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5 May 2010

**Opinion of the board of directors of Atlas Estates Limited on the announced Offer by Fragiolig Holdings Limited**

Current Report No. 9/2010

The board of directors (the “Board”) of Atlas Estates Limited (“Atlas”), which comprises in its entirety of non-executive directors and has no executive directors or management board, are pleased to announce their views on the offer (the “Offer”) by Fragiolig Holdings Limited (“Fragiolig” or the “Offeror”) for the entire issued, and to be issued, ordinary share capital of Atlas as announced on 16 April 2010 (the “Announcement”).

On that date, Fragiolig acquired 3,325,346 Atlas ordinary shares (“Atlas Shares”) which Fragiolig announced increased their shareholding, together with that of parties acting in concert with it, to 32.95 per cent. of the issued share capital of Atlas, thereby triggering a requirement under the UK Takeover Code for Fragiolig to make a mandatory cash offer at the same price, being £0.90 per Atlas Share, to all Atlas shareholders (“Shareholders”).

The Announcement stated that Fragiolig is a wholly owned subsidiary of the Izaki Group, an Israel-based real estate development firm and founding shareholder of Atlas. The Izaki Group, together with RP Capital Group, also own and manage Atlas Management Company Limited (“AMC”), which provides executive management services to Atlas.

**The Board’s Opinion on the Offer**

The Board believes that there are no grounds to assert that the Offer will significantly impact the employment level in the Atlas Group.

The Offeror has not provided the Board with any specific information in relation to the proposed future strategy that could form a basis for the determination as to whether the Offer is in Atlas’ best interest and/or the impact on its business.

The Offer represents a slight discount to the closing price of £0.91 per Atlas Share on 5 May 2010 and a premium of approximately 11 per cent. to the closing price of £0.81 per Atlas Share on 13 April 2010 (being the last dealing day prior to the announcement by Atlas 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 Atlas Shares.

The Offer values the entire issued ordinary share capital of Atlas at £42.17 million and represents a substantial discount to the latest published NAV per Atlas Share as at 31 December 2009 of €2.42 (and adjusted NAV per AtlasShare of €2.95).

The Board note that the Offer price reflects the price at which a major Shareholder was willing to sell its holdings in Atlas to Fragiolig and the price now required to be extended to all other Atlas Shareholders.

The Atlas group has a portfolio of investment and development properties in Poland, Hungary, Romania, Bulgaria and, pending the completion of a sale, Slovakia with a bias towards Poland which currently has a more buoyant property market than the other countries. It has been 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 have been in recession and are reporting 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 Atlas 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 Atlas' latest published accounts have been prepared on the basis that it would continue to do so. If Atlas had access to additional financial resources, it would have proceeded to develop more of its portfolio.

The challenging development environment has coincided with a difficult market in which to sell development land, as evidenced by the delayed completion of the sale of the Slovakian properties as announced on the 18 January 2010. The result is that some of Atlas' assets can neither be developed nor sold on attractive terms at present, or in the short term.

In summary, the Atlas 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 €246,725,000 at 31 December 2009.

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

However, the Atlas Board believes that the longer term prospects of the Atlas Group are good and should be rewarding as and when the CEE property markets and credit environments improve. However there is no certainty as to when and/or if this may occur.

The Board, having considered the information currently available to it, including the latest published NAV, Atlas' share price performance and having regard to the risks and operating constraints highlighted above, believe the Offer price to be fair, given it will afford Shareholders an opportunity to obtain cash for their Shares in the timescales of the Offer.

Should acceptances of the Offer result in the Offeror's shareholdings reaching the prescribed levels to enable it to seek to cancel Atlas' quotation on one or both of the exchanges in the future, Atlas Shareholders who do not accept the Offer may subsequently find it difficult to realise his/her Atlas Shares in the future, should Atlas become an unquoted subsidiary of the Izaki Group.

This announcement is being made pursuant to Article 80 of the Act of 29 July 2005 on Public Offers and the Conditions for Introducing Financial Instruments to the Organized Trading System and on Public Companies (Dz.U. 2005, No. 184, poz. 1539, z późn. zm.) (the "**Act on Public Offers**").

A circular to Shareholders complying with the requirements of the City Code on Takeovers and Mergers (the "Code"), will be published by Atlas as soon as practicable after publication of the offer document.

The Board accepts responsibility for the information contained in this announcement. To the best of the knowledge and belief of the Board (who have taken all reasonable care to ensure that such is the case) the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Fairfax IS PLC ("Fairfax"), which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for Atlas and for no one else in connection with the subject matter of this announcement and will not be responsible to any person other than Atlas for providing the protections afforded to clients of Fairfax, nor for providing advice in relation to the subject matter of this announcement or any matter referred to herein. Neither Fairfax nor any of their subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Fairfax in connection with this announcement, any statement contained herein or otherwise.

### **Enquiries**

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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](http://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 [www.atlasestates.com](http://www.atlasestates.com)

### **Bases and sources**

In this announcement, unless otherwise stated or the context otherwise required, the following bases and sources have been used:

- i) the Atlas Share price on a particular date is derived from the closing price on such date as quoted by the London Stock Exchange plc; and
- ii) the NAV per Atlas Share, adjusted NAV per Atlas Share and net debt are all derived from the published in Atlas' audited results for the twelve months to 31 December 2009.

**ENDS**