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18 May 2010

Atlas Estates Limited

Posting of a circular to shareholders containing the Board's response to the offer by Fragiolig Holdings Limited

The board of directors (the "Board" or "Directors") of Atlas Estates Limited ("the Company"), is pleased to announce the publication of a circular (the "Circular") to the Company's shareholders ("Shareholders") containing the Board's response to the offer (the "Offer") by Fragiolig Holdings Limited for the entire issued, and to be issued, ordinary share capital of the Company as announced on 16 April 2010.

The Offer was declared unconditional in all respects on 12 May 2010, on which day Fragiolig announced that, together with parties acting in concert with it, Fragiolig held or had received acceptances in respect of approximately 56 per cent. of the Ordinary Shares in issue.

The Offer

The Offer is being made on the following basis:

for each Ordinary Share: £0.90 or 3.98 Zloty, in cash.

The Offer values the Company's entire issued ordinary share capital at approximately £42.17 million and represents a substantial discount to the latest published NAV per Share of €2.94 (as stated in the unaudited quarterly results for the three months to 31 March 2010).

The Offer Price represents a slight discount of approximately 2.8 per cent. to the closing price of £0.925 per Ordinary Share on 17 May 2010 (being the latest practicable date prior to the publication of the Circular) and a premium of approximately 11 per cent. to the closing price of £0.81 per Ordinary Share on 13 April 2010 (being the last dealing day prior to the announcement by the Company that it had received an approach in connection with a potential takeover offer) and a premium of approximately 41 per cent. to the three month volume-weighted average price of Ordinary Shares, as at 16 April 2010 (being the date which Fragiolig announced the terms of the Offer).

Full terms of the Offer, together with the procedures for acceptance, are set out in detail in the Offer Document, a copy of which has been sent by Fragiolig to Shareholders and is available at http://www.fragiolig.com.

Background to and reasons for recommending the Offer

It was a difficult business environment for the CEE in 2009, as a direct consequence of the global economic and banking crisis. The majority of the economies in the region were in recession and reported decreases in gross domestic product. As a result there have been large reductions in asset valuations and instability in CEE currencies.

The CEE continues to suffer from the reduction in credit and a difficult local and international banking environment. However the Group has been able to finance some of its development projects and is generating some cash flow from the sale of completed apartments and the asset valuations contained in the 2009 Audited Accounts have been prepared on the basis that it would continue to do so. If the Group had access to additional financial resources, it would have proceeded to develop more of its portfolio.

While in recent months there have been reported improvements in sales demand in Warsaw, the challenging development environment coincided with a difficult market in which to sell development land throughout the CEE as a whole, as evidenced by the delayed completion of the sale of the Slovakian properties initially announced on 3 November 2009 and which has still not completed, due primarily to the purchaser's difficulty in obtaining the relevant consents from loan providers. The result is that some of the Group's assets can neither be developed nor sold on attractive terms at present, or in the foreseeable future.

AMC has been in regular communication with the Group's bankers since the onset of the credit crisis and has negotiated waivers for a series of covenant breaches, in some cases by consenting to cross collateralisation agreements and has agreed revised terms and repayment dates.

Against this background your Board is very conscious of the risks facing the Group and its reliance on the continuing support of its lenders. Accordingly your Board believes that it may be a considerable time before any dividends can be paid to Shareholders.

In summary, the Group has a development portfolio with potential, but is currently limited in its financial ability to exploit it, with some attractive investment assets such as the Warsaw Hilton and a considerable debt burden. Net debt was €245.5 million as at 31 March 2010.

The Offer therefore provides Shareholders an opportunity to exit their investment in the Company, free of dealing costs, at a price of £0.90 (or 3.98 Zloty) per Ordinary Share in cash, such price reflecting the price at which a major Shareholder was willing to sell its holdings in the Company to Fragiolig and the price now required to be extended to all other Shareholders.

The Board regards the Offer Price as being fair in the context of the risks facing the Group, despite the fact that it is at a considerable discount to the underlying NAV per Share as stated in the 2009 Audited Accounts and the more recent results to 31 March 2010. The difficulties experienced in completing the sale of the Slovakian portfolio support the Board's belief that it would not be practicable to sell the portfolio to realise the book value of the Group's net assets in the short term.

The Board also recognises that certain Shareholders who, acknowledging the risks involved (including the possibility of it becoming more difficult to sell Ordinary Shares in the future, particularly if the Company does not maintain its listing on either AIM and/or the WSE) may share the Board's view regarding the potentially greater value of the Group in the longer term and choose to retain their Ordinary Shares. For this reason, the Chairman, who is the only Shareholder on the Board, does not intend to accept the Offer.

Current trading

On 17 May 2010, the Company announced its results for the three months ended 31 March 2010. The results were generally encouraging as the Group has reported a profit after tax of €7.1 million (31 March 2009: loss after tax of €17.4 million) and an increase in basic NAV of 14 per cent. from €113.2 million as at 31 December 2009 to €129.1 million as at 31 March 2010 (31 March 2009: €138.6 million). An independent valuation of the entire property portfolio is carried out on a semi-annual basis by independent valuation experts. Independent valuations may also be performed when a new property is acquired. The most recent valuation was performed at 31 December 2009 by independent real estate advisors, King Sturge. There has been no revaluation of the portfolio as at 31 March 2010 and the increase in the reported NAV has primarily arisen from exchange rate movements.

The Polish economy, which is the major market of operation for the Group (comprising 75 per cent. of the Group's portfolio) has proven to be more resilient than other economies in the CEE region with positive growth of 1.7 per cent. for 2009. In this environment, the Company has achieved significant progress with developments in Warsaw and is realising value from cash in-flows as apartments are sold.

Although for 2010 and beyond there have been forecasts of stabilisation and recovery for certain markets in the CEE, the timing and extent of recovery is uncertain and depends upon how the financial crisis in the global markets resolves itself. The Board continues to believe that potential remains for the economies of the CEE to revert in time to achieve growth rates outperforming those of most Western economies.

Recommendation

The Directors continue to believe in the long-term prospects of the Company, which could be rewarding as and when the CEE property markets and credit environments improve. However, having evaluated the various factors relevant to the Offer and considered the inherent uncertainties and associated risks in the near future of the Company, the Directors consider the Offer Price to be fair.

Accordingly, the Directors, who have been so advised by Fairfax, consider the terms of the Offer to be fair and reasonable and the Directors unanimously recommend that Shareholders accept the Offer. In providing advice to the Board, Fairfax has taken the Directors' commercial assessments into account. In arriving at their recommendation, the Directors have also considered the likely effect of the implementation of the Offer on the business of the Company, employees and locations of the Group.

The Board also recognises that certain Shareholders who, acknowledging the risks involved (as set out in detail in the Circular) may share the Board's view regarding the potentially greater value of the Group in the longer term and choose to retain their Ordinary Shares. **Reflecting this view, the Chairman, who holds 14,785 Ordinary Shares (representing 0.03 per cent. of the Company's current issued share capital), and is the only Director who holds Ordinary Shares, does not intend to accept the Offer in respect of his shareholding.** In making his decision, the Chairman has fully considered the inherent uncertainties and associated risks and recognises that the liquidity of his shareholding may be negatively affected, particularly if the Company does not maintain its listing on either AIM and/or the WSE and is willing to accept such risks in relation to his personal investment.

The Circular is being posted today to Shareholders and shall be available on the Company's website http://www.atlasestates.com.

Enquiries

Fairfax I.S. PLC, Nominated adviser and independent financial adviser to the Company.

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Rachel Rees

All capitalised terms used in this announcement, but not otherwise defined, shall have the same meaning as those contained in the circular sent by Atlas Estates Limited to its Shareholders dated 18 May 2010.

The Directors of Atlas Estates Limited accept responsibility for the information contained in this document, except that the only responsibility accepted by them in respect of information contained in this document relating to Fragiolig, and parties acting in concert with it, which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced and presented. Subject to the aforesaid, to the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

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Dealing Disclosure Requirements

Under Rule 8.3(a) of the City Code on Takeovers and Mergers (the "Code"), any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

Publication on Website

A copy of this announcement will be published on the Company's website, being http://www.atlasestates.com