) | (1,095) | (366) |
| Legal and other professional fees | (442) | (143) | (507) | (148) |
| Utilities, services rendered and other costs | (855) | (199) | (931) | (266) |
| Staff costs | (906) | (287) | (811) | (272) |
| Depreciation and amortisation | (1,471) | (482) | (1,453) | (493) |
| Other administrative expenses | (48) | (79) | (257) | (102) |
| **Administrative expenses** | **(5,431)** | **(1,755)** | **(5,218)** | **(1,699)** |

### 5. Other operating income/ (expenses)

#### 5.1 Other operating income

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) restated €'000 | Three months ended 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Income from insurance | 6 | - | 29 | 23 |
| Income from tax refund | 316 | - | 587 | - |
| Reversal of land bank impairment | - | - | - | (309) |
| Other operating income | 168 | 10 | 728 | 367 |
| **Other operating income** | **490** | **10** | **1,344** | **81** |

#### 5.2 Other operating expenses

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) restated €'000 | Three months ended 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Interest and fees | (9) | - | (15) | 74 |
| Loss on disposal of property, plant and equipment | (77) | - | - | - |
| Other operating expenses | (179) | (83) | (257) | (75) |
| Impairment on property, plant and equipment | - | - | (2,899) | - |
| **Other operating expenses** | **(265)** | **(83)** | **(3,171)** | **(1)** |

### 6. Tax expense

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) restated €'000 | Three months ended 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Current tax | (12) | 9 | (47) | (17) |
| Deferred tax | (165) | (75) | (305) | (11) |
| **Tax charge for the period** | **(177)** | **(66)** | **(352)** | **(28)** |

Deferred tax expense is an effect of release of deferred tax asset that is no longer expected to be realised.

### 7. Dividends

There were no dividends declared or paid in the three and nine months ended 30 September 2013 (2012: €nil).

**8. Earnings/ (loss) per share ("EPS"/ "LPS")**

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

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

| **Nine months ended 30 September 2014 (unaudited) Continuing operations** | **Loss €'000** | **Weighted average number of shares** | **Per share amount Eurocents** |
|---|---|---|---|
| **Basic (LPS)** | | | |
| Loss attributable to equity shareholders of the Company | (14,874) | 46,852,014 | **(31.7)** |
| **Diluted (LPS)** Adjusted loss | **(14,874)** | **46,852,014** | **(31.7)** |

| **Three months ended 30 September 2014 (unaudited) Continuing operations** | **Loss €'000** | **Weighted average number of shares** | **Per share amount Eurocents** |
|---|---|---|---|
| **Basic (LPS)** | | | |
| Loss attributable to equity shareholders of the Company | (837) | 46,852,014 | **(1.8)** |
| **Diluted (LPS)** Adjusted loss | **(837)** | **46,852,014** | **(1.8)** |

| **Nine months ended 30 September 2013 (unaudited) Restated Continuing operations** | **Loss €'000** | **Weighted average number of shares** | **Per share amount Eurocents** |
|---|---|---|---|
| **Basic (EPS)** | | | |
| Profit attributable to equity shareholders of the Company | 137 | 46,852,014 | **0.3** |
| **Diluted (EPS)** Adjusted profit | **137** | **46,852,014** | **0.3** |

| **Three months ended 30 September 2013 (unaudited) Restated Continuing operations** | **Loss €'000** | **Weighted average number of shares** | **Per share amount Eurocents** |
|---|---|---|---|
| **Basic (EPS)** | | | |
| Profit attributable to equity shareholders of the Company | 3,177 | 46,852,014 | **6.8** |
| **Diluted (EPS)** Adjusted profit | **3,177** | **46,852,014** | **6.8** |

### 9. Property, plant and equipment

| | Buildings | Plant and equipment | Motor vehicles | Total |
|---|---|---|---|---|
| **Restated** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Cost or valuation** | | | | |
| At 1 January 2013 | 81,540 | 11,316 | 95 | 92,951 |
| Additions at cost | 301 | 637 | - | 938 |
| Exchange adjustments | (1,252) | (153) | - | (1,405) |
| Disposals | (211) | (170) | - | (381) |
| Revaluation | (1,984) | (480) | - | (2,464) |
| **At 31 December 2013** | **78,394** | **11,150** | **95** | **89,639** |
| Additions at cost | 221 | 871 | - | 1,092 |
| Revaluation | - | - | - | - |
| Disposals | - | (171) | - | (171) |
| Exchange adjustments | (445) | (83) | (1) | (529) |
| **At 30 September 2014** | **78,170** | **11,767** | **94** | **90,031** |
| | | | | |
| **Accumulated depreciation** | | | | |
| At 1 January 2013 | (2,622) | (4,719) | (63) | (7,404) |
| Charge for the year | (1,902) | (765) | (8) | (2,675) |
| Exchange adjustments | 138 | 56 | - | 194 |
| Disposals | 65 | 115 | - | 180 |
| **At 31 December 2013** | **(4,321)** | **(5,313)** | **(71)** | **(9,705)** |
| Charge for the period | (1,345) | (833) | (6) | (2,184) |
| Adjustment due to revaluation | 1,155 | - | - | 1,155 |
| Disposals | - | 90 | - | 90 |
| Exchange adjustments | 64 | 40 | - | 104 |
| **At 30 September 2014** | **(4,447)** | **(6,016)** | **(77)** | **(10,540)** |
| **Net book value at 30 September 2014** | **73,170** | **5,751** | **17** | **79,491** |
| **Net book value at 31 December 2013** | **74,073** | **5,837** | **24** | **79,934** |

| | Buildings | Plant and equipment | Motor vehicles | Total |
|---|---|---|---|---|
| **Restated** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Cost or valuation** | | | | |
| At 1 January 2014 | 78,394 | 11,150 | 95 | 89,639 |
| Additions at cost | 70 | 630 | - | 700 |
| Revaluation | 262 | - | - | 262 |
| Disposals | - | (166) | - | (166) |
| Exchange adjustments | (141) | (45) | (1) | (187) |
| **At 30 June 2014** | **78,585** | **11,569** | **94** | **90,248** |
| | | | | |
| **Accumulated depreciation** | | | | |
| At 1 January 2014 | (4,321) | (5,313) | (71) | (9,705) |
| Charge for the period | (893) | (594) | (4) | (1,491) |
| Adjustment due to revaluation | 893 | - | - | 893 |
| Disposal | - | 89 | - | 89 |
| Exchange adjustments | 12 | 24 | - | 36 |
| **At 30 June 2014** | **(4,309)** | **(5,794)** | **(75)** | **(10,178)** |
| | | | | |
| **Net book value at 30 June 2014** | **74,276** | **5,775** | **19** | **80,070** |

| | Buildings | Plant and equipment | Motor vehicles | Total |
|---|---|---|---|---|
| **Restated** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Cost or valuation** | | | | |
| At 1 January 2013 | 81,540 | 11,316 | 95 | 92,951 |
| Additions at cost | 324 | 228 | - | 552 |
| Exchange adjustments | (2,209) | (320) | (2) | (2,531) |
| Revaluation | (1,887) | (480) | - | (2,367) |
| **At 30 September 2013** | **76,209** | **10,347** | **92** | **86,648** |
| | | | | |
| **Accumulated depreciation** | | | | |
| At 1 January 2013 | (2,622) | (4,719) | (63) | (7,404) |
| Charge for the period | (1,403) | (570) | (6) | (1,979) |
| Adjustment due to revaluation | 1,403 | - | - | 1,403 |
| Exchange adjustments | - | 134 | 2 | 136 |
| **At 30 September 2013** | **(2,622)** | **(5,155)** | **(67)** | **(7,844)** |
| | | | | |
| **Net book value at 30 September 2013** | **75,146** | **5,589** | **26** | **80,761** |

The Group's hotels, the Hilton in Warsaw and Golden Tulip in Bucharest constitute the majority of the total property, plant and equipment balance. The latest valuation of all hotels was performed as of 30 June 2014 (Hilton hotel) and 31 December 2013 (Golden Tulip hotel) by qualified professional valuers working for the company of Jones Lang LaSalle Sp. z o.o., Chartered Surveyors, 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 to the extent they exceed the balance, if any, held on the property revaluation reserve relating to a previous increase in the revaluation of that asset.

The Group has pledged property, plant and equipment of €78.2 million (30 June 2014: €78.9 million; 31 December 2013: €79.2 million, 30 September 2013: €79.6 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €57.1 million (30 June 2014: €57.7 million; 31 December 2013: €58.7 million; 30 September 2013: €59.1 million) are secured on these properties.

**10. Investment property**

| | 30 September 2014 (unaudited) | 30 June 2014 (unaudited) | 31 December 2013 (audited) restated | 30 September 2013 (unaudited) restated |
|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** |
| At beginning of the period/ year | 144,537 | 144,537 | 134,545 | 134,545 |
| Transfer from other assets categories | - | - | 11,800 | - |
| Capitalised subsequent expenditure | 392 | 139 | 1,097 | 569 |
| Exchange movements | (1,531) | (1,112) | (2,011) | (3,658) |
| PV of annual perpetual usufruct fees | (2) | (1) | (2) | (1) |
| Fair value losses | (14,409) | (14,409) | (892) | 4,553 |
| **At the end of period** | **128,987** | **129,154** | **144,537** | **136,008** |
| Less assets classified as held within disposal groups classified as held for sale (note 14) | (574) | (574) | (600) | (700) |
| | **128,413** | **128,580** | **143,937** | **135,308** |

The fair value of the Group's investment properties has been arrived at on the basis of the latest valuation carried out at 31 December 2013 (except for one property in Poland, i.e. Millennium Plaza and two land banks in Romania, which are based on the valuation carried out at 30 June 2014):
- for the properties located in Poland and Romania by Jones Lang LaSalle Sp. z o.o. external independent qualified valuer with recent experience valuing the properties in the location held by the Group;
- for the properties located in Hungary by FHB Ingatlan Zrt external independent qualified valuer with recent experience valuing the properties in the location held by the Group.

All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

The significant decrease of the fair value of investment properties recorded as of 30 September 2014 and 30 June 2014 mainly represent the fair value loss of land banks in Romania. The Market Comparison Method has been used to obtain an initial value for these investment properties. The values were determined directly by reference to observable asking prices and recent realised arm's length transactions. However, these initial valuations have been modified through changes in the assumed orderly sale period between willing participants in order to establish the fair value under current market conditions, resulting in a decrease in valuation of 70%.

The recorded valuations are based on assumed orderly sale periods, of 6 months, rather than 18 months as per the initial and previous valuations, and takes into account the following factors:

- limited development financing available in Romania,
- limited numbers of investors prepared to invest in Romania assets
- developers in Romania reducing their pipeline of scheduled projects and looking to exist planned projects rather than to acquiring new projects
- active investors taking an opportunistic approach to acquire properties under distressed situations.

There remains a risk that eventual disposal prices of these properties could differ significantly from those included in the financial statements.

The Group has pledged investment property of €125.9 million (30 June 2014: €125.9 million; 31 December 2013: €136.0 million; 30 September 2013: €124.9 million) to secure certain banking facilities granted to subsidiaries.

As of 31 December 2013 inventory of €11.8 million was reclassified to investment property category as the Directors intention is rather to sell this asset than develop it in the future.

**11. Inventories**

| | 30 September 2014 (unaudited) €'000 | 30 June 2014 (unaudited) €'000 | 31 December 2013 (audited) restated €'000 | 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Land held for development | 10,848 | 3,495 | 3,730 | 15,403 |
| Assets under construction | 17,297 | 15,092 | 11,658 | 9,635 |
| Completed properties | 3,904 | 4,449 | 8,147 | 30,397 |
| Hotel inventory | 1,230 | 1,227 | 1,249 | 1,218 |
| **Total inventories** | **33,279** | **24,263** | **24,784** | **56,653** |

€4.3 million (30 June 2014: €3.9 million; 31 December 2013: €26.1 million; 30 September 2013: €1.0 million) of inventories was released to cost of operations in the income statement during the period. €0.1 million was recognized in the income statement in relation to reversal of impairment on inventories (30 June 2014: €0.1 million; 31 December 2013: €0.1 million; 30 September 2013: €0.1 million). The stock which is held (below cost) at fair value less cost to sell amounts to €5.2 million (30 June 2014: €5.2 million; 31 December 2013: €5.4 million; 30 September 2013: €17.6 million)

Bank borrowings are secured on the inventory for the value of €25.3 million (30 June 2014: €15.8 million; 31 December 2013: €19.8 million; 30 September 2013: €28.2 million) (note 14).

For the nine months period ended 30 September 2014 borrowing costs of €0.02 million (six months period ended 30 June 2014: €0.01 million; year ended 31 December 2013: €0.3 million, nine months ended 30

September 2013: €0.2 million) that are directly attributable to the construction of qualifying assets are capitalized as part of the cost of inventory until they are substantially ready for use or sale.

### 12. Cash and cash equivalents

| | 30 September 2014 | 30 June 2014 | 31 December 2014 | 30 September 2013 |
|---|---|---|---|---|
| | (unaudited) | (unaudited) | (audited) | (unaudited) |
| | | | restated | restated |
| | €'000 | €'000 | €'000 | €'000 |
| **Cash and cash equivalents** | | | | |
| Cash and cash equivalents | 15,140 | 19,486 | 9,515 | 8,016 |
| Short term bank deposits | 1,135 | 4,208 | 11,206 | 10,313 |
| **Total** | **16,275** | **23,694** | **20,721** | **18,329** |

Included in cash and cash equivalents is €8.3 million (30 June 2014: €8.8 million; 31 December 2013: €8.2 million; 30 September 2013: €7.7 million) restricted cash relating to security and customer deposits.

### 13. Cash generated from operations

| | Nine months ended 30 September 2014 | Three months ended 30 September 2014 | Nine months ended 30 September 2013 | Three months ended 30 September 2013 |
|---|---|---|---|---|
| | (unaudited) | (unaudited) | (restated) | (restated) |
| | €'000 | €'000 | €'000 | €'000 |
| **Loss for the period** | **(14,874)** | **(837)** | **137** | **3,177** |
| **Adjustments for:** | | | | |
| Effects of foreign currency | 1,126 | 503 | 4,779 | (3,272) |
| Finance costs | 4,292 | 1,427 | 4,019 | 1,365 |
| Finance income | (132) | - | (600) | (82) |
| Tax charge | 177 | 66 | 363 | 1 |
| Share of (profits)/ losses from equity accounted joint ventures | 94 | 49 | 226 | - |
| Depreciation of property, plant and equipment | 2,184 | 693 | 1,979 | 680 |
| Amortisation charges | 213 | 60 | 187 | 61 |
| Decrease/ (Increase) in value of investment property | 14,409 | - | (4,552) | - |
| (Reversal of impairment)/ impairment on inventory | (102) | - | (338) | 69 |
| (Reversal of impairment)/ impairment on property, plant and equipment | 77 | - | 2,899 | - |
| Bank loan write off | - | - | (2,376) | - |
| | **7,464** | **1,961** | **6,723** | **1,999** |

| | | | | |
|---|---|---|---|---|
| **Changes in working capital** | | | | |
| (Increase)/ Decrease in inventory | (8,372) | (9,009) | (2,057) | (1,641) |
| Increase in trade and other receivables | (3,352) | (2,211) | (935) | (509) |
| Increase in trade and other payables | 7,118 | 3,515 | 16,422 | 11,559 |
| Effects of foreign currency on working capital translation | (272) | 63 | (956) | 586 |
| | **(4,878)** | **(7,642)** | **12,474** | **9,995** |
| **Cash inflow generated from operations** | **2,586** | **(5,681)** | **19,197** | **11,994** |

**14. Bank loans**

| | 30 September 2014 (unaudited) €'000 | 30 June 2014 (unaudited) €'000 | 31 December 2013 (audited) restated €'000 | 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| **Current** | | | | |
| *Bank loans and overdrafts due within one year or on demand* | | | | |
| Secured | **(81,103)** | **(28,922)** | **(29,506)** | **(118,646)** |
| **Non-current** | | | | |
| *Repayable within two years* | | | | |
| Secured | (92,587) | (144,726) | (145,719) | (2,735) |
| *Repayable within three to five years* | | | | |
| Secured | (8,199) | (7,946) | (9,147) | (61,583) |
| *Repayable after five years* | | | | |
| Secured | (3,331) | (3,763) | (3,849) | (4,262) |
| | **(104,117)** | **(156,435)** | **(158,715)** | **(68,580)** |
| **Total** | **(185,220)** | **(185,357)** | **(188,221)** | **(187,226)** |

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

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 September 2014** | | **174,410** | **10,810** | **185,220** |
| Bank loans and overdrafts – 30 June 2014 | | 175,272 | 10,085 | **185,357** |
| Bank loans and overdrafts – 31 December 2013 | Restated | 176,862 | 11,359 | **188,221** |
| Bank loans and overdrafts – 30 September 2013 | Restated | 176,644 | 10,582 | **187,226** |

*New loans*

On 2 September 2013 the Group obtained financing for *Galeria Platinum Towers* project located in Warsaw. The loan facility amounted to €4.3 million and is to be repaid by 30 June 2018. This facility was used as refinancing of the facility extended to *Platinum Towers* project.
In 2014 no new loans were extended to the Group.

*Repaid loans*

On 31 July 2013 and 4 December 2013 the Group fully repaid the loan facilities extended to the development projects: *Apartamenty przy Krasińskiego* and *Platinum Towers*.

On 11 February 2014 the loan facility extended to *Concept House* residential development was repaid.

*Portfolio of cross* collateralised *banking facilities*

The Group has four facilities that have been cross collateralised since February 2010 totalling €90.8 million (31 December 2013: €90.9 million; 30 June 2013: €91.7 million). Since two of these facilities were due but not paid as of 30 September 2013 all four facilities totalling €90.8million were presented as bank loans and overdrafts due within one year or on demand in the statement of financial position as of 30 September 2013.

On 15 October 2013 the Company signed the amendment to the existing bank loan agreements extending repayment date of unpaid facilities to 31 December 2015. Since 15 October 2013 all four facilities are not in default and are classified as non-current liabilities in the consolidated statement of financial position as of 31 December 2013, 30 June 2014 and 30 September 2014.

*Hotel Hilton bank facility*

In the preparation of the interim condensed consolidated financial statements for the nine months period ended 30 September 2014 the bank facility extended to *Hilton* hotel in Poland amounting to €54.2m was classified as short term liability as it is due in September 2015. The intention of the Company's management is to arrange new financing in order to repay this facility before its due date.

*Other loans*

In the preparation of the interim condensed consolidated financial statements for the nine months period ended 30 September 2014, the directors have classified:
- loan facility totalling €15.5 million as bank loans and overdrafts due within one year or on demand, since covenant breaches or defaults arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan;
- loan facility totalling €10.3 million as bank loans and overdrafts due within one year or on demand since this facility is overdue. On 4 March 2014 the Company signed the compromise agreement with the bank, based on which the Company repaid €1.2 million (PLN5.0 million) and the bank was obliged not to execute any collaterals resulting from the loan facility agreement till 31 March 2014. We attribute efforts in order to try agreeing the way forward with the bank.

**15. Assets classified as held for sale and directly associated liabilities**

In March 2011 Atlas management started to actively market for sale Moszkva office building located in Budapest, Hungary. In September 2012 the Company entered into conditional agreement to sell half of the building for the total price of €700 thousand. This transaction was completed in December 2012.

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

| Assets: | 30 September 2014 (unaudited) €'000 | 30 June 2014 (unaudited) €'000 | 31 December 2013 (audited) restated €'000 | 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Investment property | 574 | 574 | 600 | 700 |
| **Assets held within disposal groups classified as held for sale** | **574** | **574** | **600** | **700** |

| | 30 September 2014 (unaudited) €'000 | 30 June 2014 (unaudited) €'000 | 31 December 2013 (audited) restated €'000 | 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| At beginning of the year | 600 | 600 | 700 | 1,900 |
| Disposals | - | - | - | (700) |
| Exchange movements | (26) | (26) | (14) | 133 |
| Fair value gains/ (losses) | - | - | (86) | (633) |
| **At the end of the year** | **574** | **574** | **600** | **700** |

**16. Related party transactions**

(a) Key management compensation

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) restated €'000 | Three months ended 30 September 2013 (unaudited) restated €'000 |
|---|---|---|---|---|
| Fees for non-executive directors | 34 | 12 | 19 | 6 |

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC received a management fee of €1.5 million and €0.5 million for the nine and three months ended 30 September 2014 respectively (€1.1 million and €0.4 million for the nine and three months ended 30 September 2013 respectively). Under the agreement, AMC are entitled to a performance fee based on the increase in value of the properties over the 12 month period to 31 December 2013. No performance fee has been accrued for the nine and three months ended 30 September 2014 (€nil for the nine and three months ended 30 September 2013) as the performance fee can only be reasonably estimated after the annual valuation of the assets portfolio. For the year ended 31 December 2013 the Company has accrued a performance fee of €2.9 million.

On 15 July 2013 AMC Poland entered into an agreement with the Company's subsidiary – Capital Art Apartments Sp. z o.o. SKA. Based on this agreement AMC Poland administers the sale process of *Capital Art Apartments* development project. As of 30 September 2014 AMC Poland received a fee of €47.7 thousand (30 September 2013: €37 thousand) in relation to this agreement.

As of 30 September 2014 €3.6 million included in current trade and other payables was due to AMC (30 June 2014: €3.4 million; 31 December 2013: €3.2 million; 30 September 2013: €0.8 million) for current period and historic management and performance fee.

(b) On 22 November 2012, the Group acquired 24% interest in the voting shares of Zielono Sp. z o.o., increasing its interests to 100%. As of 30 September 2013 the purchase price of €0.8 million (30 June 2014: €0.8 million; 31 December 2012: €2.9million; 30 September 2012: nil million) is due to former non-controlling shareholder (Coralcliff Limited).

**17. Post balance sheet events**

**17. 1 Financing**

Details of bank financing post balance sheet events have been included in note 14.

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

**17.2 Significant agreements**

No significant agreements have been concluded.

**18. Other items**

**18.1 Information about court proceedings**

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

Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified on 9 March 2011 that Stronginfo Consultants Ltd and Columbia Enterprises Ltd (the "Plaintiffs") have submitted to an arbitrator a statement of claim against Atlas Estates Investment B.V. with its seat in Amsterdam, the subsidiary of AEL as the primary debtor and AEL itself as the guarantor (the "Defendants") asking arbitrator to order the Defendants to provide a full and accurate accounting basis for the calculation of the Completion Consideration as defined in the agreement dated May 8, 2006 on transfer of shares from the Plaintiffs to Atlas Estates Investment B.V. and demanding payments of Completion Consideration which in the absence of any actual accounting yet was estimated by the Plaintiffs of total 55,420,000 PLN.

AEL hereby informs that at the current stage it is not able to assess the legitimacy of the claim as both legal and factual basis of the claim are subject of the investigation of the AEL's legal advisors.

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

**18.2 Financial forecasts**

No financial forecasts have been published by the Company in relation to the year ended 31 December 2014.

**18.3 Substantial shareholdings**

As of 29 October 2014, the Board was aware of the following direct or indirect interest in 3% or more of the Company's ordinary share capital. All shares have equal voting rights.

| Table 1 – Significant Shareholders | Number of Shares held | Percentage of Issued Share Capital |
|---|---|---|
| Vidacos Nominees Limited <BJB> | 34,969,645 | 74.64 |
| Forest Nominees Limited <GC1> | 6,536,925 | 13.95 |
| Euroclear Nominees Limited <EOCO1> | 5,232,896 | 11.17 |
| **TOTAL** | **46,739,466** | **99.76** |

**18.4 Directors' share interests**

There have been no changes to the Directors' share interests during the nine months ended 30 September 2014. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the nine months ended 30 September 2014.

### 19. Principal subsidiary companies and joint ventures

The table below lists the current operating companies of the Group. In addition, the Group owns other entities which have no operating activities. All Group companies are consolidated.

No new subsidiary undertakings were acquired and no significant investments were made in any additional joint ventures during the period ended 30 June 2014. In 2014 Atlas Group set up two Polish subsidiaries (Atlas Estates Przasnyska 9 Sp. z o.o. and La Brea Management Sp. z o.o.) that acquired plots for future development projects.

| 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% |
| 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 | Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością SKA | Development | 100% |
| Poland | Zielono AEP Spółka z ograniczoną odpowiedzialnością SKA | Development | 100% |
| Poland | Properpol Sp. z o.o. | Investment | 100% |
| Poland | Atlas Estates (Millennium) Sp. z o.o. | Investment | 100% |
| Poland | Atlas Estates (Sadowa) Sp. z o.o. | Investment | 100% |
| Poland | Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością SKA | Development | 100% |
| Poland | HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna | Hotel operation | 100% |
| Poland | HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka Jawna | Development | 100% |
| Poland | Atlas Estates (Cybernetyki) Sp. z o.o. | Development | 50% |
| Poland | Atlas Estates (Przasnyska 9) Sp. z o.o. | Development | 100% |
| Poland | La Brea Management Sp. z o.o. | Development | 100% |
| Poland | Atlas Estates (Kokoszki) Sp. z o.o. | Investment | 100% |
| Poland | Atlas FIZ AN | Holding | 100% |
| Hungary | CI-2005 Investment Kft. | Development | 100% |
| Hungary | Cap East Kft. | Investment | 100% |
| Hungary | Felikon Kft. | Investment | 100% |
| Hungary | Ligetváros Kft | Investment | 100% |
| Hungary | Városliget Center Kft | Investment | 100% |
| Hungary | Atlas Estates (Moszkva) Kft. | Investment | 100% |
| Romania | World Real Estate SRL | Investment | 100% |
| Romania | Atlas Solaris SRL | Development | 100% |
| Romania | D.N.B. - Victoria Towers SRL | Hotel operation | 100% |
| Bulgaria | Immobul EOOD | Investment | 100% |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
**For the nine and three months ended 30 September 2014**

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) €'000 | Three months ended 30 September 2013 (unaudited) €'000 |
|---|---|---|---|---|
| Revenues | - | - | - | - |
| Cost of operations | - | - | - | - |
| **Gross profit** | **-** | **-** | **-** | **-** |
| Administrative expenses | (1,028) | (350) | (542) | (167) |
| Other operating income | 858 | - | 2,376 | - |
| Other operating expenses | (19,129) | - | (6,921) | 255 |
| **(Loss)/ Profit from operations** | **(19,299)** | **(350)** | **(5,087)** | **88** |
| Finance income | 130 | 42 | 125 | 47 |
| Finance costs | (49) | (17) | (35) | (16) |
| Other (losses) and gains – foreign exchange | - | - | - | - |
| **(Loss)/ Profit before taxation** | **(19,218)** | **(325)** | **(4,997)** | **119** |
| Tax expense | - | - | - | - |
| **(Loss)/ Profit for the year** | **(19,218)** | **(325)** | **(4,997)** | **119** |
| **Total comprehensive (loss)/ profit for the period** | **(19,218)** | **(325)** | **(4,997)** | **119** |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**As at 30 September 2014**

| | 30 September 2014 (unaudited) €'000 | 30 June 2014 (unaudited) €'000 | 31 December 2013 (audited) €'000 | 30 September 2013 (unaudited) €'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Investment in subsidiaries | 85,095 | 85,095 | 104,224 | 99,964 |
| Loans receivable from subsidiaries | 51 | - | - | - |
| | **85,146** | **85,095** | **104,224** | **99,964** |
| **Current assets** | | | | |
| Trade and other receivables | 10 | 14 | 1 | 377 |
| Cash and cash equivalents | 391 | 603 | 308 | 30 |
| | **401** | **617** | **309** | **407** |
| **TOTAL ASSETS** | **85,547** | **85,712** | **104,533** | **100,371** |
| **Non-current liabilities** | | | | |
| Other payables | (3,182) | (3,165) | (3,133) | (3,118) |
| | **(3,182)** | **(3,165)** | **(3,133)** | **(3,118)** |
| **Current liabilities** | | | | |
| Trade and other payables | (3,106) | (2,963) | (2,923) | (115) |
| | **(3,106)** | **(2,963)** | **(2,923)** | **(115)** |
| **TOTAL LIABILITIES** | **(6,288)** | **(6,128)** | **(6,056)** | **(3,233)** |
| **NET ASSETS** | **79,259** | **79,584** | **98,477** | **97,138** |
| **EQUITY** | | | | |
| Share capital account | 6,268 | 6,268 | 6,268 | 6,268 |
| Other distributable reserve | 194,817 | 194,817 | 194,817 | 194,817 |
| Accumulated loss | (121,826) | (121,501) | (102,608) | (103,947) |
| **TOTAL EQUITY** | **79,259** | **79,584** | **98,477** | **97,138** |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**As at 30 September 2014**

| **Nine Months Ended** | **Share capital account** | **Other reserves** | **Accumulated loss** | **Total** |
|---|---|---|---|---|
| **30 September 2014 (unaudited)** | **€'000** | **€'000** | **€'000** | **€'000** |
| As at 1 January 2014 | 6,268 | 194,817 | (102,608) | 98,477 |
| Total comprehensive loss for the period | - | - | (19,218) | (19,218) |
| **As at 30 September 2014** | **6,268** | **194,817** | **(121,826)** | **79,259** |

| **Three Months Ended** | **Share capital account** | **Other reserves** | **Accumulated loss** | **Total** |
|---|---|---|---|---|
| **30 September 2014 (unaudited)** | **€'000** | **€'000** | **€'000** | **€'000** |
| As at 30 July 2014 | 6,268 | 194,817 | (121,501) | 79,584 |
| Total comprehensive loss for the period | | | (325) | (325) |
| **As at 30 September 2014** | **6,268** | **194,817** | **(121,826)** | **79,259** |

| **Year ended** | **Share capital account** | **Other reserves** | **Accumulated loss** | **Total** |
|---|---|---|---|---|
| **31 December 2013 (audited)** | **€'000** | **€'000** | **€'000** | **€'000** |
| As at 1 January 2013 | 6,268 | 194,817 | (98,950) | 102,135 |
| Total comprehensive loss for the year | - | - | (3,658) | (3,658) |
| **As at 31 December 2013** | **6,268** | **194,817** | **(102,608)** | **98,477** |

| **Nine Months Ended** | **Share capital account** | **Other reserves** | **Accumulated loss** | **Total** |
|---|---|---|---|---|
| **30 September 2013 (unaudited)** | **€'000** | **€'000** | **€'000** | **€'000** |
| As at 1 January 2013 | 6,268 | 194,817 | (98,950) | 102,135 |
| Total comprehensive loss for the period | - | - | (4,997) | (4,997) |
| **As at 30 September 2013** | **6,268** | **194,817** | **(103,947)** | **97,138** |

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED STATEMENT OF CASH FLOWS
**For the nine and three months ended 30 September 2014**

| | Nine months ended 30 September 2014 (unaudited) €'000 | Three months ended 30 September 2014 (unaudited) €'000 | Nine months ended 30 September 2013 (unaudited) €'000 | Three months ended 30 September 2013 (unaudited) €'000 |
|---|---|---|---|---|
| **(Loss)/ Profit for the year** | **(19,218)** | **(325)** | **(4,997)** | **119** |
| **Adjustments for:** | | | | |
| Effects of foreign currency | - | - | - | - |
| Finance costs | 49 | 17 | 35 | 16 |
| Finance income | (130) | (42) | (125) | (47) |
| Profit on assignment of loan receivable | - | - | (2,376) | - |
| Impairment on investments | 19,129 | - | 3,092 | 346 |
| (Reversal of impairment)/ Impairment against loans receivables from subsidiaries | (858) | - | 3,829 | (601) |
| | **(1,028)** | **(350)** | **(542)** | **(167)** |
| **Changes in working capital** | | | | |
| Increase in trade and other receivables | (9) | 4 | (367) | (334) |
| Increase/ (Decrease) in trade and other payables | 183 | 143 | (606) | (119) |
| **Net cash outflow from operating activities** | **(854)** | **(203)** | **(1,515)** | **(620)** |
| **Investing activities** | | | | |
| New loans advanced to subsidiaries | (104) | (9) | (223) | (22) |
| Repayment of loans with subsidiary undertakings | 1,041 | - | 1,460 | 670 |
| **Net cash from/ (used in) investing activities** | **937** | **(9)** | **1,237** | **648** |
| **Financing activities** | | | | |
| Interest received | - | - | - | - |
| Interest paid | - | - | - | - |
| **Net cash (from)/ used in financing activities** | **-** | **-** | **-** | **-** |
| **Net increase/ (decrease) in cash and cash equivalents in the year as a result of cashflows** | **83** | **(212)** | **(278)** | **28** |
| Effect of foreign exchange rates | - | - | - | - |
| **Net decrease in cash and cash equivalents in the year** | **83** | **(212)** | **(278)** | **28** |
| **Cash and cash equivalents at the beginning of the period** | **308** | **603** | **308** | **2** |
| **Cash and cash equivalents at the end of the year** | **391** | **391** | **30** | **30** |
| **Cash and cash equivalents** | | | | |
| Cash at bank and in hand | 391 | 391 | 30 | 30 |
| Bank overdrafts | - | - | - | - |
| | **391** | **391** | **30** | **30** |